News Release

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Deepening Regional Integration Will Increase Africa ' s Competitiveness

11 May 2012

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- Greater political will is required to seek regional solutions
- Logistics costs must be reduced
- For more information about the meeting, please visit: http://wef.ch/africa2012

Addis Ababa, Ethiopia, 11 May 2012 – Deepening regional integration in Africa requires a range of critical interventions such as removing nontariff barriers, fast-tracking infrastructure to link countries more effectively and developing the political will to drive regional projects, according to panellists in a televised debate at the World Economic Forum in Addis Ababa today.

In a discussion on " The Market Integration Challenge " , political and trade representatives emphasized the need for faster integration to ensure Africa is able to better leverage the interest in its markets by global investors who are attracted by economies of scale. The continent ' s low levels of intra-African trade – still only 10% of total trade – are also a constraint to economic development of states. This compares to intraregional trade of 60% in Europe, 40% in North America and 30% in Asia.

Pravin Gordhan, Minister of Finance of South Africa, said a better balance between national and regional interests is required. " We have to recognize our limitations as Africans, " he said, citing the fact that the continent comprises 54 countries, many of them very small, and trade is hampered by expensive and difficult logistics and inadequate infrastructure.

Logistics costs in Africa are the highest in the world and only by building infrastructure to link countries and removing trade barriers between countries will these costs go down. Even where adequate hard infrastructure is in place, the soft infrastructure is often lacking, a factor that presents a significant barrier to trade.

Institutional and legal frameworks need to be in place to allow the development of regional projects but moving these forward also requires a shift in the mindset of politicians who tend to favour sovereign issues over regional priorities and who tend to plan according to election cycles. This is out of alignment with the long-term view required to drive a slow process such as regional integration and to develop crucial infrastructure that often requires planning to be done on a 10- to 20-year scale.

While there have been debates about a convertible African currency, Ngozi Okonjo-Iweala, Coordinating Minister for the Economy and Minister of Finance of Nigeria, said the issue should be approached with caution. African countries need to strengthen their economies to provide greater macroeconomic stability and reduce the risk of contagion from problems in individual countries before this can be seriously considered. Policy-makers should rather focus on developing payment systems to make trade easier and cheaper.

The triple FTA currently being discussed, comprising three regional blocs reaching from the Cape to Cairo will, if successfully concluded, be important for establishing Africa as a globally competitive entity by increasing the size of the regional market. But effective trade facilitation is critical to underpinning the success of this and other regional initiatives.

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