

# Unleashing the Benefits of Intra-African Trade Integration for the WAEMU

Shushanik Hakobyan, Fiona Hesse-Triballi, Sergii Meleshchuk, and  
Hans Weisfeld

SIP/2025/071

IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on April 17, 2025. This paper is also published separately as IMF Country Report No 25/111

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**Prepared by Shushanik Hakobyan, Fiona Hesse-Triballi, Sergii Meleshchuk, and Hans Weisfeld**

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**ABSTRACT:** WAEMU members' trade openness, integration into global value chains (GVCs), and export diversification remain limited. Tariffs, non-tariff measures (NTMs, obstacles to trade that arise mainly from differences in national regulations), and a challenging trade environment (e.g., cumbersome Customs and border processes) hamper WAEMU members' trade with countries outside of ECOWAS; while NTMs and the challenging trade environment weigh on trade even among WAEMU members and on trade between WAEMU members and other ECOWAS countries. WAEMU members should pursue greater trade integration by helping move AfCFTA discussions forward and implementing agreed steps. They should also advocate with AfCFTA partners for a more ambitious process for removing NTMs. In parallel, they should drive forward trade integration among themselves, including by addressing NTMs and seeking to strengthen the trade environment in a cost-effective manner, e.g., by streamlining Customs and border processes.

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## SELECTED ISSUES PAPERS

# **Unleashing the Benefits of Intra-African Trade Integration for the WAEMU**

West African Economic and Monetary Union

Prepared by Shushanik Hakobyan, Fiona Hesse-Triballi, Sergii Meleshchuk, and Hans Weisfeld<sup>1</sup>

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# WEST AFRICAN ECONOMIC AND MONETARY UNION

## SELECTED ISSUES

April 17, 2025

Approved By  
**Luca A Ricci**  
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## Acronyms, Abbreviations and Country Composition of Regional Arrangements

AfCFTA	African Continental Free Trade Area
AMU	Arab Maghreb Union
ASEAN	Association of Southeast Asian Nations
BEN	Benin
BFA	Burkina Faso
CAN	Canada
CEMAC	Central African Economic and Monetary Community
CENSAD	Community of Sahel–Saharan States
CET	Common external tariff
CHN	China
CIV	Côte d'Ivoire
COMESA	Common Market for Eastern and Southern Africa
DEU	Germany
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EU	European Union
FRA	France
GBR	United Kingdom
GNB	Guinea-Bissau
GVC	Global value chain
ICT	Information and communication technology
IGAD	Intergovernmental Authority on Development
IND	India
ITA	Italy
JPN	Japan
KOR	Korea
MERCOSUR	Southern Common Market
MEX	Mexico
MLI	Mali
NAFTA	North American Free Trade Agreement
NER	Niger
NTM	Nontariff measure
OECD	Organization for Economic Cooperation and Development
OHADA	Organization for the Harmonization of Business Law in Africa
REC	Regional economic community
ROW	Rest of the world
SACU	Southern African Customs Union

SADC	Southern African Development Community
SEN	Senegal
TBT	Technical barriers to trade
TGO	Togo
USA	United States
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organization

Throughout the paper, regional arrangements refer to the following country composition:

Africa: all countries on the African continent including both sub-Saharan Africa and North Africa.

AMU: Algeria, Libya, Mauritania, Morocco, and Tunisia.

CEMAC: Central African Republic, Cameroon, Chad, Republic of Congo, Gabon, and Equatorial Guinea.

CENSAD: Benin, Burkina Faso, Central African Republic, Chad, Comoros, Côte d'Ivoire, Djibouti, Egypt, Eritrea, The Gambia, Ghana, Guinea-Bissau, Libya, Mali, Mauritania, Morocco, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Togo, and Tunisia.

COMESA: Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Eswatini, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, Zambia, and Zimbabwe.

EAC: Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda.

ECCAS: Angola, Burundi, Central African Republic, Cameroon, Chad, Democratic Republic of Congo, Republic of Congo, Gabon, Equatorial Guinea, Rwanda, and São Tomé and Príncipe.

ECOWAS: Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

IGAD: Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda.

SACU: Botswana, Eswatini, Lesotho, Namibia, and South Africa.

SADC: Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Tanzania, South Africa, Zambia, and Zimbabwe.

Sub-Saharan Africa: 45 sub-Saharan African countries in the IMF's African Department.

WAEMU: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

# UNLEASHING THE BENEFITS OF INTRA-AFRICAN TRADE INTEGRATION FOR THE WAEMU<sup>1</sup>

## A. Introduction

**1. Trade integration can enhance economic performance and raise incomes in several ways.** It promotes efficiency by allowing countries to export goods and services in which they have a comparative advantage, thereby enhancing resource allocation (the classical argument for free trade, see e.g., Smith, 1776; Ricardo, 1817; and Eaton and Kortum, 2002). By expanding market access, trade also enables firms to realize economies of scale (e.g., Melitz, 2003). By the same token, trade can help diversify domestic production, fostering the creation of new, higher productivity jobs that drive growth through structural transformation (e.g., OECD, 2019). Trade also fosters innovation and productivity by exposing domestic firms to international competition and new technologies. Further, a more open trade regime helps attract foreign direct investment, which brings capital, technology, and managerial expertise (e.g., Topalova and Khandelwal, 2004). Trade also helps diversify the sources of supply and demand, which can help dampen economic volatility (e.g., Caselli and others, 2020).

**2. WAEMU members have been pursuing trade integration among themselves for many years, and the more recent creation of the African Continental Free Trade Area (AfCFTA) offers opportunities for broader continent-wide integration.** By progressively eliminating tariffs and non-tariff measures, the AfCFTA aims to expand intra-African trade in goods and services, enhance competitiveness, and promote industrial development.<sup>2</sup> The agreement also seeks to improve the trade environment (structural factors that are not part of trade policies but nevertheless affect trade) by simplifying and harmonizing customs regulations and border processes. Furthermore, the AfCFTA aims to harmonize regulations for the provision of goods and services, investment regimes, and rules governing the protection of intellectual property rights, competition, and digital trade. In this way, the AfCFTA aims to eventually establish a single market on the African continent.

**3. This paper takes stock of the results of trade integration efforts among WAEMU countries and discusses how intra-African trade integration through the AfCFTA and enhanced efforts by WAEMU members to enable trade among themselves could further boost incomes,** drawing on analysis presented in Abbas and others (2023). Section B reviews trade and trade integration in the WAEMU, including by assessing trade flows and remaining trade barriers. Section C quantifies the potential benefits of deepening and broadening trade integration under the AfCFTA. Section D lays out policy implications.

<sup>1</sup> Prepared By Shushanik Hakobyan, Fiona Hesse-Triballi, Sergii Meleshchuk, and Hans Weisfeld.

<sup>2</sup> In this paper, the term “Africa” refers to the African continent, comprising both sub-Saharan Africa (SSA) and North Africa.

