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The Role of African Regional Economic Communities in promoting Intra-African Trade

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Abstract

This paper was undertaken to investigate on the role of African regional economic communities (RECs) in promoting intra-African trade. It attempts to respond to the following questions: What are the efforts so far made by African Regional Economic Communities to promote the intra-African trade? What is the profile of intra- African trade? And what are the limiting factors for promoting the intra-African trade? It adopted a descriptive research design with both qualitative and quantitative data gathered from secondary sources, and content analysis was adopted to analyse the available data. Though the intra-African trade is still low compared to other regions all over the world, some African Regional Economic Communities have made an important step toward promoting the intra-trade. However, some challenges such as infrastructure inadequacy and deficiencies among others keep on hampering intra-African trade promotion.

Key Words: regional integration, regional economic community, intra-trade.

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1. Introduction

For long time, the integration programmes were seen as a necessary tool to improve and facilitate trade. In the context of Africa, before and after independence, integration was and is still seen as a strategy to promote unity of Africa and trade as well as economic development. Since the 1960s where most of African countries obtained the so called independence, economic integration has become critical agenda for all countries and regional integration schemes were adopted and introduced in most of the parts of the continent. In 1963, as a result of debates dominated by two groups, Monrovia² and Casablanca³, regionalism was adopted as appropriate approach to African unity and integration. Like in other parts of the world, it is without doubt that the integration is needed in Africa. As UNECA (2008) admits, the need for integration in Africa is unquestionable and indeed strategic in terms of promoting and protecting Africa's interests.

In this context, the number of Regional Economic Communities (RECs) has considerably risen and African Union recognises 8 regional economic communities (RECs) which she takes as building pillars of African Economic Community (AEC). These are East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), Economic Community of West African States (ECOWAS), Economic Community of Central African States (ECCAS), Intergovernmental Authority on Development (IGAD), Community of Sahel-Saharan States (CEN-SAD), Arab Maghreb Union (AMU), and Southern African Development Community (SADC). Moreover, the history of African RECs and existing literature show that African RECs agendas have changed over time. For instance, it is argued that they initially arose from political rather than economic or developmental agendas, but more recently they have been re-launched with an economic focus (Maruping, 2005).

Following the Lagos Plan of Action (1980) and Abuja Treaty (1991), the African countries made more efforts toward promoting economic integration among themselves with economic and developmental agendas through the creation of Regional Economic Communities (RECs), and there is a plan to create African Economic Community (AEC) by the year 2028. In addition, recently, the majority of sub-Saharan African countries are members of one or more regional

² Monrovia group was made of Heads of State and Government who, due the fear of loss of their power and sovereignty of their states, wanted the gradual unity of Africa through the regionalism.

³ Casablanca group was made of Heads of State and Government who wanted direct and immediate unity of Africa.

or sub-regional arrangements that seek to promote economic coordination, cooperation or integration among the member countries concerned (Maruping, 2005).

According to the Abuja Treaty on establishment of the African Economic Community (AEC) as approved in 1991 and entered into force in 1994, in its article 6 on the modalities for the establishment of AEC, it was expected that the community would be established in 6 stages of variable duration over a transitional period not exceeding thirty-four (34) years. First stage was concerned with strengthening of existing regional economic communities and establishing economic communities in regions where they do not exist (1994-1999); the second stage was concerned with stabilising Tariff Barriers and Non-Tariff Barriers, Customs Duties and internal taxes, strengthening of sectoral integration at the regional and continental levels in all areas of activity (1999-2007).

Third stage was that there should be establishment of a Free Trade Area at the level of each REC through the observance of the time-table for the gradual removal of Tariff and Non-Tariff Barriers to intra-community trade and the establishment of a Customs Union by means of adopting a common external tariff (2007-2017); the fourth stage was concerned with co-ordination and harmonisation of tariff and non-tariff systems among the various RECs with a view to establishing a Customs Union at the continental level by means of adopting a common external tariff (2017-2019); the fifth stage was concerned with the establishment of an African Common Market (2019-2023); and the last stage was concerned, among other things, with the integration of all the sectors; establishment of a single domestic market and a Pan-African Economic and Monetary Union (2023-2028).

This paper was undertaken to respond to these questions: (a) What are the efforts so far made by African Regional Economic Communities to facilitate the intra-African trade? (b) What is the state of African intra- trade? And (c) What are the limiting factors for promoting of intra-African trade?

2. Literature Review

2.1 Conceptualising the Concepts

The conceptualisation of the terms “integration, economic integration, and regional integration” have not only attracted the interest of the scholars but also that of the decision as well as policy makers. For long time since early development of integration theories, there have been many debates in the literature over how to define the concept “integration” and many writers defined

differently the term integration. Some defined it in terms a process while others defined it in terms a state and it is obvious that both conceptualisations have been applied.

Integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectation and political activities to a new centre whose institutions possess or demand jurisdiction over the pre-existing national states (Haas, 1958). Alternatively, Haas and Schmitter (1964) defined integration as the process of transferring exclusive expectations of benefits from the nation-state to some larger entity. According to Biswaro (2011), integration can be described as both a process and an end state whereby an intergovernmental organisation (IGO), representing three or more countries, pools their resources together with a view to creating a larger and a more open economy expected to benefit member countries.

Similarly, economic integration has been defined as a process and as a state. For instance, Balassa (1961) defined it as a process and as a state of affairs. As a process, it encompasses measures designed to abolish discrimination between economic units belonging to different national states; and as a state of affairs, it can be represented by the absence of various forms of discrimination between national economies. Economic integration is a move towards a union with some common objectives by abolishing discriminations between economic units to ensure the availability of comprehensive systems that guarantee: free movement and price equalisation of goods and factors of production; and the harmonisation of policies of economic sectors in the participating countries (Peiris et al. 2015).

Balassa's conceptualisation is centred on the elimination of the discriminations that exist between the states before integration is undertaken which consist of the tariff and non-tariff barriers. While imposing tariff and non-tariff barriers constitutes an impediment for trade promotion, their removal has positive impact on trade relations and benefits integrating economies in a number of ways. [...] the removal of such trade barriers in the context of regional integration is thought to increase efficiency in resource allocation (UNCTAD 2009). Though some countries foster cooperation between themselves to address the trade discriminations that are found at their boundaries, the economic integration is the best approach to deal with them. As mentioned by Balassa (1961), whereas cooperation includes actions aimed at lessening discrimination; the process of economic integration comprises measures that entail the suppression of some forms of discrimination.

Finally, regional integration is, on the one hand, a process transferring political and or economic decision making power (sovereignty) to a new supra-national entity. On the other hand, regional integration is a stage where former independent polities have handed parts or all of their sovereignty over to a supra-national (Dosenrode, 2010).

2.1.1 Forms of Regional Integration

The economic integration or regional integration has different forms and some authors refer those forms to the stages or levels of integration. According to Balassa (1961), economic integration can take several forms that represent varying degrees of integration. These are a free-trade area, a customs union, a common market, an economic union and complete economic integration. Similarly, Biswaro (2011) argued that basically, the process of economic integration may take any of the following forms, each of which will represent a different stage of integration if member countries wish to pursue integration to its logical conclusion: Preferential trade arrangement (PTA), Free Trade Area (FTA), Customs Union (CU), Common Market (CM), Economic Union (EU), Monetary Union (MU) and Political Union (PU).

In Preferential Trade Area (PTA) or Agreement, the member states charge lower tariffs to imports produced by fellow member countries than they do for non-members (Maruping, 2005). In a free-trade area, tariffs (and quantitative restrictions) between the participating countries are abolished, but each country retains its own tariffs against non-members; and establishing a customs union involves, besides the suppression of discrimination in the field of commodity movements within the union, the equalisation of tariffs in trade with non-member countries (Balassa, 1961).

A higher form of economic integration is attained in a common market, where not only trade restrictions but also restrictions on factor movements are abolished. An economic union, as distinct from a common market, combines the suppression of restrictions on commodity and factor policies, in order to remove discrimination that was due to disparities in these policies. Finally, total economic integration presupposes the unification of monetary, fiscal, social, and counter cyclical policies and requires the setting-up of a supra-national authority whose decisions are binding for the member states (Balassa, 1961). Moreover, if political sovereignty is given up, an economic community becomes a federation or political union with common legislation and political structures (Maruping, 2005).

2.1.2 Motives for Regional Integration in Africa

In Africa, like in other parts of the World, motives and objectives of regional integration evolved over time. From decolonisation to date, African countries got interested in economic integration for different reasons. They have been inspired by the success of integration efforts in Europe and the America. They also need post-independence economic integration to gain bargaining power and survive economically against the threat of marginalisation in the globalisation process (Maruping, 2005). Additionally, the countries integrate to become stronger to have a talk, compete and transcend the marginalisation in global economy as well as to become more responsible to their economic activities. Countries integrate because they do not want to lose out in the global competition for export market and foreign direct investment (FDI) (Biswaro, 2011).

