Ujedinjenje Afrike: realistično ili ne?
United Africa: realistic or not?

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Sažetak: Trend je povećavanja broja regionalnih ekonomskih integracija u svijetu, ali i njegova produbljivanja. Taj se globalni trend prelio i u Afriku u kojoj se stvaranje i produbljivanje regionalnih ekonomskih integracija radi stvaranja jedinstvene kontinentalne regionalne ekonomske integracije smatra razvojnim imperativom. Jedinstveno tržište od 1,3 milijarde ljudi može dovesti do znatnih promjena, od trgovine, produktivnosti, konkurentnosti, stvaranja novih poslova do ostvarivanja višega životnog standarda. Cilj rada je prikazati i raspraviti izazove i perspektive razvoja regionalnih integracija u Africi s posebnim naglaskom na osam regionalnih ekonomskih zajednica prepoznatih temeljima stvaranja Afričke unije. Slijedom navedenoga, doprinos rada ogleda se u dva smjera. Prvo, daje pregled glavnih obilježja regionalnih ekonomskih integracija u Africi i funkcioniranju osam regionalnih ekonomskih zajednica. Drugo, u radu se identificiraju glavni izazovi i koristi regionalnog integriranja u Africi te iznose preporuke za nastavak uspješnih procesa regionalnog integriranja u Africi.

Ključne riječi: regionalne ekonomske integracije, Afrika, izazovi i koristi

Abstract: There is a proliferation trend of a number of regional economic integrations in the world, as well as their deepening. This global trend spilled over in Africa, where the creation and deepening of regional economic integrations with the ultimate objective/goal of establishing one continental integration is considered a development imperative. A single market of 1.3 billion people can make a difference, from the aspect of trade, productivity, competitiveness, creation of new jobs and higher living standard. This paper aims to provide an overview and discuss challenges and perspectives of the development of regional integrations in Africa with special emphasis on eight regional economic communities recognized as building blocks of the African Union. Accordingly, the contribution of the paper is twofold. First, it gives an overview of the main features of regional economic integration of Africa and the performance of eight regional economic communities. Second, it identifies the main challenges and gains of regional economic integration processes in Africa and offers recommendations for further successful regional integration processes in Africa.

Keywords: regional economic integration, Africa, challenges and gains
1 Introduction

Regional integration initiatives in Africa started at the beginning of twentieth century, in 1910, by establishing the South African Customs Union and the East African Community in 1919. Since then, and particularly since the 1970s, a number of regional economic integrations have been established across the continent and today there is no country in Africa that is not a member of at least one regional economic group (Geda and Kebret, 2007). It can be said that Africa has been integrating intensively for the past 60 years (African Development Bank Group, 2019).

The African share in the world trade declined from 3.5% in 2008 to 2.5% in 2018 and it is the lowest regional share in the world (World Trade Organization, 2019). Also, in period 2008-2018, all the regions, except the Commonwealth of Independent States and Africa, attained their pre-crisis trade levels of 2008. However, this small share in the world trade constitutes more than half of GDP of each African country (Geda and Seid, 2015).

The aim of the paper is to provide an overview and discuss challenges and perspectives of the development of regional integrations in Africa. The discussion is focused on the formation of the African Union and the performance of eight regional economic communities (RECs) (in alphabetical order): Arab Maghreb Union (AMU) established in 1989, Common Market for Eastern and Southern Africa (COMESA) established in 1993, Community of Sahel-Saharan States (CEN-SAD) established in 1998, East African Community (EAC) established in 1999, Economic Community of Central African States (ECCAS) established in 1983, Economic Community of West African States (ECOWAS) established in 1975, Intergovernmental Authority on Development (IGAD) established in 1996 and Southern African Development Community (SADC) established in 1992. In terms of member countries, the smallest REC is UMA (five-member countries), while CEN-SAD is the largest (29-member countries). Many countries are members at the same time of two or more RECs. For example, Libya is a member of UMA, COMESA and CEN-SAD, while Liberia is a member of CEN-SAD and ECOWAS. This fact certainly affects the speed and the level of the achieved integration of RECs.

The paper consists of four parts. The introduction is followed by a review of literature about the impact of regional economic integration on economic and social development and growth. The third part gives an overview of the regional economic integration processes and issues in Africa. The fourth part of the paper is the conclusion.

