

Unpacking External Constraints on Africa's Continental Free Trade Ambitions

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Abstract

This article examines whether the creation of a continental free trade area benefits all African countries, using an analysis of external constraints. By employing error-correction models estimated via ordinary least squares throughout 1981 to 2017, the study reveals that several sub-Saharan African nations experience persistent trade deficits, indicating the presence of external constraints. Moreover, countries with fragile currencies are particularly vulnerable to exchange rate volatility.

Keywords: free trade zone, external constraint, development of inter-African trade, fragile currencies, development of production networks

JEL Code: F1, F10, F13, F15, F63

1. Introduction

Over two decades after the 1991 Abuja Treaty, which laid the foundation for the creation of the Economic Community of Africa (ECA), African nations reached a major milestone by signing an agreement to establish a Continental Free Trade Area (AfCFTA).

This agreement, which aimed to create a unified market for goods and services across the continent, was signed in March 2018 by 44 heads of state (Fofack, 2018).

The initiative directly addresses one of the key concerns of African leaders: the slow pace of regional integration. The ultimate goal is to implement a continent-wide free trade system by 2027 (CEA, 2006).

This interest in strengthening the integration process on the African continent, as Békolo Ebé (2001) pointed out, is marked by influences from outside the continent. Indeed, the creation of an African ZLEC can be seen as inspired by the prospect of the ZLEC of the Americas launched at the Miami summit in 1994.

While it is acknowledged that free trade enables trading blocs to have both an allocation and an accumulation effect within a regional grouping (Delas, 2008), we must remember that regionalism is a complex process (Hugon, 1999).

For African countries, regionalism is a gradual process. First, they intend to merge the Common Market for Southeast Africa (COMESA) with the East African Community (EAC) and the Southern African Development Community (SADC) (Dieye, 2016). However, diplomatic constraints on the extension of regional integrations can lead to their weakening or even liquidation (Coussy, 2001).

However, it would be challenging for the various African communities to merge to form a single free-trade zone. This is because African integration follows the classic pattern based on geographical proximity and the immediate vicinity of countries (CEA, 2006). Despite geographical proximity, intra-regional trade remains low. According to UNCTAD (2013), company size and productivity have a significant influence on exports and on the potential for boosting intra-African trade.

In 2018, the share of intra-community trade in total community trade for all eight regional economic communities recognized by the African Union failed to exceed 20%. Over the five years (2014-2018), the annual average of this share was 20.1%; 1.8%; 9.2%; 7.7%; 10.6%; 15.6%; 19.9% and 3.7% respectively for the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African

States (ECOWAS) and the Community of Sahel-Saharan States (CEN-SAD), the Common Market for Eastern and Southern Africa (COMESA), the Intergovernmental Authority on Development (IGAD), the Southern African Development Community (SADC) and the Arab Maghreb Union (AMU).

The share of intra-African trade in Africa's total trade remains low. In 2018, this share represented 15.3%, compared with 68.7% for Europe, 60.1% for Asia, 54.3% for America, 17.2% for South America, and 6.6% for Oceania. This situation had not changed on an annual average basis over the five years (2014-2018), as it has remained in the same proportions at 16.5%.

Despite the creation of African regional economic communities, African countries are facing difficulties in stimulating intra-African trade, promoting diversification, and boosting business competitiveness. We aim to show whether intra-African trade is an external constraint. The crucial importance of the ZLEC implies answering the following question: Could the establishment of the African Continental Free Trade Area help African countries reduce their dependence on external constraints?

Empirical contributions have always used the gravity model to explain trade and test the effect of certain measures on trade volume. Despite certain weaknesses, the gravity model has been remarkably successful in empirical studies with only GDP and distance as variables. However, this option makes it possible to account for the volume of bilateral trade, and it does not seem necessary to apply it to the volume of trade between each African country and the rest of Africa. Similarly, a panel data analysis is important because it enables us to study variations both over time and between the countries examined. While it offers several advantages, such as the possibility to control specific individual effects, analyze temporal trends, and maximize the use of available data, it does not allow us to show whether the ZLEC benefits all African countries.

The calculation of partner import/GDP and export/GDP elasticities shows that some African countries are subject to an external constraint and therefore do not benefit from the ZLEC. This approach is based on statistical indicators, measured by their annual value, for all sub-Saharan African countries, whose data are available and reliable for the period 1981-2017, and an econometric method using ordinary least squares.

The interest of this study stems from the fact that the creation of a continental free-trade zone is of fundamental importance for the economic development of African countries, since by promoting the free movement of goods, services, and capital, among others, a ZLEC makes it possible to improve the level of intra-Community and inter-African trade flows.

This document presents the main analyses of free trade, discusses external constraints, and examines the instruments for promoting intra-African trade in the next three sections. The results of the application of intra-African trade promotion instruments are discussed in section five, and section six carries out an econometric simulation to address our concern.

2. Main Analyses of Free Trade

2.1 Theoretical Approaches

The literature on international trade reminds us, with Adam Smith, David Ricardo, and the HOS version, that free trade, i.e. the freedom of trade between nations and the removal of all barriers to trade (customs duties, quotas, and the like), would be sufficient to improve the situations of trading countries and thus guarantee long-term growth for countries. In the same vein, several authors believe that, in addition to free trade zones, facilitation can even develop intra-African trade (ECA (2015) and Ofa and Karingi (2013)).

However, List has already pointed out that free trade is only profitable between already industrialized nations, as not all specialties are created equal. Indeed, the problem with the ZLEC lies in the ability of countries to out-compete each other, among other challenges, such as improving productive capacity and business competitiveness. As Delas (2008) points out, "at the individual level unless there is a return to protectionism, there is no other option than competitiveness to control external constraints" [...] "The rule governing trade between two nations or zones is therefore: the volume of trade between two nations cannot exceed the value exported by the weaker one".

According to the ECA (2006), Africa's competitiveness can only be enhanced once more efficient production systems are in place. Thus, Africa must focus on improving upstream integration through participation in global value chains (ECA, 2015). These value chains have stimulated trade in intermediate goods (OECD and WTO, 2013). However, the undiversified and similar production structures found throughout Africa restrict the emergence of viable production networks (UNECA, 2015).

In intra-Community trade, each player seeks competitive positions and advantages in compliance with set rules and on

equal terms for all. In this way, being competitive provides room for maneuver, since competitiveness socializes the fact that the truth is on the side of the strongest in technological, industrial, and commercial terms (Riccardo, 1995).

To briefly qualify the approach of the totality of international trade authors, Rainelli (2015) asserts that it is possible to refer to a famous formula by Bernard Lassudrie-Duchêne: international exchange is a "demand for difference", because "where everything turns out to be identical, there is no point in exchanging".

2.2 Empirical Approaches

Empirical analyses have attempted to show the impact of the rationalization of agricultural production through the value chain on the level of intra-African trade. The World Bank (2008) points out that industries and services linked to agricultural value chains often account for over 30% of GDP in developing countries.

African countries need to consider four forms of "upscaling" depending on their production structures and export performance, but also on the nature of their value chains (OECD (2013), Kaplinsky and Morris (2002)). According to CEA/BSR-AO (2012), if research results indicate that an additional 1% increase in agricultural exports accelerates non-agricultural growth by around 1.8%, then we need to strengthen the foundations for broadening the supply of agricultural product ranges in terms of both quality and quantity. All this will make it possible to solve the problem of rationalizing agricultural production, which is necessary to develop intra-African trade in agricultural products.

Regarding the links between export diversification and trade, Ofa et al (2012) point out that there is a positive correlation between export diversification and intra-firm trade. For intra-firm trade, a 1% increase in employment in a foreign country leads to a 1.34% increase in the multinational firm's exports. This percentage is only 0.2% for other types of exports (Mucchielli et al. 2000).