African countries consider regional integration the most direct route to fast, broad-based development and an effective way to overcome the limitations of small internal markets. They also perceive regional integration as a rallying platform for establishing African unity (UNECA, 2008). Integration is necessary to build up supra-national entities capable to transcend political, social and economic problems which cannot be addressed individually. It is also necessary to merge economies and enlarge as well as diversify market size to promote and improve on intra-trade and to strengthen their bargaining power in global economic and political events.

2.1.3 Effects of Regional Integration

It is obvious that integration has a number of effects not only on integrating economies but also on economies out of the group. Some of those effects are positive while others are negative. Generally, integration provides integrating countries with a variety of benefits. Regional integration can foster competition, subsidiarity, access to wider market (via trade), larger and diversified investment and production, socio-economic and political stability and bargaining power for the countries involved. It can be multi-dimensional to cover the movement of goods and services (i.e. trade), capital and labour, socio-economic policy coordination and harmonisation, infrastructure development, environmental management, and reforms in other public goods such as governance, peace, defence and security (Maruping, 2005).

Equally important, a successful regional integration leads to economic growth and reduces poverty in the region. Biswaro admits that there is evidence that greater economic integration has played an important role in accelerating growth and reducing poverty in an increasing number of developing countries and, hence, in reducing overall global inequality in income distribution (Biswaro, 2011). Moreover, regional integration should result in lower consumer

price because of increasing allocation efficiency through production structures based on comparative advantage, the exploitation of economies of scale in the bigger domestic and international market, and the adoption of new technologies (Biswaro, 2011).

The regional integration leads to market expansion through trade creation and integrated economies enjoy various benefits resulting from such an expansion. The enlarged regional markets provide incentives for FDI as well as private cross-border investment (ECA, 2012). Moreover, market expansion opens up the doors for competition in the region where inefficient monopolies or firms are replaced by more efficient producers; thus, it enhances people's economic welfare. As Balassa observes, in order to assess the desirability of integration, its contribution to welfare needs to be considered (1961). This implies that establishment of economic integration should cater for the welfare needs of community's citizens; and this can be attained by expanding markets in order to exploit economies of scale.

By creating large markets, regional integration could allow small firms to reach their optimal size. This in turn would lower average costs, reducing consumer prices (UNCTAD, 2009). Additionally, by taking the advantage of the larger market, through the economies of scale, the firms become more capable of lowering the fixed component of production cost per unit by producing more output which, in turn, leads to the reduction in average production costs. Thus, resulting into reduced prices and contributing to economic welfare. Market expansion through regional economic integration also increases the competition with wider range of products in the region. This also results into lower prices and increased freedom for consumers' choice and hence, enhancing their economic welfare.

Similarly important, it is imperative to widen the region's economic space so as to generate economies of scale for production and trade and to maximize the welfare functions (ECA, 2008). Beyond facilitating access to new markets and tying them together, regional integration can have profound effects on consumer preferences and behaviour (ECA, African Union Commission and African Development Bank Group, 2016). So, the larger the regional integration the larger the market, thus the welfare functions and other benefits resulting from it are maximized or are likely to be maximized. In addition, the larger market provided by the regional economy means more demand and ultimately greater returns on any investment in innovation (UNECA, African Union Commission and African Development Bank Group, 2016).

In the context of Africa, these are relatively difficult to be attained as the choice of regionalism as the best way to strengthen and accelerate African integration has resulted into overlapping memberships which, in turn, constitutes one of the major barriers to continental market expansion. This is because most of African regional economic communities are at different levels of integration and thus, they have different objectives, policies and agendas. Thus, harmonisation is needed; otherwise, it seems difficult to establish single continental market. As United Nations Economic Commission for Africa—UNECA (2013) reported, a single market cannot function optimally and seamlessly with different rules of origin and trade policy instruments.

For expanding market or forming a single continental market, African countries and RECs have to work together and adopt common trade policy instruments through harmonisation of existing policies. This will help to solve the problem of memberships in multiple RECs at different levels of integration which, in turn, constitutes one of the major constraints to market expansion, and it will as well attract foreign direct investments. Additionally, however, Biswaro claimed that rationalisation and harmonisation of them seems to be one the main challenges (2011), it is important to note that if African countries and RECs need to expand market and attract foreign direct investment, they have to rationalise and harmonise trade facilitation policies with regard to tariff and non-tariff barriers as well as common external tariff (CET). Furthermore, single market cannot be attained if the constraints to free movement of people and capital among other factors remain. This is because, as reported by UNCTAD (2009), the free movement of capital, labour and other factors of production is often an explicit objective of economic integration schemes.