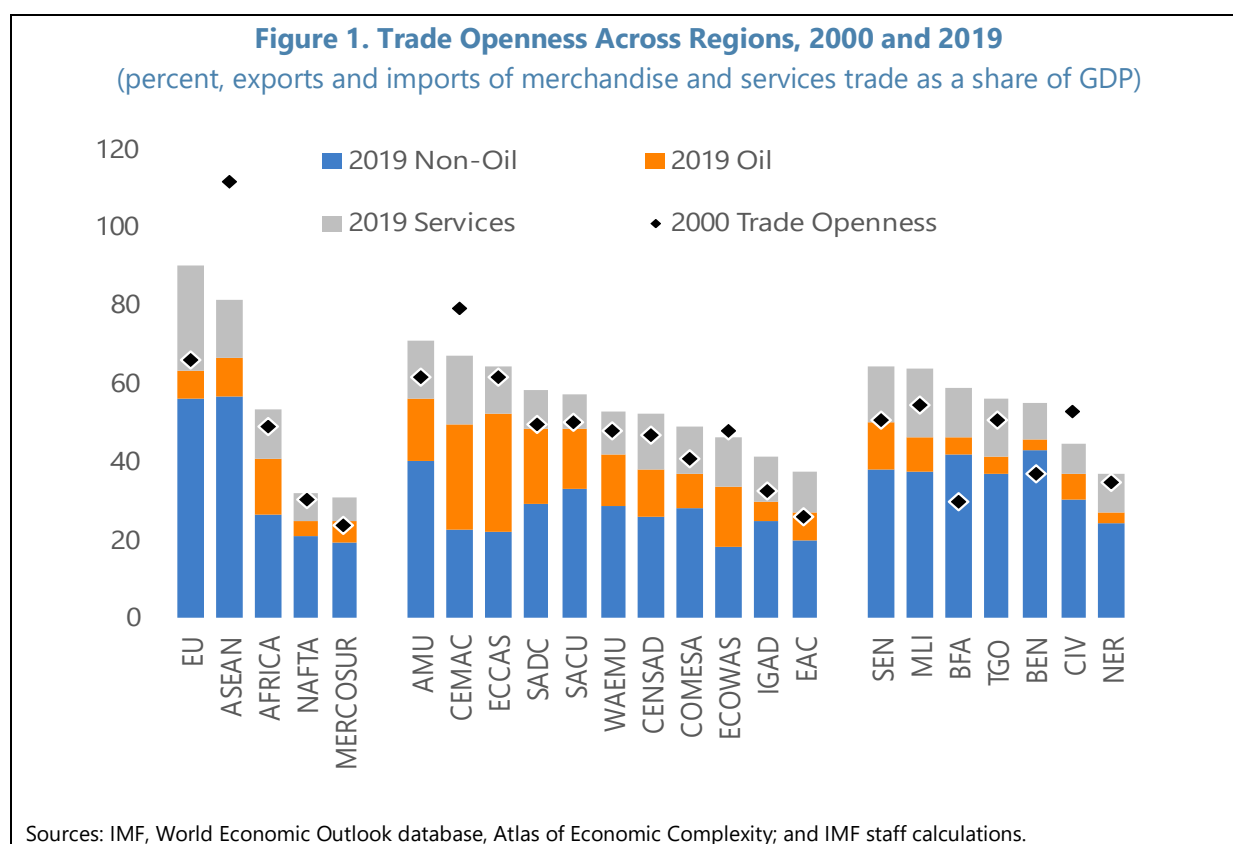


## B. Taking Stock of Trade and Trade Integration in the WAEMU

### WAEMU Member Countries' International Trade

WAEMU members' trade openness, integration into global value chains (GVCs), and export diversification remain limited.

**4. WEAMU members' trade openness has risen only modestly over the past two decades, indicating room for further growth of trade.** The WAEMU's trade openness (the sum of exports and imports as a share of GDP), rose from 48 to 52 percent over 2000-19. This modest increase aligns with broader trends in Africa's trade openness (Figure 1).<sup>3</sup>

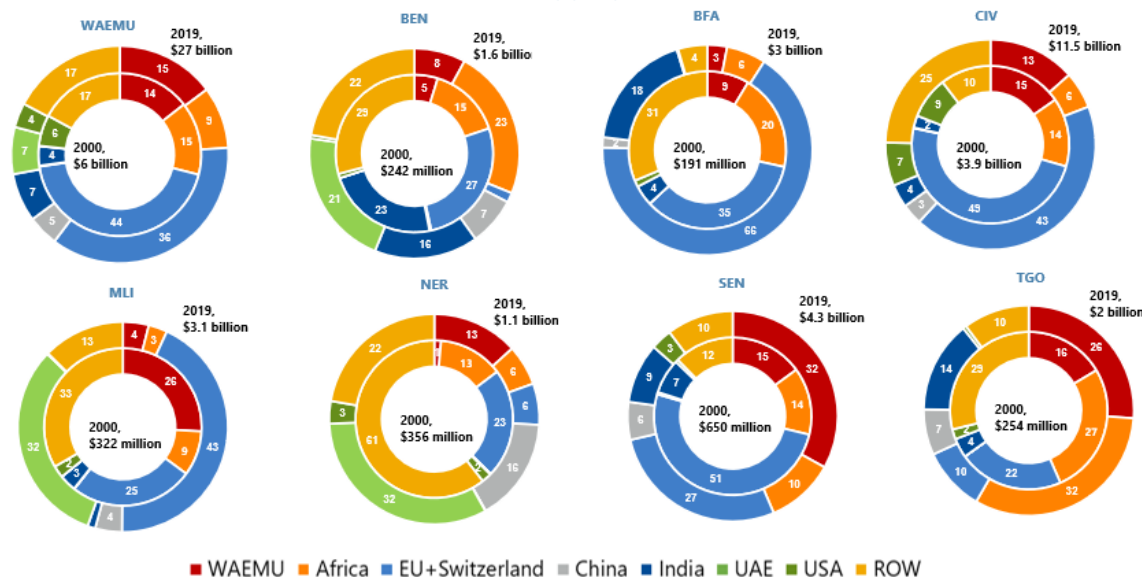


**5. In line with the limited increases in openness, WAEMU members' trade with other African countries remains limited.** On average, WAEMU members' exports to other African countries (including WAEMU members) accounted for only one-quarter of WAEMU countries' exports in 2019 (Figure 2). This share, while higher than intra-regional exports for the average

<sup>3</sup> The analysis in this chapter uses trade data reported by WAEMU countries to international organizations. There is also significant informal trade that is not captured in these statistics. For example, Lesser and Moisé-Leeman (2009) estimate that informal trade flows could account for as much as 30-50 percent of intraregional trade, and Benassi and others (2019) estimate that the ratio of informal to formal trade is 1 for Benin's imports and 5 for Benin's export to Nigeria.