2 Regional economic integration: theoretical framework

Standard trade theory states that free trade is superior to all other trade policies (Geda and Kebret, 2007). Free trade is encouraged globally within the World Trade Organization and regionally within regional economic integrations. The shallowest type of regional economic integration (REI) is free trade area - member countries liberalize trade among themselves, but still have their own trade policies towards third countries. If these countries would decide to introduce a common trade policy, they would form then another type of REI - customs union. Additionally, they can expand their cooperation beyond purely trade issues. A common market, in addition to common trade policy, permits free movement of factors of production (Baldwin and Venables, 1995). Dependable on mutual commitments and areas of cooperation, they can form deeper REIs than the customs union. A monetary union represents an even higher degree of integration because it presupposes a common market, including either irrevocable determination of exchange rates or a common currency for all member countries, so that the economic transactions within the union are not influenced by exchange rate uncertainty. The deepest type of regional economic integration is economic union. An economic union is in essence a monetary union where member states
coordinate their economic policies at a higher level. Regional economic integration can result in static and
dynamic effects. Static effects are short-term trade effects, while dynamic effects are long-term effects on
economic growth and development (Grgić and Bilas, 2012). According to relevant literature, dynamic
effects have source in the increase of efficiency, ability to exploit economies of scale and increased level
of investment and growth (Negasi, 2009). Static effects consist of trade creation and trade diversion
effects, found by Viner. Net positive static effects exist if trade creation, which occurred by establishing
regional economic integration, prevails over trade diversion (Grgić, Bilas and Franc, 2012). Trade
creation assumes increase in trade volume with regard to intra-regional trade liberalization, while trade
diversion effects assume diversion of trade from more efficient extra-regional supplier with lower prices
to less efficient intra-regional supplier which becomes cheaper/more competitive through preferential
liberalization of intra-regional trade. Many countries are afraid of short-term losses due to negative static
effects. Mattoo, Mulabdic and Ruta (2019) found that standard Vinerian approach may not be suitable for
today’s deeper regional economic integrations.

In the period 1948-2019, 681 regional trade agreements were reported to the World Trade Organization
(World Trade Organization, WTO, 2019). Recently, the landscape of regional economic integrations (also
referred as regional integration arrangements, regional trade agreements, preferential trade agreements,
regional economic communities) changed (De Melo and Tsikata, 2014). Today, there are more South-
South REIs (integration between developing countries) than North-North (integration between developed
countries), which wasn’t the case in the past. This fact reflects a desire of these countries to be included
into regional production networks. According to Baldwin (2008), European integration is the most
successful in regional integration experience and most of the regions try to learn from their experience.

Also, regional economic integration can reduce the probability of conflicts through trade creation which
would than increase the opportunity cost of the conflict either through deepening of the integration, which
will reduce information asymmetries among partner countries (De Melo and Tsikata, 2014).

Venables (2003) analysed possible winners and losers of regional trade agreements, i.e. how the real
income effects of regional integration are distributed amongst member countries. He analysed the
comparative advantage of customs union members compared to each other and the rest of the world. His
results pointed out that countries with extreme comparative advantage do worse than those with ordinary
comparative advantages. Also, he warned about one issue that can possibly occur in South-South
integrations - relocation of manufacturing production to richer countries at the expense of poorer
members. Robinson and Thierfelder (2002) in their study proved that regional trade agreements improve
welfare. They found that trade creation greatly exceeds trade diversion in all studied cases, as well as that
domestic policy reforms in conjunction with a regional trade agreement provide additional welfare gains.

Berthelon (2004) also confirmed positive effects of regional economic integrations on growth. He found
that North-North agreements have significant growth effects. According to his study, South-South
agreements have ambiguous effects depending on the size of the countries joining them, while he found
no clear evidence of North-South agreements.

Baldwin and Venables (1995) confirmed that regional trade agreements generated welfare gains for the
member countries with small, but possibly negative spillovers onto the rest of the world. According to
Moses (1997), regional economic integrations are attractive as a result of the expected welfare effects and
the potential distributional effects too. Bolaños (2016) proposes to analyse regional economic integrations
from three dimensions (1) economic integration, (2) political integration and (3) physical integration. The
contribution of this study is also in providing evidence to consider how political and physical integration
constitute the preliminary phases of regional economic integration, rather than the final stage, as generally
considered by regional economic integration theory framework. Similarly, de Melo, Panagariya and
Rodrik (1993) concluded that regional partners have to step across the threshold of similarity in their
economic objectives before the partial giving up of national autonomy can be mutually beneficial.
Regional economic integrations in Africa: overview and discussion

Regional integration is not considered only to be the key of the development of Africa, but also a path enabling integration of Africa into global economy (African Union Commission, 2019). The analysis has shown that barriers to trade from border impediments have fallen over the past 20 years (African Development Bank Group, 2019).