It appears that the productivity of African companies tends to be lower than that of their international competitors in many sectors. Africa needs to improve the overall efficiency of public investment to boost productivity. Poor governance of public investments can lead to financial management and maintenance problems (IMF, 2016). Indeed, every year, Africa loses US\$50 billion to these illicit financial flows (AUC/CEA, 2017).

However, in a study of 140 African companies, the lack of a sufficiently skilled workforce was cited as one of the most decisive obstacles to the integration of African producers into global value chains (UNECA, 2013).

Three lessons can be drawn from this brief review of the literature: the creation of a free-trade zone (i) can improve the volume of trade, (ii) involves internal respondents (improved productivity, investment efficiency, etc.), and (iii) requires the establishment of rules of the game between African states.

In the light of these theoretical and empirical analyses, we can put forward, about the question raised above, the hypothesis that promoting intra-African trade with the expansion of regionalization in a context of free trade is not self-evident, since "any country that fails to win markets will end up limiting imports through protectionist measures". The truth is that the ability to control external constraints, i.e. competitiveness, is a very specific phenomenon in which only a few African countries have an advantage.

3. Presentation of the External Constraint

3.1 Nature and Manifestation of External Constraint

External constraint represents the relative variation of imports and exports in regard to GDP. The relative variation is simply the ratio of imports or exports to the GDP.

External constraint is the phenomenon whereby an increase in GDP may eventually jeopardize the external accounts, when the economy is too heavily dependent on imports and its external competitiveness is insufficient" (Montoussé and Chamblay, 2009). It is imposed on economies suffering from a lack of competitiveness, both external and internal, and therefore low productive capacity. Today, the interdependence of African economies has become more pronounced with globalization, and the internal situation of each African country is strongly linked to the international situation (Table 1).

The interdependence of an economy with the rest of the world, as well as the dependence of an economy on other economies in a free-trade zone, implies a focus on the notion of external constraint. In the context of free trade, according to Montoussé and Chamblay (2009), it is impossible for a country not to be subject to external constraints.

The main manifestation of external constraint is the existence of a trade deficit or a current account deficit (Capul and Garnier, 2008). A study of the evolution of the various current account items is necessary for a more detailed analysis of the determinants of external constraint (Bonnaz and Paquier, 1993).

When a country cannot run a permanent deficit for long, it must seek to reduce its imports and increase its exports. That

way, it avoids excessive domestic demand for consumer and capital goods, which limits the quantity of importations and frees up products for foreign customers (exports) that are no longer destined for domestic customers.

Table 1. Average merchandise imports from 1995 to 2018 as a percentage of total group trade

	UMA	CEN-SAD	COMESA	CAE	ECCAS	ECOWAS	IGAD	SADC	Africa
Intra-Group	3,1	6,1	5,7	9,4	3,6	10,6	5,6	18,8	13,3
Rest of region	2,2	2,5	8,4	8,1	16,1	3,6	6,4	2,7	
Rest of the world	96,9	93,9	94,3	90,6	96,4	89,4	94,4	81,2	86,7

Source: Author's calculations based on UNCTAD-STAT 2020 data.

Changes in exchange rates can ease this constraint (by depreciating or devaluing the currency). However, in the case of African countries that do not gain in competitiveness, or with companies whose production is insufficient or unsuitable, it is impossible in these conditions to rely on the exchange rate to encourage exports.

External constraints are also reflected in the "import content" of demand components. It is customary to account for the openness of African economies by comparing imports to gross domestic product. From this figure, we can get an idea of the sensitivity of imports to changes in consumption. The rate thus obtained reflects the openness of these economies to imports.

Table 2. Average food imports from 1995 to 2018 as a percentage of total group trade

	UMA	CEN-SAD	COMESA	CAE	ECCAS	ECOWAS	IGAD	SADC	Africa
Intra-Group	2,3	6,8	10,6	17,3	3,1	8,2	11,3	33,5	16,6
Rest of region	4,2	3,1	8,2	12,1	20,3	4,7	9,6	2,7	
Rest of the world	97,7	93,2	89,4	82,7	96,9	91,8	88,7	66,5	83,4

Source: Author's calculations based on UNCTAD-STAT 2020 data.

Imports that characterize the external constraint of African countries shows a strong dependence on food products. Indeed, on average, more than 63% of imports through 1995- 2018 are made up of food products. Some communities account for over 80% and even 90% of imports from the rest of the world.

3.2 Measuring External Stress

It is widely accepted that a country's imports are a function of the level of economic activity. According to Montoussé and Chamblay (2009), the higher the elasticity of imports with respect to GDP, the more constrained the economy. The more constrained an economy is, the more the increase in production induces a depreciation in the coverage rate.

Trade acts as an external constraint, counteracting the multiplier, the less competitive the country. A country's economic growth depends on that of its partners.

Estimating elasticities is at the heart of trade flow modeling. It conditions diagnoses of external constraints (Franc and Martins, 1999). Delas (2008) uses two variables to measure external constraints: the elasticity of imports in relation to GDP, and the elasticity of exports in relation to partner GDP.

Elasticity is the ratio of the simultaneous relative changes of two variables (for example, quantity demanded and prices, or quantity consumed and income). In this study, the variables are imports, exports, the domestic GDP, and the combined GDP of partner countries.

There is an external constraint when the elasticity of exports to the GDP of trading partners and the elasticity of imports to domestic GDP are both greater than 1.

This situation characterizes an economy that is: (i) highly open and integrated into global trade; (ii) marked by dynamic trade flows that are highly sensitive to both domestic and international economic conditions, and (iii) able to benefit from global growth, but also highly vulnerable to economic slowdowns.

This context can lead to two broad categories of economic consequences: advantages and risks. Among the advantages: (i) Export-driven growth – during periods of global expansion, this can significantly boost economic activity; (ii) Export competitiveness – a positive sign when exports grow faster than foreign markets, and (iii) Easier access to foreign goods – which supports both consumption and investment. As for the risks: (i) Vulnerability to external shocks – a global slowdown would heavily impact exports; (ii) Dependence on imports – disruptions such as exchange rate

fluctuations, global price changes, or logistics crises can weaken domestic production and; (iii) Potential trade deficit – if imports grow faster than exports without a compensating factor, it could lead to an imbalanced trade position.

4. Instruments to Promote Intra-African Trade

Tariffs and non-tariff barriers are recognized as a hindrance to free trade, as they act as a barrier separating partner countries. This article examines some provisions that can facilitate inter-African trade.

4.1 Easy Exchanges

When countries decide to establish a free-trade zone, they undertake to promote market access for goods and services. In addition to geographical proximity, African countries face problems in improving "customs facilities for exports and imports". Within the framework of the World Trade Organization (WTO), the most-favored-nation (MFN) rule is a "treaty provision by which one State assumes the obligation towards another State to accord most-favored-nation treatment in an agreed area of relations" (UNCTAD, 2009), has become the "cornerstone" (WTO, 2004).

MFN treatment is essential to ensure equal opportunities for all trading partners. Thus, a different rate applied to the most-favored nation constitutes a distortion to trade between partners. The European constitution (EU 28) seems to be the most authentic example of this treatment.

In Africa, intra-community trade statistics place CEN-SAD at the top of all African communities. However, this community is far from reaching the level of MFN treatment of the European Union (Table 3). The exception is Mauritius, which has a lower level of MFN treatment than the European Union. Furthermore, the level of MFN treatment in the African countries of the CEN-SAD is certainly due to limited sources of income to replace the loss of customs revenue linked to the application of the MFN rule.

The European Union's MFN treatment and historical links may explain the relative importance of African manufactured exports to Europe (European Union EU 28). According to the ECA (2015), the EU offers the most generous preferential regime, with nearly 100% duty-free and quota-free market access granted to all Least Developed Countries (LDCs) since 2001, thanks to the "Everything But Arms (EBA)" initiative. Today, the African Growth and Opportunity Act (AGOA) also plays an essential role in increasing trade between the United States and Africa.