African country at 15 percent, is substantially lower than in other world regions and regional arrangements such as the EU, where 60 percent of trade happens among EU member countries.

**Figure 2. Major Export Destinations, 2000 and 2019**  
(percent of aggregate exports)



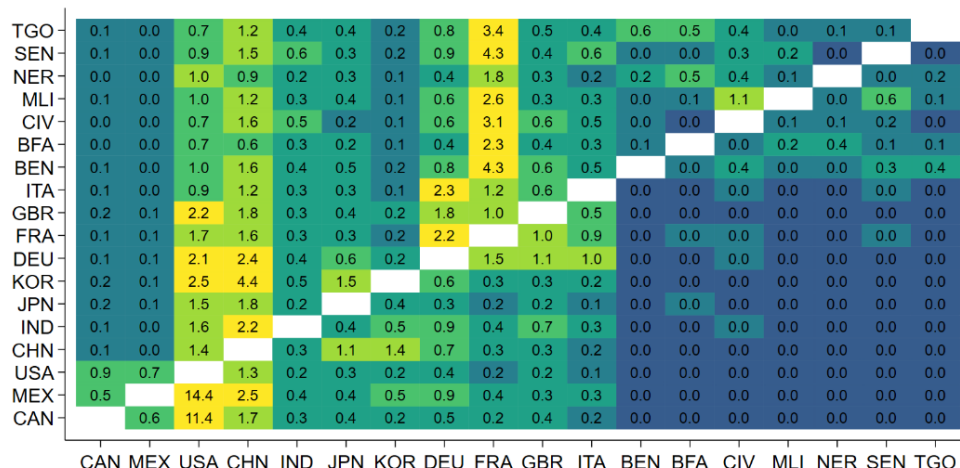
Sources: IMF, World Economic Outlook database, Atlas of Economic Complexity; and IMF staff calculations.

**6. WAEMU member countries' integration into global value chains (GVCs) remains limited as well, suggesting room for greater such integration.** Backward and forward linkages remain underdeveloped within the region and in connection with the global economy (Figure 3). Abbas and others (2023) found that GVC integration within WAEMU is approximately half that of the European Union (EU) and one-twentieth that of the former NAFTA countries, on average.<sup>4</sup> The study also found that while GVC integration can be attributed in part to country-specific factors such as the size of the economy and the presence in the region of a country with a technologically advanced and dynamic manufacturing sector, trade agreements also play a significant role, accounting for 40 percent of the GVC integration differences between African nations and comparators.

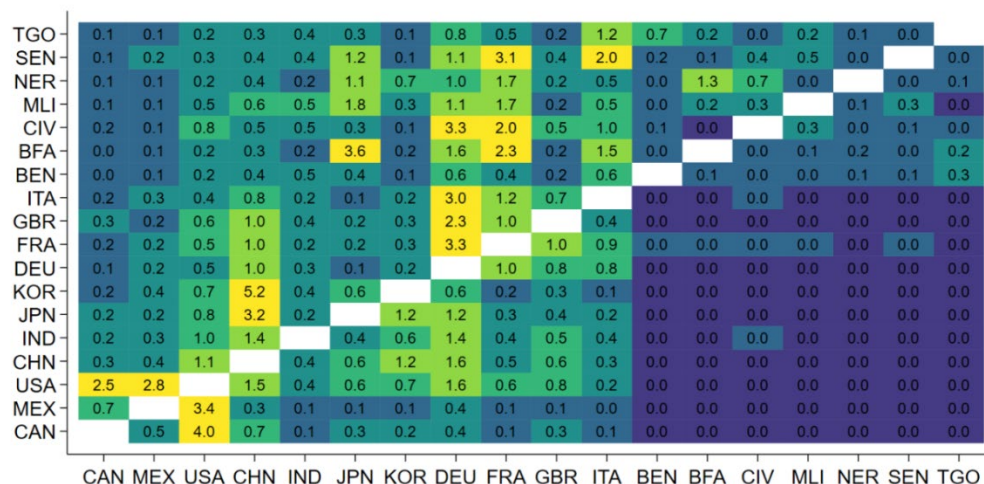
<sup>4</sup> Mancini and others (2023) provide complementary evidence on the limited extent of GVCs in SSA countries.

**Figure 3. Bilateral Backward and Forward Linkages, Select Economies, 2021**  
(percent of gross exports)

**Panel a) Backward Linkages**



**Panel b) Forward Linkages**



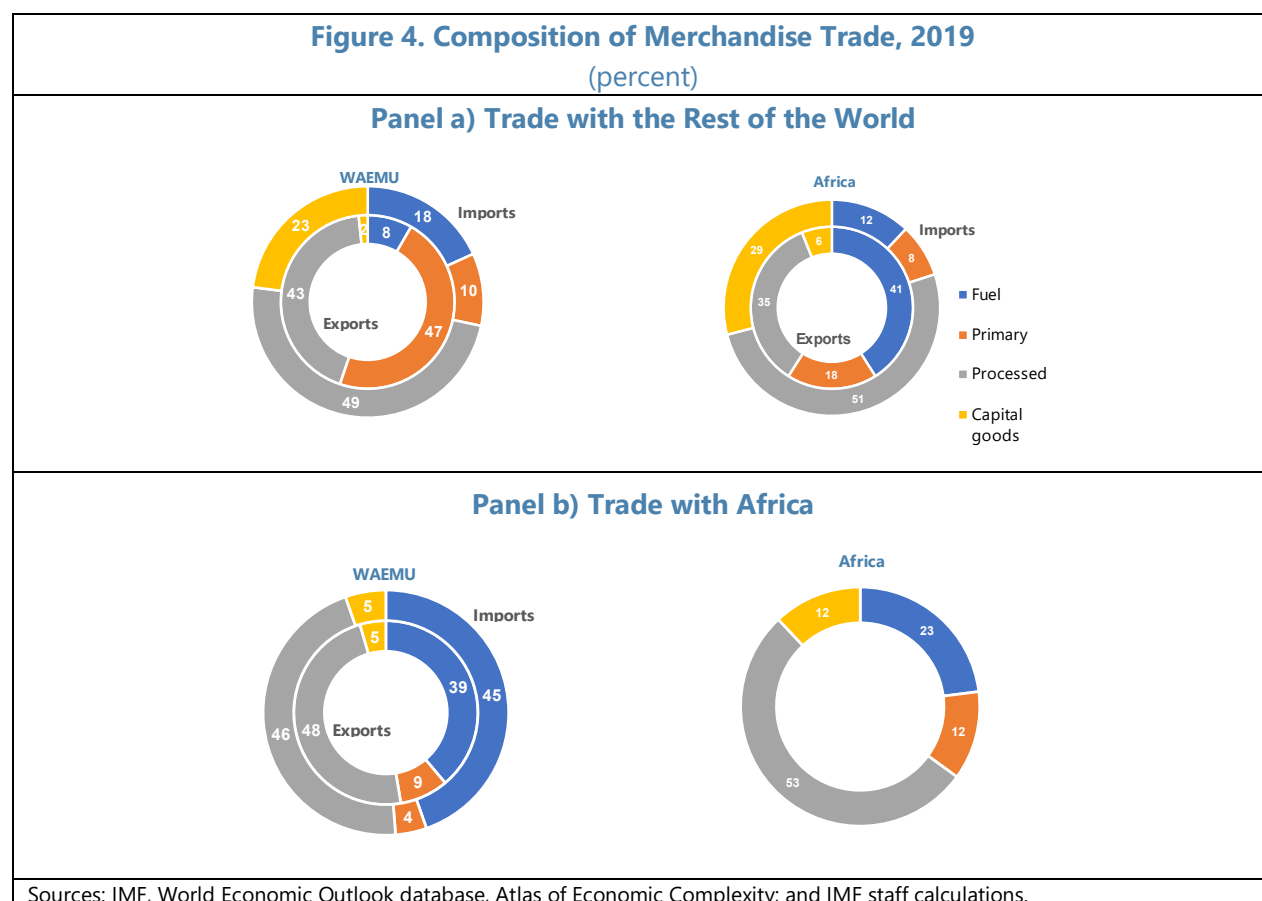
Sources: EORA; and IMF staff calculations.