RECs are integrated at an uneven pace (UNCTAD, 2019). The creation of a single market of 1.3 billion people could boost trade, productivity and competitiveness, as well as create new jobs and enable higher living standard. However, most countries in Africa are small in size, and this is the reason of their global bargaining position (Geda and Seid, 2015). Barriers to trade are not only represented by trade policy instruments like tariffs and quotas, but also by other elements such as different regulatory frameworks, different languages, etc. (Ascani, Crescenzi and Iammarino, 2012).

The African Economic Community Treaty (or the Abuja Treaty) in 1991 aimed at establishing the economic integration of the whole African continent through existing and the formation of new RECs (Geda and Kebret, 2007). According to this treaty, integration was to be completed by establishing the African Economic Community (AEC) in six sequential phases approach of 34-years (African Union Commission, 2019).

The African Union (AU) was launched in 2002 as a continental body consisting of 55-member states that make up the countries of the African Continent. African Union recognizes eight RECs which act as building blocks of the AU. Mainly, RECs in Africa set an objective to achieve a common market. As for this objective, none of the regional groupings successfully fulfilled the requirements of a functional common market (Geda and Kebret, 2007).

The African Continental Free Trade Area (AfCFTA) was designed to be the AU’s endeavour under the applicable multilateral rules and will have to develop a modus operandi with the RECs (Erasmus, 2019). It entered into force on 30 May 2019 and 24 countries ratified the agreement till the moment of writing this paper. However, the trading under the AfCFTA agreement will begin on 1 July 2020. An interesting fact is that the African economy, with many small markets, is smaller than the economy of France (African Development Bank Group, 2019). Colonial legacy resulted in creation of geographically artificial states which, in combination with ethno-linguistic diversity, contributed to huge number of conflicts and high trade and communication costs throughout Africa (De Melo and Tsikata, 2014). Bala (2017) stressed that regional economic integration efforts in Africa represented an idea to address the continent’s problems through the instrument of economic integration. It is a great challenge to achieve, bearing in mind only one simple fact that in Africa are located 34 of the 50 least developed countries, which means high 68% of all least developed countries in the world.

Rules of origin, especially if adjustable, are considered to be an integral part of successful implementation of trade liberalization within the AfCFTA (UNCTAD, 2019). If they would be implemented successfully, they could help the AfCFTA accomplish all expected objectives in terms of boosting trade, strengthen regional value chains, create jobs, etc., but if not, they could erode expected benefits from the AfCFTA (UNCTAD, 2019). UNCTAD (2019) points out the necessity of the AfCFTA agreement to address continental disconnections like the one dealing with cocoa and cocoa products - West African countries export unprocessed cocoa outside the continent, while the largest chocolate manufacturers like Egypt and South Africa import it from outside the continent. According to African Development Bank Group (2019), provided that simple and transparent rules of origin are observed, the elimination of bilateral tariffs would increase intra-Africa trade by up to 15%, as already stressed in the study of UNCTAD (2019).

Chidede and Sandrey (2018) examined the trade within eight RECs recognized by the AU for the period 2001-2017. According to their results, the intra-African trade remains low, around 16.7%, while there was
a high intra-RECs trade. Also, the authors showed that in the period 2001-2017, the intra-African imports accounted for 13% of total imports and the intra-African exports accounted for 14% of total exports. They stressed the fact that multiple memberships should be taken into consideration in assessing intra-REC African trade. There are member countries with two or three RECs at the same time. 51% of total intra-African imports and 50% of total intra-African exports over the period 2013-2017 took place in SADC (Chidede and Sandrey, 2018). The next is CEN-SAD with 19% of total intra-African imports and 19% of total intra-African exports. Contribution of COMESA and ECOWAS ranges from 11% to 13%, while all other RECs are below 6% of the share in total intra-African imports/exports.