Though integration is admired by many people who find it as inevitable and critical for economic development and other related benefits, it has also some drawbacks. For instance, since economic integration benefits only those with resources, people who lack resources, typically the very poor, are left behind. Therefore, integration has contributed to a growing divide separating the haves and the have-nots both within and between countries (Biswaro, 2011). Moreover, integration can be complicated by perceived or real gains or losses among the members that may lead to disputes and a sense of “loss” of national sovereignty (Maruping, 2005).

2.2 Theoretical Perspective

This section deals with theoretical perspective with focus on the theories of international trade. There are various international trade theories but in this case, we focus on selected classical theories of international trade. These are theory of absolute and comparative advantage. Besides, the theory of customs union is also taken into consideration for the purpose of this paper.

2.2.1 The Theory of Absolute and Comparative Advantage

The theory of absolute advantage was developed by Adam Smith in his famous book “The Wealth of Nations” published in 1776. As far the international trade or economic integration is concerned, the theory of absolute advantage states that a country should specialise in production of the goods and services that it can produce efficiently and import those that it cannot produce efficiently from efficient country in the region. This theory is built on the assumptions that: (a) factors of production cannot move between countries. This assumption excludes the possibility of migration between countries, as well as presence of multinational companies; (b) no barriers to trade in goods; (c) exports must be equal to imports; (d) labour is the only relevant factor of production; and (e) production exhibits constant returns to scale.

This theory fails to respond to the question “what will happen if one country has absolute advantage in all products at the expense of other countries in the region.” From this question, David Ricardo developed the theory of comparative or relative advantage. According to this theory, if one of the two countries or groups in trade has absolute advantage in all products while another has no absolute advantage in any of those products, the country will gain from exporting the products in which it has the greatest comparative advantage and imports the products in which it has the least comparative advantage.

2.2.3 Theory of Customs Unions

The theory of customs union has been widely used in various scholarships to demonstrate the effects (gains as well as losses) resulting from regional integration or trade agreements between two or more countries. The theory of customs unions may be defined as that branch of tariff theory which deals with the effects of geographically discriminatory changes in trade barriers (Lipsey, 1960). According to this theory, the tariff system of any country may discriminate between the commodities and/or between countries. Commodity discrimination occurs when different rates of duty are levied on different commodities, while country discrimination occurs when the same commodity is subject to different rates of duty, the rate varying according to the

country of origin (Lipsey, 1960). In addition, country discrimination results from the fact that in terms of membership, regional integration categorises the countries into two groups, members and non-members, and these groups are treated differently in terms of trade barriers. Thus, the regional integration is characterised by trade liberalisation for the member states as well as trade protectionism against non-member states.

The theory of customs union demonstrates that regional integration more specifically at customs union stage brings important changes on welfare. According to it, those changes are termed effects which can be welfare gains or losses and they result from different sources. These include the specialisation of the production according to comparative advantage, economies of scale, changes in terms of trade, forced changes in efficiency due to increased foreign competition, and a change in the rate of economic growth (Lipsey, 1960).

Viner is the most prominent in the area of customs union and his study provided the necessary benchmark for distinguishing between the effects of economic integration. Viner's so called "static analysis" of economic integration has divided the effects of economic integration (customs union) on welfare into two categories. These are the trade creation and trade diversion effects.

Trade creation refers to the case when two or more countries enter into a trade agreement, and trade shifts from a high-cost supplier member country to a low-cost supplier member country in the union (Viner, 1950). In other words, trade is said to have been created when a country or countries stop the production of goods that they produce less efficiently in exchange for the same goods produced more efficiently by another partner country. Thus, the shift in consumption from locally produced high cost goods to lower cost goods produced in other partner state as result of regional integration (customs union) leads to improved welfare.

Trade diversion, on the other hand, may occur when imports are shifted from a low-cost supplier of a non-member country of the union (third country) to a high-cost supplier member country inside the union (Viner, 1950). In other words, the trade is said to have been diverted when there is a shift in consumption of goods from lower production cost non-member state to the higher production cost member state as result of regional integration (customs union). Thus, the trade diversion affects negatively the consumers' welfare. This may be the case if common tariff after the union protects the high cost supplier member country inside the union (Viner, 1950). The trade creation and trade diversion effects are illustrated using information in table 1.

The work of Viner was criticised by Lipsey, in his work entitled “The Theory of Customs Unions: A General Survey” where he pointed out that Viner’s analysis rules out the substitution in consumption and looks to shifts in the location of production as the cause of welfare changes in customs unions. According to him, this is not fully satisfactory, for consumption effects will themselves cause changes in production and he clarified them on the basis of the distinction between the inter-country substitution and inter-commodity substitution. Inter-country substitution would be Viner’s trade creation and trade diversion, when one country is substituted for another as the source of supply for some commodity. Inter-commodity substitution occurs when one commodity is substituted, at least at the margin, for some other commodity as a result of a relative price shift (Lipsey, 1960). He concluded that in general, either of these changes will cause shifts in both consumption and production.