Note: "Backward linkage" refers to the value added of the column country embodied in the row country's exports, as a percentage of the row country's exports. "Forward linkage" refers to the value added of the row country embodied in the column country's exports, as a percentage of the row country's exports. Warmer colors indicate stronger linkages, signifying greater cross-border value chain integration. The figure shows that African countries' bilateral linkages are generally weaker, oriented outside their home region, and characterized by stronger forward than backward linkages.

**7. Further, WAEMU members' exports remain little diversified, particularly as concerns exports beyond the African continent, indicating room for diversification.** Fuel and primary goods dominate exports beyond the African continent (Figure 4, panel a).<sup>5</sup> The proportion of processed goods in WAEMU members' exports to the rest of the world, standing

<sup>5</sup> Primary goods are those produced by the primary sectors of the economy—farming, forestry, fishing, and extractive industries—and other sectors where nearly all of the value of the product is contributed by one of the primary sectors of the economy.

at 43 percent, falls short of the levels recorded in comparable regional trade agreements, such as the Association of Southeast Asian Nations (ASEAN), where it is 60 percent. This is consistent with the limited role of global and regional value chains in WAEMU members' trade. In comparison, WAEMU members' exports to African countries exhibit moderately greater diversification, suggesting that greater intra-African trade integration could provide further export diversification opportunities (Figure 4, panel b). This said, the hypothesis that an expansion of intra-African trade offers diversification opportunities relies on the assumption that the greater degree of diversification of intra-African exports is not fully explained by reexports of processed goods imported from the rest of the world.



### Trade Policy-Related Reasons for WAEMU Members' Limited Trade Openness, GVC Integration, and Export Diversification

*In analyzing obstacles to WAEMU's intra-African trade, we find that tariffs, non-tariff measures (NTMs, obstacles to trade that arise mainly from differences in national regulations), and a challenging trade environment (e.g., limited transport infrastructure and cumbersome Customs and border processes) hamper WAEMU members' trade with countries outside of ECOWAS. At the same time, NTMs and the challenging trade environment weigh on trade even among WAEMU members, and between WAEMU members and other ECOWAS countries. The continued presence of substantial NTMs even in trade among WAEMU countries reflects in part the fact that the WAEMU trade integration agreement does*

*not cover several important areas affecting trade, including harmonization of sanitary, phytosanitary, and technical regulations, and that differences persist in these regulations as a result. Similarly, the trade environment remains challenging even for trade among WAEMU countries, reflecting, among other things, the fact that the WAEMU trade integration agreement does not extend to efforts to streamline and harmonize Customs and border processes.*

**8. Reasons for the limited growth in WAEMU members' trade openness likely include the fact that WAEMU members have imposed substantial tariffs on imports originating outside of ECOWAS and face substantial tariffs when exporting to African countries outside of ECOWAS.**

Through the ECOWAS CET, WAEMU members impose tariffs averaging 9-10 percent on goods coming from outside the ECOWAS, and WAEMU members' exports to these countries face tariffs of 9-10 percent as well.

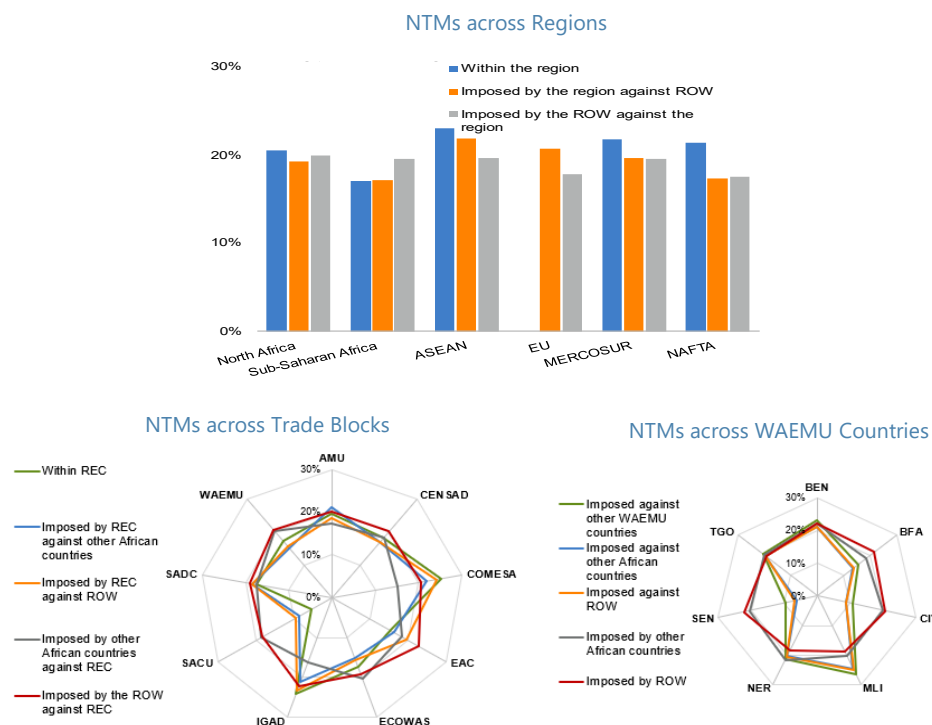
**9. Non-tariff measures (NTMs) create additional barriers to trade between WAEMU members and other countries (Figure 5).** NTMs are government regulations other than tariffs that can impact quantities and/or prices of traded goods. These include barriers that arise from behind-the-border differences between countries in national regulations in the areas of health and the environment (resulting in differences in sanitary and phytosanitary measures) and technical regulations (resulting in technical barriers to trade, TBTs).<sup>6</sup> NTMs between WAEMU countries and other African countries hinder trade by as much as tariffs of 15 percent would. This compares to trade among African countries more generally, where NTMs are equivalent to an import tariff of 18 percent on average, substantially exceeding the trade-constraining impacts of tariffs, see Abbas and others 2023.