Table 3. Rate applied to the most favored nation

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CEN-SAD										
Benin	11,93	11,93	11,93	11,91	11,91	11,91	11,9	11,81	11,81	11,82
Burkina Faso	11,93	11,93	11,93	11,91	11,91	11,91	11,9	11,81	11,81	11,82
Cabo Verde	10,53	10,53	10,19	10,17	10,11	10,07		10,01		
Comoros										
Ivory Coast	11,93	11,93	11,93	11,91	11,91	11,91	11,9	11,81	11,81	11,82
Djibouti		21,93		22,09	22,09		21,92			
Egypt	10,26	10,13	10,02	10,02	10,02	10,02	10,08	10,07	11,5	12,77
Eritrea										
Gambia	19,02	19,01	13,78	13,79	13,79	13,72				
Ghana	12,46	12,46	12,34			12,33			11,78	11,63
Guinea-Bissau	11,93	11,93	11,93	11,91	11,91	11,91	11,9			11,82
Kenya	11,65	11,63	11,63	11,54	11,49	11,41	11,46	11,55	11,53	
Liberia					10,13	10,13	10,08			
Libya										
European Union (28)	4,01	4,01	4,2	4,2	4,18	4,18	4,17	4,17	4,12	4,13
Third countries										
Botswana	8,28	8,27	8,17	8,17	8,14	8,15	8,15	8,16	8,22	8,44
Maurice	3,15	1,54	1,54	2,21	1,95	1,89	1,24	1,22	1,22	0,78

Source: UNCTAD-STAT 2019

Africa also faces various non-tariff barriers that negatively impact trade. Non-tariff barriers include the costs associated with exports and imports. On average, exports' documentation and customs formalities take 1.4 and 8.1 hours for the European Union, 1.3 and 1.8 hours for North America. Whereas those processes take 80.2 and 105.1 hours for sub-Saharan Africa, 89.9 and 104.9 for the Heavily Indebted Poor Countries (HIPC). Exports' average documentation and customs formalities take 1.1 and 1.7 hours for the European Union, 4.3 and 1.8 hours for North America, 108.1 and 136.0 hours for sub-Saharan Africa, and 116.8 and 139.2 hours for HIPC (World Data Bank).

However, a few countries stand out from the crowd, with an average time for export procedures of less than 30 hours and import procedures of less than 60 hours. It is the case for Botswana (21.6 and 6.8), Mauritius (9.0 and 41.2), Tunisia (3.0 and 59.6), and Morocco (26.2 and 17.4). Imports are handled by Botswana (3.0 and 4.0), Mauritius (9.0 and 47.0), and Namibia (3.0 and 6.0).

4.2 Sector of Competitiveness through Prices

The close relationship between a country's structural transformation and its competitiveness is an aspect that needs to be considered in the wider ZLEC trading environment, characterized by intense competition among countries through the products they bring to market.

Free trade has its constraints, according to Delas (2008), because "at the individual level, barring a return to protectionism, there is no other option than competitiveness to master the external constraint". In a zero-sum trading world, only the most competitive stand a chance of carving out an increasingly important place for themselves in international trade (Fofack 2018).

This concept applies both at the microeconomic level, where it concerns companies, and at the macroeconomic level, where it concerns territories (geographical economy).

According to Marchand Blanchet F. (1998), the nominal and real effective exchange rates of a currency are the best indicators of an economy's competitiveness with a group of partner countries. The real effective exchange rate (REER) is the average of the bilateral real exchange rates (REER) between a country and each of its trading partners, weighted by the respective market shares of each partner. An increase in a country's REER illustrates the appreciation of the country's currency, while the opposite signifies a depreciation.

According to Patrick and Sylviane Guillaumont (1988), the purpose of calculating the REER is "to compare changes in the production costs of goods traded internationally, in the country and abroad. But the significance of this rate as an indicator of competitiveness depends on the price indices used, the choice of foreign countries with which to compare, and the base year used as a reference".

Analysis of the statistics shows that Angola's REER, with an index of 118.373 in 2006 compared to its average level in 2005, increased by 18.373%. From 2006 to 2016, Angola's REER rose by an average of 42.82%. The same applies to Burundi (14.85%), CAR (18.02%), Côte d'Ivoire (3.01%), Cameroon (2.99%), Congo (2.80%), Cape Verde (4.89%), Algeria (2.24%), Egypt (38.30%), Eritrea (92.85%), Ethiopia (24.99%), Guinea (31.73%), Equatorial Guinea (12.19%), Kenya (44, 86%), Liberia (12.66%), Libya (23.98%), Madagascar (27.23%), Mali (6.84%), Mozambique (3.67%), Mauritius (17.52%), Nigeria (24.18%), Rwanda (9.82%), Sudan (28.57%), São Tomé and Príncipe (34.07%), Chad (6.26%), Togo (0.27%), Tanzania (0.67%) and Zambia (14.43%).

It is accepted that an increase in the REER index (rate appreciation) indicates a loss of competitiveness, and a decrease (rate depreciation) corresponds to a gain in competitiveness. Catão (2007), however, believes that interpreting REER adjustments is challenging as some of these adjustments happen smoothly.

However, we can agree with Guillaumont P. et S. (1988) that "periods of currency overvaluation (rise in the REER index) correspond to periods of rising export prices". Also, the REER suggests that competitive situations are linked to the geographical orientation of trade (Plane, 1988).

Therefore, exporting companies, given the high cost of local production factors, can only export at a loss or with the help of state subsidies. Statistics show that some African countries have periods of depreciation and appreciation, while others only have periods of appreciation. These include Angola, Côte d'Ivoire, Egypt, Eritrea, Ethiopia, Madagascar, and CAR. However, while it is true that the measurement of price competitiveness, through the REER, is a determining factor in export performance, it is not the only one (Brochart, 1988).

4.3 Attractiveness of the Region

A ZLEC can enable member countries to better position themselves on the world market, attract foreign direct investment, and benefit from economic and trade synergies. Improving attractiveness, which takes into account the structural factors that explain trade levels, means that the benefits of a ZLEC can be passed on to certain member

countries.

Public policies geared towards infrastructure development (transport and logistics), market development (size and dynamics, potential demand), human and financial capital, and political and economic governance are needed to promote integration.

As Easterly (2006) points out, bad public policies can even create a poverty trap if they lower the returns that the private sector is entitled to expect. The private sector, if faced with catastrophic policies, will not invest in the knowledge and skills the nation needs to break out of the poverty trap.

The ranking of African countries according to their performance in terms of territorial attractiveness confirms the arguments raised above for certain countries, particularly the highest-ranked.

Table 4. Ranking of African countries by final attractiveness score

1	Maurice	85,163	17	Senegal	46,754	33	Uganda	35,050
2	South Africa	77,524	18	Tanzania	44,107	34	Guinea	33,981
3	Seychelles	71,954	19	Benin	43,088	35	Mali	32,069
4	Tunisia	69,896	20	Nigeria	42,917	36	Mozambique	31,433
5	Morocco	65,778	21	Cameroon	41,601	37	Malawi	31,397
6	Cape Verde	62,227	22	Comoros	41,215	38	Ethiopia	31,276
7	Botswana	61,054	23	Togo	40,348	39	Niger	28,567
8	Egypt	60,833	24	Swaziland	39,258	40	Liberia	28,189
9	Algeria	59,886	25	Rwanda	38,786	41	Angola	28,083
10	Ghana	59,304	26	Congo	38,236	42	Madagascar	27,026
11	Namibia	58,975	27	Zimbabwe	36,995	43	Equatorial Guinea	24,640
12	Kenya	50,381	28	Mauritania	36,949	44	GROUND FLOOR	22,484
13	Ivory Coast	49,470	29	Libya	36,468	45	Guinea Bissau	20,952
14	São Tomé and Príncipe	49,381	30	Burkina Faso	35,979	46	Burundi	18,938
15	Zambia	46,977	31	Sudan	35,249	47	Chad	17,904
16	Gabon	46,801	32	Gambia	35,158	48	RCA	3,581

Source: AMADEUS Institute, March 2020

Note: Values range from 0 to 100.