Africa’s Regional Integration Index is developed as a tool for measuring the progress of the African integration process. The latest available report for 2016 covers the already mentioned eight RECs recognized by the African Union. There are five dimensions, all based on the Abuja Treaty with corresponding 16 indicators: “(1) trade integration (level of customs duties on imports; share of intra-regional goods exports in GDP; share of intra-regional goods imports in GDP; share of total intra-regional goods trade in total intra-REC trade), (2) productive integration (share of intra-regional intermediate goods exports in intra-regional exports; share of intra-regional intermediate goods imports in intra-regional imports; merchandise trade complementarity index), (3) free movement of people (proportion of REC member countries whose nationals do not require a visa for entry; ratification or not of REC protocol on free movement of persons; proportion of REC member countries whose nationals are issued a visa on arrival), (4) financial and macroeconomic integration (regional convertibility of national currencies; inflation rate differential) and (5) regional infrastructure (infrastructure development index: transport, electricity, ICT, water and sanitation; proportion of intra-regional flights; total regional electricity trade net per capita; average cost of roaming)” (African Union Commission et al., 2016). Average REC scores stand at 0.470 on a scale from 0 (low) to 1 (high). EAC is the top performing REC, and SADC and ECOWAS have more than average REC scores (Figure 1). The rest of the RECs underperformed. An analysis per dimensions showed that RECs had highest scores in trade integration and lowest scores in financial and macroeconomic integration.

![Figure 1](image1.png)

**Figure 1** Africa’s RECs Regional Integration Index 2016
Source: African Union Commission et al. (2016).
According to the Agenda 2063, the speeding up of the regional integration process is a key success factor for the common prosperity and peace (African Union Commission, 2015). African Union Commission (2015) brought the Agenda 2063 in 2015, a 50-year framework for achieving continental unity which main aspirations are devoted to inclusive and sustainable growth and development, integrated continent (politically united), peace, good governance and the rule of law, cultural identity, human capital and strengthening global influence and power. As already stated, regional economic integrations of the continent are recognized as an integral part of the African unity. Strong strategic orientation represented by the Abuja Treaty and the Agenda 2063 of continental integration made progress in areas of trade, peace and security, air transport, free movement of people and goods, etc. (African Union Commission, 2019). According to African Development Bank Group (2019), there are three objectives which are difficult to reconcile: (1) solidarity, (2) large memberships and (3) deep integration.

However, the level of the achieved integration of all the RECs has been less than satisfactory so far. RECs make efforts in the areas of social integration, free movement of persons, productive integration, trade integration, infrastructure integration, financial integration, monetary integration and environmental integration (African Union Commission, 2019). Still, these efforts are uneven and with limited impacts on RECs. On the example of COMESA, Geda and Kebret (2007) showed that governments failed to implement the treaty they signed. It is in fact the case with most of the RECs, which suggests lack of political commitment in practice. Unsatisfactory results were confirmed also by Qobo (2007).

Geda and Seid (2015) proved the potential for intra-African trade and identified export competitiveness and diversification as crucial factors. They also evaluate regional integration accomplishments as modest, although potential benefits are recognised, and lot of effort was put into it.

If potential members of integration are small compared to the outside world, there will be a small effect of trade creation (Grmić, Bilas and Franc, 2012).

Barnekow and Kulkarni (2017) found that regional trade agreements in Africa might not have positive impact on their welfare, because these countries did not develop intra-continental trade, but mostly intercontinental trade, and the level of diversification of products among them is low.

Comparing African regional economic integration achievements with other continents is quite difficult due to specific characteristics of African continent – historical background, level of development, commitment to achieving the goal of regional economic integration. The European Union model and experiences are often regarded as a model of integration which should be applied. Bilal (2007) found that most developing countries, although calling for greater integration, have still not decided to delegate sovereignty to supranational level and still develop intergovernmental model of integration, without delegating any parts of sovereignty. This is something these countries have been working on for decades and are really reluctant to give it up without clear gains and building trust in supranational level. Piccolino (2019) found that the West African Economic and Monetary Union followed to the greatest extent the European Union integration model, in comparison to other African regional economic integrations, and also points out the importance of its history of colonial legacies and post-colonial dependence as one of the key factors in understanding the level of applying this model.

Ogbuabor et al. (2019) analysed the growth effect of the West African Economic and Monetary Union integration for the period 2000-2015 and found no positive impact of this regional economic integration on economic growth.

Golit and Adamu (2014) tested African regional economic integration models from their aspect of suitability for rapid economic growth and found significant positive role of infrastructure financing, and human and physical capital accumulation. Intra-African trade was found to be less effective than these factors. However, Ehigiamusoe and Hooi (2018) found support for positive growth effects of regional economic integrations and detected as main channels: capital accumulation, productivity growth, trade and financial integration. Table 1 provides main challenges and gains of successful integration processes in Africa resulting from the relevant literature on the topic.
Table 1 Main challenges and gains of successful integration processes in Africa  
Source: author’s compilation (2020)