**10. Perhaps surprisingly given WAEMU's longstanding efforts at integration among its members (Box 1), NTMs hamper even trade among WAEMU countries. This likely reflects the fact that the WAEMU agreement does not cover key areas such as sanitary, phytosanitary, and technical regulations.** NTMs are estimated to hinder trade among WAEMU members by as much as import tariffs of 17 percent would (Figure 6).<sup>7</sup> Senegal and Cote d'Ivoire have the lowest NTMs against other WAEMU and African countries (at 10 percent) and Mali the highest (at 27 percent).

<sup>6</sup> UNCTAD (2018) provides an in-depth analysis of the extent and impact of NTMs in West Africa.

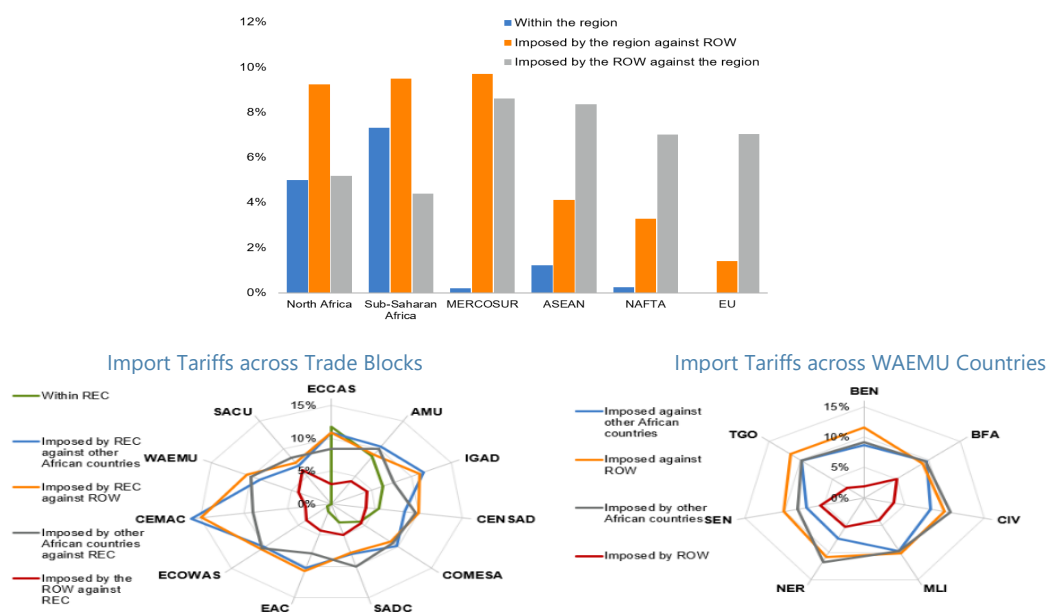
<sup>7</sup> Tariff equivalents of NTMs are estimated using the gravity regression, see Abbas and others, 2023 for details.

**Figure 5. Non-Tariff Measures, 2019**  
(percent, tariff-equivalent weighted average)



Sources: UNCTAD, TRAINS, and IMF Staff calculations.

**Figure 6. Import Tariffs, 2019**  
(percent, tariff-equivalent weighted average)



Sources: UNCTAD, TRAINS, and IMF Staff calculations.

**Box 1. Trade Integration in the WAEMU: Goals, Implementation, and Remaining Challenges**

**The WAEMU aims at creating free trade and even a single market between its member states, based on common trade policies and the granting of the classic “four freedoms”** (free movement of goods, services, capital, and labor, see Article 4 of the WAEMU Treaty as revised in 2003). In line with this:

- Building on the existence of common currency, WAEMU members started implementing a customs union in 2004 by adopting a common external tariff (CET) and tariff-free trade among themselves. In 2015, ECOWAS members adopted a CET as well, and the WAEMU countries, all of whom were also ECOWAS members, adopted the ECOWAS CET and started enjoying tariff-free trade with ECOWAS members (Guinea-Bissau did so in 2016).
- WAEMU members have enacted measures to provide the “four freedoms”. Beyond ensuring tariff-free trade between its members, they have prohibited restrictions on the movement of capital within the Union (for capital belonging to residents of the WAEMU members); and granted residents the right to move across member states and eliminated labor market discrimination based on nationality except for public service positions. Member states must notify and justify to the WAEMU Commission of any restrictions on the four freedoms (articles 79 and 94 of the WAEMU Treaty).

**However, WAEMU countries have so far not agreed to harmonize a number of important elements that affect trade, and as a result the WAEMU is still some way away from establishing a single market.** While the WAEMU Treaty covers the areas of import tariffs and movement of capital, as noted above, and a few others such as export taxes and competition policy, it does not extend to a number of issues that affect trade such as Customs procedures, sanitary and phyto-sanitary measures, and technical norms (World Bank 2020, Table 0.1, presents the areas covered in a range of African Regional Economic Communities).

**11. A challenging trade environment creates additional obstacles to WAEMU members’ trade, including within the WAEMU.** Beyond restrictive trade policies and NTMs, the most important factor constraining intra-African trade is the challenging trade environment, such as limited transport infrastructure (including trans-border road, rail, port and air transport networks and border and Customs procedures), telecommunication infrastructure, financial development, human capital, and institutions, as well as restrictive product and labor market regulations. The trade environment in WAEMU countries is as challenging as in other Sub-Saharan African countries on average, with substantial heterogeneity across WAEMU countries (Figure 7). Burkina Faso, Niger, and Togo are ranked particularly low in terms of trade infrastructure, financial development, security, human capital development, and product and labor market regulations. In contrast, Senegal scores broadly high across the board, Cote d’Ivoire scores high in trade infrastructure and security and poorly on telecommunications, Benin does not show excessive weaknesses, while Mali scores poorly on governance.<sup>8</sup>

<sup>8</sup> Information on Guinea-Bissau’s trade environment is not available.



**Figure 7. Trade Environment Indicators, Latest Available**  
(index)

	Trade Infrastructure	Financial Development	Security	Telecommunications	Human Capital	Institutions	Product/Labor Markets	Average
EU								
NAFTA								
ASEAN								
MERCOSUR								
North Africa								
Sub-Saharan Africa	0.25	0.24	0.47	0.20	0.37	0.39	0.40	0.33
SEN	0.38	0.31	0.61	0.22	0.48	0.55	0.46	0.43
CIV	0.57	0.25	0.56	0.08	0.09	0.40	0.47	0.35
BEN	0.28	0.19	0.63	0.20	0.38	0.45	0.51	0.38
MLI	0.27	0.30	0.29	0.23	0.37	0.28	0.40	0.31
BFA	0.09	0.03	0.27	0.21	0.01	0.40	0.14	0.16
TGO	0.08	0.11	0.11	0.19	0.14	0.35	n/a	0.16
NER	0.03	0.08	0.08	n/a	0.00	0.35	n/a	0.11

Sources: World Economic Forum's Global Competitiveness Report, Logistics Performance Index, Worldwide Governance Indicators, World Telecommunications/ICT Indicators, Institute for Health Metrics and Evaluation, World Development Indicators, and IMF staff calculations.