5. Results of the Application of Intra-African Trade Promotion Instruments

5.1 Intra-community Trade Flows

Lafay and Siroen (1994) admit that free trade can only be fully applied between neighboring countries that play by the same rules. This is why regional preferences must be recognized as the most effective means of establishing acceptable free trade.

This logic is respected in Africa, where regional integration, according to the ECA (2006), follows the classic pattern based on geographical proximity, the immediate proximity of countries, and political cooperation through economic cooperation.

We therefore expect the formation of trade blocs to have an impact on the intensification of intra-community trade flows. The share of intra-regional trade in total trade is generally used as an indicator to measure these effects. According to Sapir (1993), this indicator reflects not only regional integration but also changes in trade policy and, more generally, competitiveness.

Analysis of the first two Figures (1 and 2) shows that exports and imports of goods from the various communities, as a proportion of world trade, are below 1.8% over the entire period 1995 to 2018.

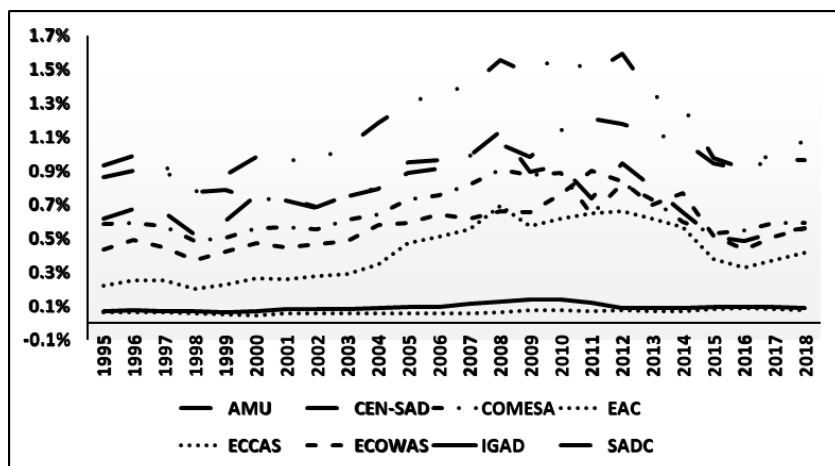


Figure 1. Intra-Community exports of goods as a percentage of world trade in goods

Source: Author_UNCTAD-STAT 2020

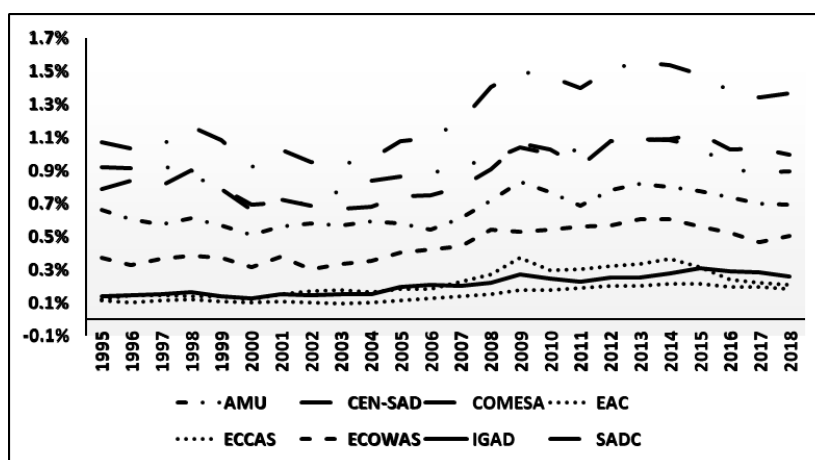


Figure 2. Intra-Community imports of goods as a percentage of world trade in goods

Source: Author_UNCTAD-STAT 2020

The data show that, annually on average, the CEN-SAD ranks first with 1.2% of intra-community exports and imports. It is followed in exports by SADC (0.9%), UMA (0.7%), and COMESA (0.7%). In terms of imports, SADC (0.9%) and COMESA (0.9%) come second, and UMA (0.7%) third. However, for the last five years of the period, intra-community imports fell at an average annual rate of 3.7%, 2.8%, 2.4%, 3.6%, 12.7%, 4.3%, 2.1%, and 4.7% respectively for UMA, CEN-SAD, COMESA, CAE, CEEAC, ECOWAS, IGAD, and SADC. Concerning intra-community exports, only those of the EAC increased at an average annual rate of 0.2%.

Enlargement and the prospect of a ZLEC could provide a powerful stimulus for further development. However, when we look at intra-African trade as a proportion of world trade in goods (Figures 3 and 4), we see that ZLEC is far from being a source of hope. Indeed, over the period 1995-2018, intra-African exports and imports as a proportion of world trade in goods averaged 2.6%, compared with 42.1% and 40.6% for Europe, 35.4% and 32.0% for Asia, 18.4% and 23.3% for America, 5.3% and 5.1% for Latin America, and 1.4% and 1.5% for Oceania.