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<tr>
<th>Challenges</th>
<th>Gains</th>
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<tr>
<td>• colonial legacy</td>
<td>• trade creation</td>
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<td>• political commitment, delays in the implementation of policy decisions</td>
<td>• security gains from deeper cooperation</td>
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<td>• lack of adequate infrastructure and quality of infrastructure</td>
<td>• benefits from a larger population and less instability</td>
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<tr>
<td>• geographical diversity (coastal and landlocked countries) and fragmentation</td>
<td>• migration could close the wage gap and bring efficiency gains</td>
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<tr>
<td>• great ethno-linguistic diversity</td>
<td>• possibility of exploiting economies of scale</td>
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<td>• political instability, conflicts and wars</td>
<td>• bargaining power</td>
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<tr>
<td>• policy harmonization</td>
<td>• decrease of informal trade</td>
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<tr>
<td>• diverse and distinct customs and administrative systems, different tariff arrangements</td>
<td>• strengthening regional value chains and increase of participation in trade supply chains</td>
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<td>• existence of different currencies</td>
<td>• job creation and labour mobility</td>
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<td>• unequal distribution of resources</td>
<td>• increase of productivity and competitiveness</td>
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<tr>
<td>• unequal distribution of gains</td>
<td>• greater regulatory convergence and reduction of complexity</td>
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<tr>
<td>• lack of complementarities among countries</td>
<td>• reduction of trade costs</td>
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<td>• different policy preferences</td>
<td>• improvement of the living standards</td>
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<td>• over-dependence on revenue from import duties</td>
<td>• more policy credibility</td>
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<td>• fear of domination by larger/stronger countries</td>
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<td>• fear of loss of national sovereignty</td>
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<td>• lack of trust</td>
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<td>• poor private sector and civil society participation</td>
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<td>• lack of adjustment funds</td>
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<td>• high trade and communication costs</td>
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<td>• reluctance to the emergence of a supranational authority</td>
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<td>• artificial borders</td>
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<td>• multiple and overlapping membership</td>
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<td>• implementation of rules of origin</td>
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<td>• narrowness of markets and weakness of purchasing power</td>
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<td>• poor capital markets</td>
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<td>• low inter-industry trade</td>
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<td>• more developed intra-continental trade infrastructure</td>
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The history of the African continent and the political environment present one of the challenges to the success of regional economic integrations in this continent, especially their colonial legacy, lack of trust and political instability in some parts. Countries are reluctant to give up their national sovereignties in any segments in order to make deeper and strong regional economic integrations. African countries are also characterized by diversity, whether geographical (coastal and landlocked countries) or/and cultural and linguistic diversity, or/and political/economic diversity (unequal distribution of resources, etc.), which requires much more effort to develop mutual understanding and goals necessary for creating the regional economic integration and well-functioning. There is also an issue of overlapping memberships which makes these efforts even harder, because obeying different rules and obligations at the same time with insufficient capacity creates the above-mentioned challenges even bigger. Due to the lower level of development of African countries, there are many economic limitations and obstacles to accelerate regional economic integration processes: lack of infrastructure, investments, capital markets are poor, low level of inter-industry trade, etc.

On the other side, grouping these countries in functional and strong regional economic integrations can bring gains for them in terms of trade creation, security advantages, gains from bigger internal markets, job creation and migration, etc., with the main goal of improving living standards and reaching higher levels of development. However, without addressing properly challenges, these gains might not be achieved.

4 Conclusion

There are differences in the level of development among African countries, i.e. Africa is consisted of rather heterogenous group of countries. There is a consensus that integration processes within RECs didn’t give satisfying results. In respect to that fact, conclusively, the title question cannot be answered yet. There are different challenges in front of accomplishment of set goals, i.e. overlapping membership issue will not disappear, which have to be tackled with more cooperative, inclusive, precise and clear framework. RECs are implementing various strategies focusing on the contribution to the full implementation of the Agenda 2063. It would be helpful if these strategic plans would have more specific objectives and timeframe, as well as direct connection/aligning to the Agenda 2063. Additionally, more inclusive integration efforts would be beneficial, which presumes active involvement of all stakeholders. Also, raising awareness among African citizens of the regional integration importance and possible gains is of great importance. On the more operational level, stronger and closer cooperation between AU Commission and RECs, as well as between AU and member states in terms of information and data sharing and dissemination is more than welcome. Qualitative monitoring could be helpful to the integration process. Not of less importance, stronger cooperation among RECs should be fostered too, because sharing experiences and best practices would be beneficial for achieving all set objectives. Future research on the topic should be dedicated to deeper analysis of each RECs and on more focused and specific policy recommendation to each REC with respect to achieving the AU goals.

Literature