Note: Indices are normalized between 0 (low performance, shaded red) and 1 (high performance, shaded green), with the median for each indicator shaded white. Mercosur excludes Venezuela. Construction of the trade environment indicators is described in Abbas and others, 2023.

**12. One element of the difficult trade environment relates to the fact that most WAEMU members still appear to continue to impose challenging Customs and border processes on traders.** This likely reflects in part the fact that the WAEMU agreement also does not cover the streamlining and harmonization of these procedures. Improvements in these procedures ("trade facilitation"), can reduce the time and cost of trading significantly. On average, WAEMU members perform fairly well in terms of freedom of transit and transparency of trade regulations (Figure 8).<sup>9</sup> However, there is room to improve cross-border paperless trade procedures and implement more measures that benefit women and SMEs involved in trade. There is also significant heterogeneity across WAEMU countries in this respect. While Benin has implemented nearly 86 percent of potential measures to streamline processes, Mali has implemented only a third.

<sup>9</sup> The measures in the "transit" category include, for example, limits on physical inspection of transit goods, support for pre-arrival processing. 'Transparency' measures comprise publication of existing export/import regulations online, advance publication of new trade-related regulations, among others.



**Figure 8. Trade Facilitation Measures, 2023**  
(share of implemented measures within each category, percent)

Category	Transparency	Formalities	Institutions	Transit	Paperless	Cross-border paperless trade	SMEs	Agriculture	Women	Overall Trade Facilitation Index
BEN	100	100	78	100	81	67	47	100	56	86
NER	80	67	33	83	59	61	47	50	33	62
TGO	73	67	56	92	56	44	87	33	44	59
CIV	53	75	44	67	74	6	73	67	22	55
SEN	27	50	67	67	56	72	0	75	11	54
BFA	67	58	56	42	37	22	27	42	44	46
GNB	53	54	44	67	30	11	7	17	11	38
MLI	73	29	56	50	19	22	33	0	0	34

Sources: UN Global Survey on Digital and Sustainable Trade Facilitation. The colors represent the share of implemented measures within each of the 9 categories, as well as an overall Trade Facilitation Index. The definition of the measures is available in the [Digital and Sustainable Trade Facilitation: Global Report 2023](#).

## C. AfCFTA Trade Integration: Quantifying Potential Benefits for the WAEMU

*AfCFTA decisions have advanced substantially in recent years in key areas, notably tariffs, while discussions are still ongoing in several other areas. AfCFTA implementation offers the opportunity to boost trade and incomes substantially by lowering tariffs and NTMs on the African continent. Trade and incomes would rise much more if WAEMU members and other African countries were to combine AfCFTA implementation with improvements in the trade environment. This said, the AfCFTA envisages a process for the removal of NTMs that will most likely progress slowly, as NTMs will only be addressed one by one after traders bring them up.*

**13. All WAEMU members are parties to the AfCFTA—the world’s largest trade agreement by the number participants.** The agreement, signed by 44 African nations in 2018, came into effect in May 2019. The AfCFTA’s objective is to boost incomes in Africa by expanding trade in goods and services, enhancing competitiveness through economies of scale, and promoting structural transformation and industrialization. For this, participating countries aim to eliminate tariffs on 97 percent of tariff lines, representing at least 90 percent of imports by value, by 2030. In addition, in line with recent trends in the design of preferential trade agreements, the AfCFTA aims for “deep” trade integration by not only lowering tariffs on merchandise trade but also making efforts to address behind-the-border regulations that result in NTMs that hinder trade. The AfCFTA also aims to facilitate trade by streamlining Customs and border processes; liberalize trade in services; and establish mechanisms for dispute settlement, among other things.

**14. African countries including WAEMU members have made good initial progress in fleshing out the AfCFTA agreement.** The signatories have reached consensus on at least key features of the protocols under the agreement encompassing trade in goods and services, investment, competition policies, and digital trade. A substantial majority of AfCFTA members, including all ECOWAS (and hence WAEMU) countries,<sup>10</sup> have submitted their tariff offers and schedules of concessions for key service sectors. Agreement has also been reached on rules of origin

<sup>10</sup> The tariff offer was submitted by ECOWAS as a bloc.

for 92 percent of tariff lines.<sup>11</sup> Signatories are yet to agree on the remaining rules of origin and finalize specifics of annexes to certain protocols (see Trade Law Centre, 2025).

**15. AfCFTA implementation, however, remains work in progress both in WAEMU members and other African countries.** Some countries have already implemented their tariff offers in domestic legislation, and a select group of countries commenced trading certain goods under a pilot “Guided Trade Initiative” in October 2022.

**16. We use a gravity estimation to quantify the effects of substantial progress in AfCFTA implementation on merchandise trade and welfare.** The estimation proceeds in two steps, as in Abbas and others (2023). In the first step, we estimate the elasticity of bilateral trade flows to tariffs and non-tariff measures, as well as to various measures of the trade environment, including trade infrastructure, financial development, and security.<sup>12</sup> In the second step, we quantify the trade flows under several counterfactual scenarios that simulate the AfCFTA provisions. Finally, we calculate the resulting changes in trade openness and relate them to potential effects on real income per capita, using estimates from the literature.

**17. If WAEMU members and other African countries were to make substantial progress in AfCFTA implementation, this would strengthen trade WAEMU members’ trade noticeably, raising incomes.** In our “AfCFTA scenario,” we consider a 90 percent reduction in existing tariffs between AfCFTA signatories and a 50 percent reduction in the number of non-tariff measures, consistent with AfCFTA provisions and acknowledging the longer timeframe required to remove NTMs. The median WAEMU member country’s openness would increase by 1.5 percentage points, associated with a 2 percent increase in long-term real income per capita.<sup>13</sup>

**18. In these efforts, the assumed reduction in NTMs would have a more significant impact on WAEMU members’ trade than the tariff reductions.** A reduction of NTMs envisaged in the “AfCFTA scenario” will increase openness by an average one percentage point in WAEMU members, double the effect of the assumed tariff reductions.