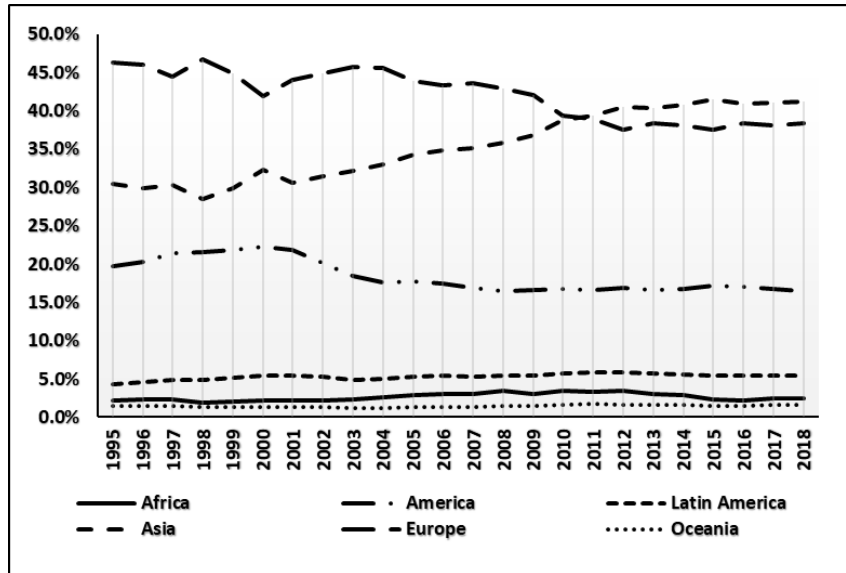


Figure 3. Intra-goods exports as a percentage of world trade in goods

Source: Author_UNCTAD-STAT 2020

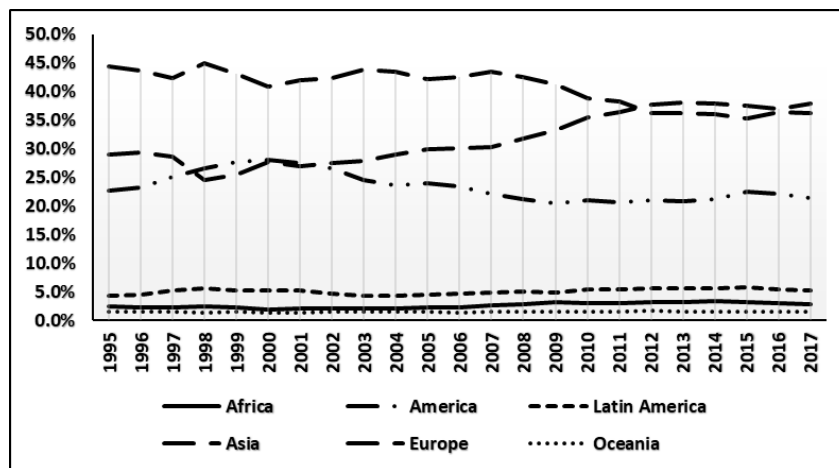


Figure 4. Intra-goods imports as a percentage of world trade in goods

Source: Author_UNCTAD-STAT 2020

5.2 Promoting Diversification and Guiding Trade Flows

The contribution of the World Trade Organization (WTO) to market access and thus to increased international trade is well recognized in the literature. But these opportunities are only available to countries that place particular emphasis on promoting diversification (UNCTAD (2000), Adda (2002), Fofack (2018)). In this respect, the lower the concentration index of these countries, the greater the number of products exported. Africa is the continent with the highest concentration index (Figure 5). Intra-African exports are concentrated on a small number of products, less than five (5) products or product groups (graph 6).

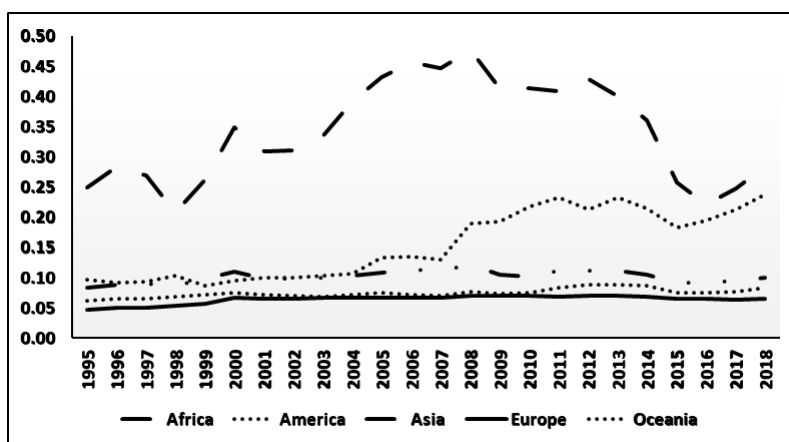


Figure 5. Export concentration index

Source: Author_UNCTAD-STAT 2020

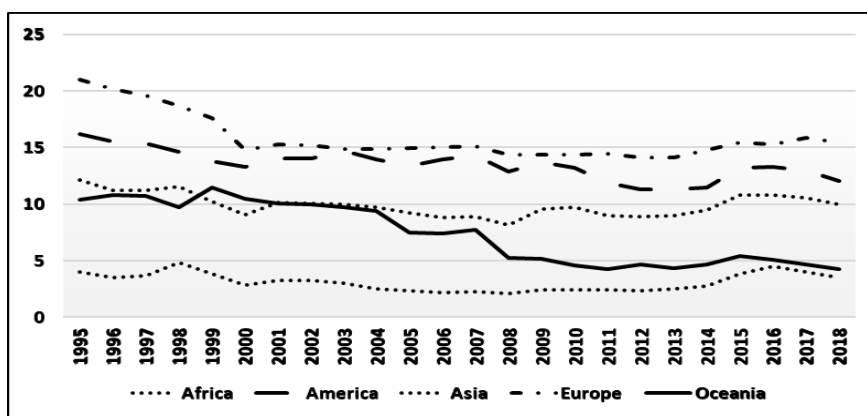


Figure 6. Inverse of the export concentration index

Source: Author_UNCTAD-STAT 2020

As a result, these poorly diversified countries need to create and promote new export lines (this is referred to as the extensive margin), but also to increase or maintain the value of exported products present in the export base (this is referred to as the intensive margin) (Cottet et al. 2012, Besedes and Prusa 2011, Cadot et al. 2011, and Cadot et al., 2009).

The more borders open up, the more competition there is. According to Adda (2002), "world trade draws its dynamism from the principle of competition [...]. For the most part, trade in manufactured goods drives international trade [...]. And in this trade [...], more than half of all trade is cross-trade in similar products [...]. Significantly, studies of cross-trade show that the higher the level of development of the countries involved, the more intense the trade.

Discussing the new industrial countries of Asia, the World Bank (2009) points out that, by specializing in a small part of the production chain, these countries have gained a foothold in the most lucrative and dynamic segment of the market: trade in manufactured goods.

Table 5. Manufactured exports as a percentage of the world total from the reporting economy to the partner economy

	2012	2013	2014	2015	2016	2017	Average
Africa_World	0,91	0,92	0,95	0,89	0,92	0,88	0,91
Africa_Africa	0,27	0,29	0,27	0,30	0,27	0,25	0,28
Africa_European Union	0,35	0,34	0,37	0,33	0,35	0,35	0,35
North America_World	13,75	13,63	13,73	14,43	14,25	13,70	13,92
North America_North America	6,81	6,8	6,95	7,40	7,34	7,07	7,06
Asia_World	38,49	38,48	38,61	39,60	38,69	39,12	38,83
Asia_Asia	18,58	18,60	18,39	18,83	18,58	19,05	18,67
Europe_World	41,13	41,48	41,50	40,12	41,29	41,44	41,16
Europe_Europe	27,24	27,56	27,88	27,00	28,19	28,30	27,70

Source: Author, data from UNCTAD-STAT 2019

Table 5 shows that Africa's total exports of manufactured goods as a percentage of the world total averaged over the year is 0.91%, compared with 41.16% for Europe, 38.83% for Asia, and 13.92% for North America. On the other hand, the percentage of these exports destined for Africa (intra-African trade) is 0.28%, compared with 27.70% for intra-European trade, 18.67% for Asia, and 7.06% for North America. Africa trades more manufactured goods with the European Union than with Africa (0.35% vs. 0.28%).

Figure 7 shows that Africa trades more with the European Union, both in goods and manufactured products. According to Békolo Ebé (1977), this trade orientation can be explained by the fact that the more a country develops and experiences strong growth, the less intra-EU trade influences its foreign trade. However, this assertion is no longer accepted, given that the European Union's MFN treatment and historical ties certainly play a significant role in orienting African manufactured exports to Europe (European Union EU 28). It may also be due to the difficulties encountered by African countries in implementing policies designed to limit the effect of a small market size.

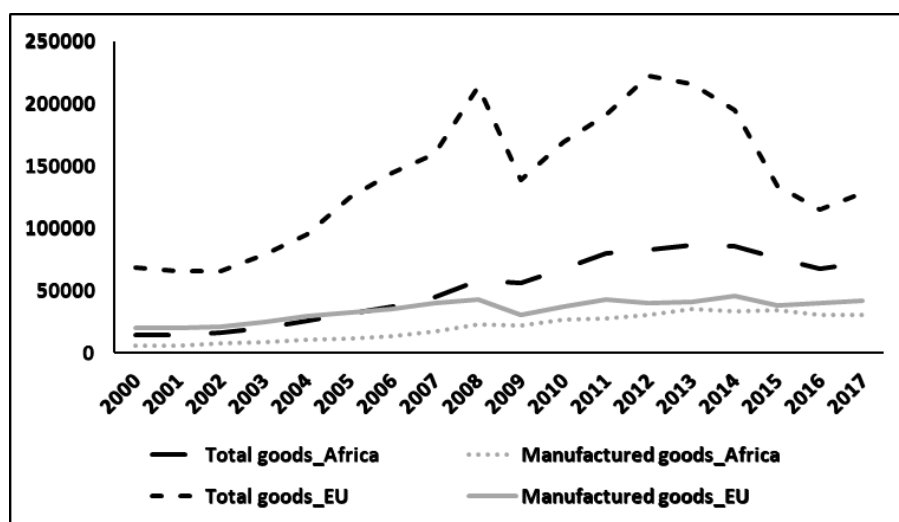


Figure 7. Exports from Africa to Africa and the European Union

Source: Author_UNCTAD-STAT 2019

It appears that a limited number of African countries are making considerable efforts in terms of human development, ease of investment, freedom of trade, low tax rates, and other actions to ease trade. These countries rank higher on the human development index and the economic freedom index lists.