**19. However, the AfCFTA does not at present appear to envisage procedures that would allow a speedy removal of NTMs.** Under current procedures, traders need to bring individual NTMs they may encounter to the authorities’ attention one by one, and the authorities will then

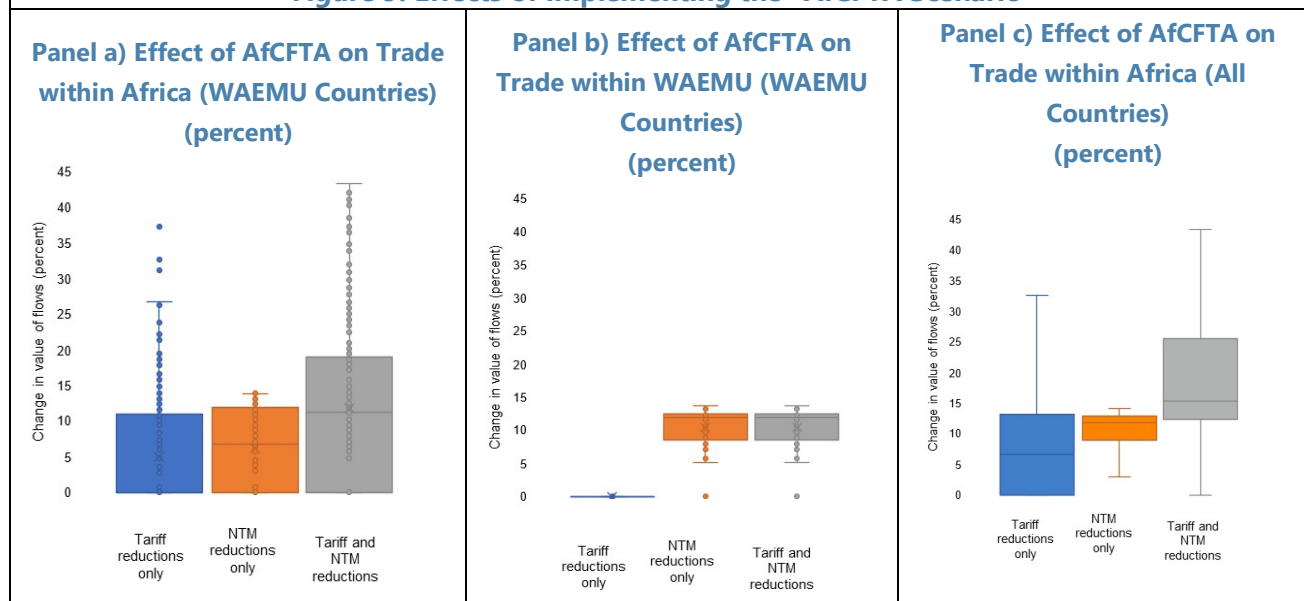
<sup>11</sup> As of February 2024.

<sup>12</sup> In this step, we use the Poisson pseudo-maximum likelihood estimation method with the log of bilateral trade flows as a dependent variable. Independent variables comprise the log of weighted average bilateral tariffs plus one, log of weighted average number of NTMs (using bilateral trade in 6-digit products as defined by the Harmonized System as weights). In addition, we include log of bilateral distance, dummies for common language, colonial origin, and border, origin and destination fixed effects, and measures of trade environment (including interactions with bilateral distance). We call the estimated coefficients “elasticities” and use those elasticities in the counterfactual analysis.

<sup>13</sup> We use a semi-elasticity of 1.25 between openness and GDP per capita, representing a midpoint from the estimates found in the literature, as referenced in Abbas and others (2023).

consider how to address the issue. Given the multitude of NTMs in bilateral trade, this process is likely to take a long time to make an appreciable dent in NTMs.

**Figure 9. Effects of Implementing the “AfCFTA Scenario”**



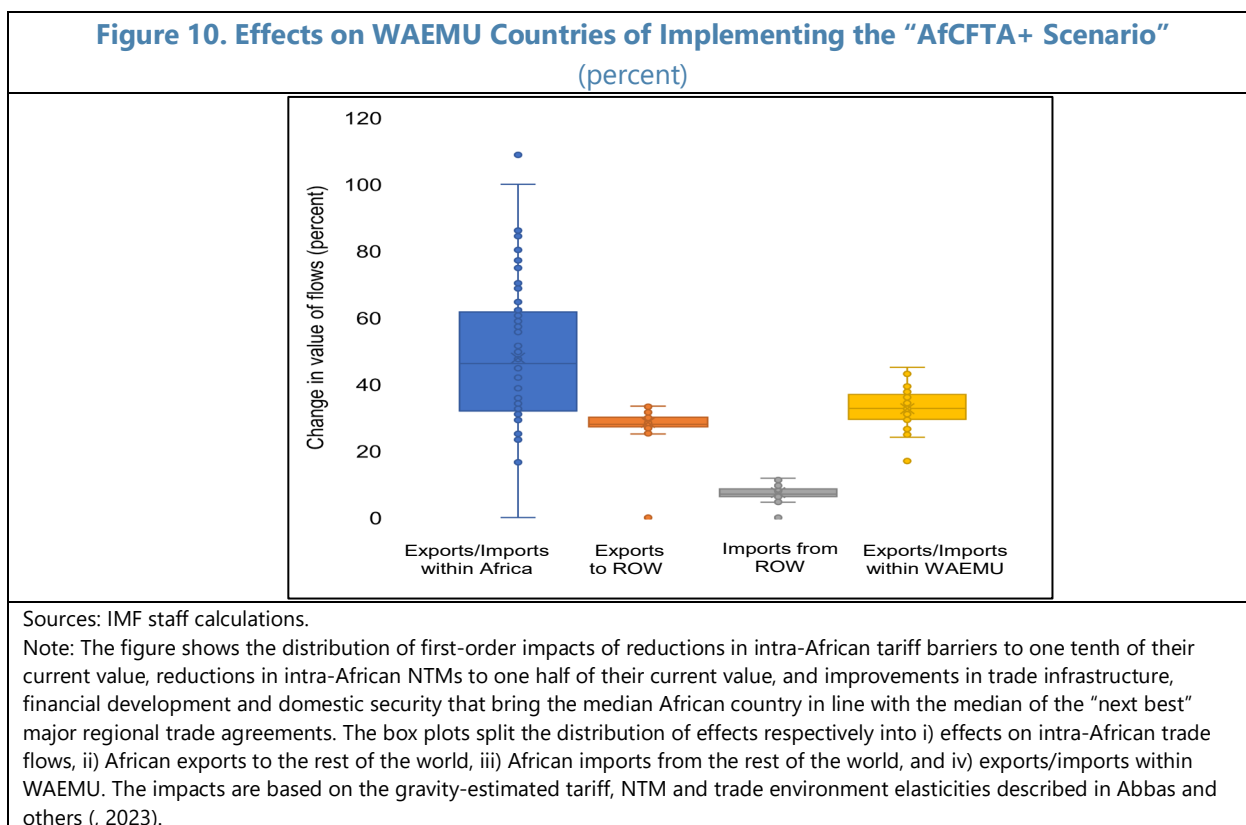
Sources: IMF staff calculations.