According to the UNDP report, in 2017, six African countries had a high HDI, namely Seychelles (0.797), Mauritius (0.790), Algeria (0.754), Botswana (0.717), Libya (0.706), and Gabon (0.702). In 2018, Mauritius, with an Index of

Economic Freedom of 73.0, was the highest-ranked African country, ahead of South Korea (72.3) and Japan (72.1). Other countries, such as Rwanda (71.1) and Botswana (69.5), came ahead of Belgium (67.3).

Two countries, Mauritius and Botswana, occupy the top three places in both indices for African countries. These two African countries, whose economic efficiency has improved, respectively export only 16.8% and 20.3% of their goods to Africa.

Békolo Ebé (2001) acknowledges that there are still constraints that African countries are unable to overcome. These include the need to rationalize production to develop intra-African trade in agricultural products (Weeks, 1996). The low weight of agricultural, food, and non-food products in intra-African exports (Figure 8) may explain this lack of rationalization.

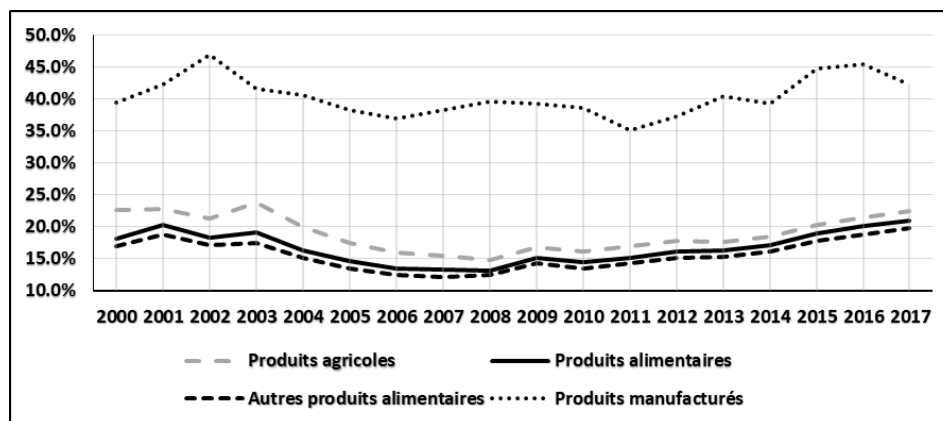


Figure 8. Intra-african exportations by product types in % of total goods

Source: Auteur_UNCTAD-STAT 2019

This low proportion of trade in agricultural products can also be explained by the high costs of transport. Lower transport costs, as mentioned in the economic geography, stimulate increased trade between neighboring countries (World Bank, 2009).

6. Econometrics Simulation

6.1 Justification of the Econometric Approach

The econometric simulation was carried out using ordinary least squares on variables representing phenomena observed at regular intervals in each country. The choice of Sub-Saharan countries is justified by the fact that major challenges remain, notably the diversity of economies and levels of development, disparities in infrastructure, trade regulations, productive capacity, and business competitiveness.

African countries with import/GDP and export/GDP elasticities greater than one (1) run a deficit in their trade with the rest of sub-Saharan Africa. And those whose currencies are "fragile", or lose their value easily as confidence in the currency wanes due to rapid depreciation, are exposed to exchange rate instability.

This empirical analysis has the merit of shedding light on the trade balance and exchange rate behavior of sub-Saharan currencies. This advantage can be characterized in three ways:

it covers a long and recent period (1981-2017) for 32 countries, or 37 observations, for two countries with less than 35 observations, Tanzania (30) and Djibouti (28), thanks to the accumulation of statistics that provide, for a fairly large number of countries, elements of analysis;

it provides information on the balance of trade of African countries systematically according to the level of elasticities;

it gives us an idea of how "fragile" currency exchange rates behave in a given situation.

The determination of elasticities requires the following mathematical relationships:

$$b = \frac{\partial \text{Log}(\text{IMPORT})}{\partial \text{Log}(\text{PIB})} = \frac{\partial \text{IMPORT} / \text{IMPORT}}{\partial \text{PIB} / \text{PIB}} > 1 \quad (1)$$

And

$$d = \frac{\partial \text{Log}(\text{EXPORT})}{\partial \text{Log}(\text{PIBP})} = \frac{\partial \text{EXPORT} / \text{EXPORT}}{\partial \text{PIBP} / \text{PIBP}} > 1 \quad (2)$$

Where GDP, IMPORT, and EXPORT are respectively the gross domestic product, imports, and exports of goods and services of the country under consideration, and finally GDPP is the gross domestic product of the partners. b and d are elasticities.

In the case of African countries, World Data Bank data only provides information on merchandise exports (EXMSE) to countries in the Sub-Saharan African region and merchandise imports (IMMSE) from countries in the region of current dollars. Similarly, the GDP of partner countries is the difference between the GDP of all sub-Saharan African countries and that of the country concerned, or the GDP of the rest of Africa (PIBRAf) in current dollars.

From equations (1) and (2), we can deduce the following relationships:

$$b * \frac{\partial \text{PIB}}{\text{PIB}} = \frac{\partial \text{IMPORT}}{\text{IMPORT}} \quad (3)$$

And

$$d * \frac{\partial \text{PIBP}}{\text{PIBP}} = \frac{\partial \text{EXPORT}}{\text{EXPORT}} \quad (4)$$

Thus we can establish relationships between imports, exports, and gross domestic product (GDP) as follows:

$$\text{Log}(\text{IMPORT}_t) = a + b\text{Log}(\text{PIB}_t) + \varepsilon_t \quad (5)$$

And

$$\text{Log}(\text{EXPORT}_t) = c + d\text{Log}(\text{PIBP}_t) + \varepsilon_t \quad (6)$$

These models are none other than the classic models often used and which are of the following form:

$$\text{LogM} = \alpha \text{LogY} + k + \varepsilon \quad (7)$$

With M the imports, Y the GDP, k and ε the constant and the random term.

The probability associated with the LOG(IMMSE) variable for Angola, for example, is 0.129197. In other words, if we reject the normality hypothesis for the LOG(IMMSE) variable, there is a 12.9% chance of making a wrong decision. For the Gambia, the probability associated with the LOG(IMMSE) variable is 0.537228, which means that there is a 53.7% chance of making a wrong decision. Thus, the normality test shows that the variables selected follow normal and log-normal distributions, except for the LOG(IMMSE) and GDP variables for the Gambia (Table 6).

Table 7 also shows that the probability associated with the LOG(GDP) variable for Mali is 0.229702. In other words, if we reject the normality hypothesis for the LOG(EXMSE) variable, there is a 23.0% chance of making a wrong decision. For the CAR, for example, the probability associated with the LOG(GDP) variable is 0.579970, meaning that there is a 58.0% chance of making the wrong decision.

The normality test (Table 7) shows that the variables selected follow normal and log-normal distributions, except in Mauritius, Uganda, CAR, and Zimbabwe.

6.2 Results and Interpretation of Estimates

Equations (6) and (7) were used to obtain the partners' import/GDP and export/GDP elasticities, using ordinary least squares regression. The estimates give the following results:

Table 6. External constraint results for sub-Saharan African countries

	b	d	R2 of A	n	R2 de B		b	d	R2 of A	n	R2 de B
1 Angola	0,91217	1,90624	0,921896	370,90933	18 Mali	1,08435	1,40186	0,986504	370,85692		
2 Benin	1,04928	1,26450	0,901344	370,65447	19 Maurice	0,94170	0,67358	0,979819	370,52772		
3 Burkina Faso	1,21256	1,78628	0,975161	370,90472	20 Mauritania	1,26466	1,06077	0,962188	370,87687		
4 Cameroon	1,26534	0,75724	0,879720	370,80954	21 Mozambique	1,31468	2,05262	0,830573	370,91600		
5 Cape Verde	0,97151	1,30082	0,968903	270,91895	22 Niger	1,26230	0,89537	0,931483	370,93748		
6 Comoros	1,23314	1,64318	0,915986	370,37253	23 Nigeria	0,87724	1,27331	0,903161	370,82796		
7 Congo	1,16221	1,24847	0,874186	370,88828	24 Uganda	1,24863	1,20012	0,858305	370,86330		
8 Ivory Coast	1,20528	0,85199	0,940996	370,91155	25 RCA	1,08320	0,09390	0,767271	370,06248		
9 Djibouti	1,13408	1,09902	0,925379	280,90509	26 DRC	1,06932	2,44658	0,744446	370,80775		
10 Ethiopia	1,32809	1,27203	0,819601	370,91274	27 Rwanda	1,28509	1,12326	0,926671	370,73226		
11 Gabon	0,93854	0,85233	0,927627	370,85233	28 Senegal	1,26453	0,80247	0,908795	370,92371		
12 Gambia	0,64179	0,47715	0,813656	370,14753	29 Sudan	1,03886	1,56782	0,820268	370,77912		
13 Guinea	1,18717	0,75664	0,875427	370,85417	30 Tanzania	0,95564	1,42917	0,856829	300,94380		
14 Guinea-Bissau	0,64621	1,44962	0,737648	370,81113	31 Chad	1,11958	2,10002	0,913820	370,87412		
15 Equatorial Guinea	0,84800	3,36484	0,968056	370,75832	32 Togo	1,28592	0,94357	0,900629	370,87743		
16 Madagascar	1,62892	0,99042	0,916812	370,87380	33 Zambia	1,07781	1,36447	0,957146	370,95250		
17 Malawi	1,15095	0,77479	0,939191	370,88358	34 Zimbabwe	0,65730	0,46978	0,459759	370,74371		

Source: Author's calculations by Eviews

Note: b= import/GDP elasticity; d= export/GDP elasticity of partners; n= number of observations Proba (F- Statistic) are all less than 5%.

However, the results are only sustainable when the series used are stationary. Indeed, if an econometric model uses a non-stationary series, the results obtained are false, and we obtain a spurious regression. This is why we're going to carry out stationarity tests.

Table 7. Dickey-Fuller test on level variables for Angola and Benin

ANGOLA			BENIN		
Null Hypothesis: LOG(IMMSE) has a unit root Exogenous: Null Hypothesis: LOG(IMMSE) has a unit root Exogenous:			Constant, Linear Trend		
Constant, Linear Trend			Constant, Linear Trend		
Lag Length: 1 (Fixed)			Lag Length: 1 (Fixed)		
	t-Statistic	Prob.*		t-Statistic	Prob.*
Augmented Dickey-Fuller	-1.504109	0 .8090	Augmented Dickey-Fuller	- 3.938068	0.0207
test statistic			test statistic		
Test critical values:			Test critical values:		
1% level	-4.243644		1% level	-4.243644	
5% level	-3.544284		5% level	-3.544284	
10% level	-3.204699		10% level	-3.204699	
Null Hypothesis: LOG(PIB) has a unit root Exogenous: Null Hypothesis: LOG(PIB) has a unit root Exogenous: Constant, Linear Trend Lag Length: 1 (Fixed)			Constant, Linear Trend Lag Length: 1 (Fixed)		
	t-Statistic	Prob.*		t-Statistic	Prob.*
Augmented Dickey-Fuller	-1.673991	0 .7415	Augmented Dickey-Fuller	-2.874078	0.1826
test statistic			test statistic		
Test critical values:			Test critical values:		
1% level	-4.243644		1% level	-4.243644	
5% level	-3.544284		5% level	-3.544284	
10% level	-3.204699		10% level	-3.204699	

Source: Author's calculations by Eviews

With a Proba (F-Statistic) of less than 5%, the A and B relationships obtained offer better fits with strong explanatory power for all countries, except Zimbabwe for the A relationship and Comoros, Gambia, Liberia, and CAR for the B relationship. If the value of the coefficient of determination R² shows that the variables GDP and GDPP of the partners (PIBRAf) explain more than 50% of the imports and exports of the other countries. This explanatory power is below average (below 50%) in relation A for Zimbabwe, and relation B for Comoros, Gambia, Liberia, and CAR.

According to World Data Bank data, 32 out of 48 sub-Saharan African countries have full data for the period 1981-2017, and 15 countries have elasticities greater than one. The following countries are listed: Benin, Burkina Faso, Chad, Comoros, Congo, the Democratic Republic of Congo (DRC), Djibouti, Ethiopia, Mali, Mauritania, Mozambique, Rwanda, Sudan, Uganda, and Zambia.

These countries face three macroeconomic risks: 1) Vulnerability to external shocks (global slowdown and exports); 2) Dependence on imports (exchange rates, global prices, logistics); and 3) Potential trade deficits (imports > exports).

These three risks are closely interconnected and affect the majority of low- and middle-income African countries, including those you listed. These vulnerabilities highlight the need to: (i) diversify economies; (ii) develop local production; (iii) strengthen logistical and energy resilience; and (iv) better manage external balances.

If, for example, the DRC grows faster than its other sub-Saharan African partners, it runs a deficit, as imports of goods depend on its enrichment and grow faster than exports to countries in the region. As the DRC has a "fragile" currency, it must therefore pay higher interest rates on investments to offset the risk of depreciation. In the event of high exchange rate variability, there is a risk of an interest rate war to attract or retain capital, which slows down growth and hence general enrichment.

The tests for these two countries, for example, give a variety of results. In the case of Angola, hypothesis H₀ is accepted at the 5% threshold, as the values -1.504109 and -1.673991 are greater than -3.544284. Thus, the LOG(IMMSE) and LOG(GDP) variables are non-stationary. For Benin, at the 5% threshold, the values -3.938068 and -2.874078 are respectively less than and greater than 3.544284. This means that the H₀ hypothesis is not accepted for the LOG(IMMSE) variable, whereas it is accepted for the LOG(GDP) variable. The LOG(IMMSE) variable is therefore stationary, while the LOG(GDP) variable is non-stationary.