Note: The figure shows respectively the distribution of first-order impacts on intra-African trade flows i) of reductions in intra-African tariff barriers to one tenth of their current value, ii) of reductions in intra-African NTMs to one half of their current value, and iii) of both. The impacts are based on the gravity-estimated tariff and NTM elasticities described in Abbas and others (2023).

**20. Trade and incomes would rise much more if WAEMU members and other African countries were to combine AfCFTA implementation with improvements in the trade environment.** The “AfCFTA+ scenario” analyzes the impact of the AfCFTA scenario’s tariff and NTM reductions in combination with enhancements in three key elements of the trade environment: infrastructure, financial development, and security. These improvements would lower transport costs, improve access to credit, and reduce investment risks. Specifically, if WAEMU members (and other African countries) were to both implement the AfCFTA scenario’s tariff and NTM reductions and elevate their trade environment to the median performance level of the next-best performing free trade agreement (ASEAN or Mercosur, depending on the indicator), WAEMU members’ median merchandise trade flow with other African countries could rise by more than 40 percent, while intra-WAEMU trade could increase by more than 30 percent (Figure 10). In addition, WAEMU members’ (much larger) trade flows with countries outside of Africa would rise. All this would result in much greater increases in openness compared to the AfCFTA scenario and generate income gains of an estimated 10 percent.

**21. While some ways of enhancing the trade environment, for example enhancing infrastructure, can entail high costs, actions to streamline administrative Customs and border procedures could conceivably come at lower cost.** There are significant opportunities to bolster trade through the implementation of select such trade facilitation measures. For example,

implementing half of the outstanding<sup>14</sup> measures by WAEMU members could increase their openness by 1-2 percentage points,<sup>15</sup> which could raise incomes by 1.3-2.5 percent.



## D. Conclusions and Policy Implications

*Going forward, WAEMU member countries should pursue greater trade integration by helping move AfCFTA discussions forward in areas that remain to be fully agreed, and by implementing agreed steps, such as the progressive elimination of tariffs on intra-African trade. WAEMU countries may also wish to advocate with AfCFTA partners for a more ambitious process for removing NTMs, namely a pro-active and comprehensive effort at reviewing and aligning national regulations affecting trade. In parallel, WAEMU members may wish to drive forward trade integration among themselves, including by undertaking a pro-active and comprehensive effort at removing NTMs. They should also try to strengthen the trade environment in a cost-effective manner, including notably by streamlining and harmonizing Customs and border processes. In all these efforts, maintaining macroeconomic stability will be key for maximizing the benefits of trade integration, while strengthening workforce skills and enhancing safety nets to the extent possible will also be important.*

<sup>14</sup> WAEMU countries have largest distance to frontier in the areas of digitalization of customs procedures and a supportive trade environment for women and SMEs, which represent key areas with the potential to improve trade facilitation.

<sup>15</sup> The results are computed by synthesizing findings from Abbas and others (2023) and UNESCAP estimates concerning the elasticity of trade flows in response to trade facilitation.

**22. The analysis presented in this paper suggests that efforts at trade integration among WAEMU members have room for delivering greater results.** WAEMU members' trade openness has grown only modestly in the past two decades, and their integration into global value chains and export diversification remain limited.

**23. Three key factors continue to constrain WAEMU members' trade: elevated import tariffs, high non-tariff measures, and a challenging trade environment.** All three elements continue to constrain WAEMU members' trade with countries outside of ECOWAS, while high non-tariff measures and the challenging trade environment continue to limit even trade between WAEMU members (and with other ECOWAS members).

**24. Going forward, WAEMU countries should strengthen their trade and incomes by pursuing trade integration with other African countries through the AfCFTA as follows:**

- **Help move AfCFTA discussions forward.** WAEMU members should collaborate with other AfCFTA signatories in finalizing negotiations on the remaining tariff lines and rules of origin, advancing discussions on services trade liberalization, and completing the annexes to the remaining protocols.
- **Implement AfCFTA agreements in domestic law to the extent that this has not yet been done.** This includes the new tariff schedules and rules of origin, any future agreements on services trade, and any other changes required by AfCFTA agreements. (Trade among WAEMU countries and between WAEMU and ECOWAS members will continue to benefit from zero tariffs.) WAEMU members also need to ensure that their Customs administrations are ready to implement AfCFTA tariffs and rules of origin. Further, WAEMU members should inform the business community about the opportunities AfCFTA creates and any related changes in Customs and border processes.
- **As regards the removal of non-tariff measures, WAEMU members may wish to advocate vis-à-vis other AfCFTA signatories for the adoption of a more ambitious approach.** AfCFTA member countries should start a pro-active and comprehensive process of reviewing and aligning behind-the border regulations that result in NTMs hindering trade. The AfCFTA's current process, whereby traders need to bring NTMs they encounter to the authorities' attention one by one, will likely enable only very slow progress.

**25. In parallel, WAEMU members could usefully deepen trade integration among themselves by reducing NTMs through a pro-active and systematic effort.** This would help boost trade within the WAEMU and could serve as a model for the continent-wide effort at reducing them. In this effort, WAEMU member countries could draw on learnings from other groups of countries that have sought to establish a common market, such as the EU. They may also be able to draw lessons from the continuing efforts to align business law made through the Organization for the Harmonization of Business Law in Africa (OHADA), to which they are parties.

**26. Further, WAEMU members should seek to strengthen trade by enhancing the trade environment in the most cost-effective manner possible.** Priorities will differ between countries.

Lowering trade costs by building substantial new transport infrastructure could provide a significant boost to trade (Fontagné and others, 2023), particularly where this infrastructure remains weak. At the same time, building new infrastructure is a costly undertaking, with the added challenge that the construction cost is immediate while the benefits occur only over time. In contrast, trade facilitation through streamlining and digitization of Customs and border processes could potentially be a more affordable effort given that it involves mainly a streamlining of administrative processes rather than the building of substantial new infrastructure.

**27. To maximize the benefits of trade integration, maintaining macroeconomic stability will be key.** In this regard, WAEMU members should continue efforts to strengthen domestic sources of fiscal revenue to offset any potential AfCFTA-related revenue losses. Estimates of potential revenue losses from AfCFTA implementation vary substantially across studies and African countries. Edwards and others (2023) provide an overview of the literature on potential fiscal revenue losses from AfCFTA implementation and present new estimations. They estimate that the eventual effects of tariff reductions on WAEMU members' fiscal revenue will be small (less than 0.1 percent of GDP for each WAEMU member). Nevertheless, to guard against any downward pressure on revenue, even if only transitory, governments should continue their efforts at enhancing domestic taxation.

**28. Finally, it will be important to strengthen workforce skills and social safety nets.** While the AfCFTA is expected to generate overall gains, some groups might face adverse impacts, at least initially. Investing in workforce skills will help workers take advantage of opportunities created by trade integration in a broader context of increasing skill requirements in the modern workplace; and strengthened social safety nets can offer targeted support during transition periods, ensuring that transition costs are contained while the benefits of trade integration are shared widely and equitably.

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