These results call for tests on the first difference variables. We therefore propose to estimate the following Hendry error-correction models:

$$D(\log(\text{IMMSEt})) = \beta + \beta_1 D(\log(\text{PIBt})) + \beta_2 \log(\text{IMMSEt-1}) + \beta_3 \log(\text{PIBt-1}) + \mu t \quad (C)$$

$$D(\log(\text{EXMSEt})) = \alpha + \alpha_1 D(\log(\text{PIBRAft})) + \alpha_2 \log(\text{EXMSEt-1}) + \alpha_3 \log(\text{PIBRAft-1}) + \mu t \quad (D)$$

Table 8. Results of ordinary least squares error correction models

	β	α	n		β	α	n
1 Angola	0,585028	2,297929	37	18 Mali	0,869542	0,715935	37
2 Benin	0,615536	0,504484	37	19 Maurice	1,102012	0,757459	37
3 Burkina Faso	1,040200	1,638015	37	20 Mauritania	1,094415	1,167471	37
4 Cameroon	0,564664	1,161561	37	21 Mozambique	0,296342	1,594686	37
5 Cape Verde	0,655046	1,527756	27	22 Niger	0,861748	0,774479	37
6 Comoros	0,747226	-0,283613	37	23 Nigeria	0,831718	1,806190	37
7 Congo	0,347190	2,147220	37	24 Uganda	1,223209	0,363750	37
8 Ivory Coast	1,026800	0,724087	37	25 RCA	0,201669	1,123532	37
9 Djibouti	1,525336	0,550280	28	26 DRC	1,021534	0,912113	37
10 Ethiopia	-0,216452	0,690226	37	27 Rwanda	0,515251	0,157827	37
11 Gabon	0,513011	1,471524	37	28 Senegal	0,685402	0,554426	37
12 Gambia	0,314621	-2,246373	37	29 Sudan	0,293754	1,874216	37
13 Guinea	0,481385	0,421501	37	30 Tanzania	0,273410	0,950667	30
14 Guinea-Bissau	0,376407	1,072495	37	31 Chad	0,778619	3,448353	37
15 Equatorial Guinea	0,882113	1,822694	37	32 Togo	1,478135	1,379471	37
16 Madagascar	1,218817	0,813300	37	33 Zambia	0,609096	1,224379	37
17 Malawi	0,559229	0,647748	37	34 Zibambwe	0,170479	0,619870	37

Source: Author's calculations by Eviews

Of the 34 sub-Saharan African countries, only 7 meet all the conditions for stationarity: Burkina Faso, Cape Verde, Madagascar, Malawi, Mauritania, Togo, and Zambia. Burkina Faso, Mauritania, and Togo have elasticities greater than 1. Although these countries are growing faster than their other sub-Saharan African partners, they are running deficits because their merchandise imports depend on their wealth and are growing faster than exports to countries in the region. So, despite the African continental free-trade area, these African countries would suffer an external constraint.

Mauritania's currency can easily lose its value, since confidence in it can be eroded by rapid depreciation, and it can therefore be exposed to exchange rate instability. If this is the case for Mauritania, there is a risk of an interest rate war to attract or retain capital, which would slow down growth and hence general enrichment.

Table 9. Dickey-Fuller test on first difference variables for Mauritania

Dependent Variable: D(LOG(IMMSE)) Sample (adjusted): 1982 2017					Dependent Variable: D(LOG(EXMSE)) Sample (adjusted): 1982 2017				
Included observations: 36 after adjustments					Included observations: 36 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.	Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.540229	1.590180	-2.855167	0.0075	C	-1.700026	1.593496	-1.066853	0.2940
D(LOG(GDP))	1.094415	0.292513	3.741418	0.0007	D(LOG(PIBRA))	1.167471	0.324475	3.598030	0.0011
LOG(IMMSE(-1))	-0.661365	0.188457	-3.509357	0.0014	LOG(EXMSE(-1))	-0.279197	0.111930	-2.494376	0.0180
LOG(GDP(-1))	0.842791	0.244148	3.451968	0.0016	LOG(PIBRA(-1))	0.272117	0.128743	2.113652	0.0424
F-statistic	5.944381				F-statistic	6.434538			
Prob(F-statistic)	0.002426				Prob(F-statistic)	0.001556			

Source: Author's calculations by Eviews

The information in Table 9 indicates that LOG(IMMSE), LOG(GDP), LOG(EXMSE), and LOG(PIBRA) are stationary (see also Appendix). Thus, Mauritania's IMMSE and GDP, EXMSE and PIBRA series are integrated into order 1.

An analysis of this information, including the interpretation of Mauritania's error correction coefficient, reveals the following:

For relationship C, the equilibrium restoring force $\hat{\beta}_2 = -0,661365$ is significantly different from zero at 5% threshold. Therefore, there is an error-correction mechanism. In the long term, the imbalances between merchandise imports and gross domestic product offset each other, resulting in similar trends for both series. In this way, 66.1% of the imbalance between desired and actual import levels can be adjusted. 66.1% of the effects of a shock in a given year are absorbed after a given time (number of years) following any shock. In other words, a shock occurring in a

given year is fully absorbed. the end of $\frac{1}{0,661365} = 1,5120$ years.

The short-term elasticity is $\hat{\beta}_1 = 1,094415$. If Mauritania's GDP increases by 10%, imports rose by 10.9%.

The long-term elasticity is $-\frac{\hat{\beta}_3}{\hat{\beta}_2} = \frac{0,842791}{0,661365} = 1,27432$. If Mauritania's GDP increases by 10%, imports rose by 12.7%.

For relationship D, the coefficient is also significantly different from zero at the 5% threshold. This means that an error-correction mechanism exists. The imbalances between merchandise exports and gross domestic product in the rest of sub-Saharan Africa offset each other in the long term, so that the two series show similar trends. We therefore manage to adjust 28.0% of the imbalance between desired and actual export levels. In other words, 28.8% of the effects of a shock in a given year are absorbed after a given time (number of years) following any shock.

In other words, a shock for a year is fully absorbed $\frac{1}{0,279197} = 3,5817$ years.

The short-term elasticity is $\hat{\alpha}_1 = 0,279197$. If PIBRA increases by 10%, exports increase by 2.8%.

The long-term elasticity is $-\frac{\hat{\alpha}_3}{\hat{\alpha}_2} = \frac{0,272117}{0,279197} = 0,974641$. If the PIBRA increases by 10%, the exports rose by

9.7%.

7. Conclusion

To ensure the effective implementation of the African Continental Free Trade Area (AfCFTA), participating countries mustn't exhibit an import-to-GDP or export-to-GDP elasticity greater than one with their trading partners. Countries such as Benin, Guinea, Malawi, Mali, Niger, Rwanda, Senegal, Tanzania, and Zimbabwe currently demonstrate elasticities below one. However, only Malawi satisfies all the required stationarity conditions. These findings suggest that the benefits of the free-trade zone are not evenly distributed among African nations, with some constrained by external economic pressures (Montoussé & Chamblay, 2009).

In a functioning free-trade area, each country competes under equal rules to achieve strategic and competitive advantages. Yet, for nations facing external constraints, the only viable alternative to reverting to protectionist policies is to enhance competitiveness (Delas, 2008).

While price competitiveness, commonly assessed through the real effective exchange rate, remains a crucial determinant of export performance, countries must also address structural factors that influence trade volumes. Enhancing overall economic attractiveness — including infrastructure, governance, investment climate, and labor market efficiency — is essential for long-term trade growth.

A key challenge for African countries, therefore, lies in improving this attractiveness. Empirical evidence shows that some of the continent's most economically efficient countries, such as Mauritius and Botswana, still maintain limited intra-African trade. Their merchandise exports to other African countries represent only 16.8% and 20.3%, respectively. This highlights a paradox: even economically strong nations may struggle to integrate regionally.

This observation highlights the need for structural reforms that incorporate : (i) Invest in Human Capital: African governments should prioritize education, vocational training, and health systems to boost productivity and innovation ; (ii) Facilitate Investment: Streamlining business registration processes, protecting investor rights, and improving infrastructure can attract both domestic and foreign investment ; (iii) Promote Trade Liberalization: Reducing tariff and non-tariff barriers, and aligning regulatory standards, will facilitate cross-border trade; (iv) Lower Tax Burdens: Competitive tax regimes can incentivize private sector growth and formal economic participation and ; (v) Enhance Institutional Capacity: Strengthening governance, reducing corruption, and increasing transparency will foster trust and sustainable development.

In conclusion, while AfCFTA has the potential to transform African economies, its success hinges on the ability of individual nations to implement complementary structural reforms. Without addressing these foundational issues, the promise of continental free trade may remain unrealized for many member states.

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