In their work entitled “international trade effects of regional economic integration in Africa” Mengesha and Sisay demonstrated that the entry into a regional integration scheme can have both static effects and dynamic effects. Static Effects refer to changes that occurred in the equilibrium market price and quantity before and after the creation of the economic bloc. This can be a trade creation or a trade diversion (Mengesha and Sisay, 2016). Similarly to the views of Viner, they also further pointed out that for a given product, a trade creation appears when high cost production is substituted by low cost production because of regional integration while economic diversion occurs when low cost production is substituted by high cost production (Mengesha and Sisay, 2016).

Table1: Illustration of trade creation and trade diversion

	Country X	Country Y	Country Z
Price of Product W	150	120	100

The data in table 1 shows three countries (X, Y, and Z) engaged in trade of product W whereby the price is 150 in X, 120 in Y and 100 in Z. Assume X, Y, and Z enter into trade agreement, let say, customs union. Because the price of product W in country X is higher than the price of the same product in Y and Z, country X will start to import the product W from country Y or country Z. Thus, the trade creation since the direction of trade shifted from a high-cost member country X to a low-cost member (Y or Z). From this example, it is clear that trade creation through integration enhances home country’s welfare.

On the other hand, with the same example in table 1, assume that the country X levies a tariff of 100% on commodity W and the new price from country Y is 160 and country Z is 140. Thus, country X would import the commodity W from country Z, which is, in this case, the low cost producer. If the country X enters into trade agreement, say a customs union, with country Y, then country X will stop importing the product W from Z at 140 and start importing it from Y at 160. Therefore, the trade shifts from a low-cost non-member country Z to a high-cost member country Y. This implies trade diversion. This example indicates that trade diversion through integration lowers home country's welfare.

Dynamic effects, in contrast, may be felt more gradually, but will be longer lasting and, in some cases, continued. These are competition effect, investment effect, economies of scale, capital formation effect and structural effect (Mengesha and Sisay, 2016). The dynamic effects are more than a one-off enhancement of welfare through spill-over effects. These effects often result from economies of scale (due to an enlarged market); efficiency gains (due to the competitive environment and transfer of technology); increased inward foreign direct investment (FDI) flows; and removal of contingent protection and trade barriers (UNECA, 2012). Moreover, the dynamic effects are presumed to continue to generate annual benefits, even after the withdrawal of a country from the union (Mengesha and Sisay, 2016).

3. Methodology

The study adopted a descriptive research design with both qualitative and quantitative data. The choice of the design is as result of the nature of the study. Secondary sources of data were searched, retrieved and reviewed for the purpose of data collection. These include published documents such as African Union Commission reports, United Nations Economic Commission for Africa (UNECA) reports, journal articles, books and internet sources. Data were analysed using content analysis.

4. Discussion of the Results

4.1 The Efforts so far made by African Regional Economic Communities to Promote the Intra-Trade

As far as regional economic communities are concerned, African continent has special records. Apart from being a continent with a big number of regional economic communities, it is a continent with overlapping memberships where most of the countries are members of two or

more regional economic communities. Moreover, all of them have trade promotion and facilitation in their agendas.

According to 1991 Abuja Treaty for the establishment of the African Economic Community (AEC), African countries commit themselves to remove tariff and non-tariff barriers; and to establish a customs union by means of adopting a common external tariff in order to facilitate and promote intra-community trade and these were expected to be attained by 2017. It is, however, reported that establishing a common external tariff has often been a difficult process (ECA, 2008). In addition, disagreements on common external tariffs contribute to protracted delays in establishing customs unions (UNECA, 2008).

Even if there are delays in establishing free trade area, customs union and common market in most of African regional economic communities, it is important to note that removing barriers has many advantages on integrating economies in one way or another. For instance, it is well known that removing barriers on mobility of the people and other factors of production, so as they can easily and freely move from one country to another within one regional economic community or from one regional economic community to another, leads to market expansion and enhance economic welfare of the citizens. Besides, free movement of persons supports other aspects of regional integration such as trade in services, as it allows service providers to deliver services on-site (in the case of business services, for example) and allows recipients to travel to the providers abroad (education, medical care or tourism, and so on) (UNECA, African Union Commission and African Development Bank Group, 2016).

Even though according to Economic Commission for Africa, removal of border controls, harmonisation of macroeconomic, sectoral and institutional policies and actions, liberalisation of trade, free movement of people and capital are expected to result in more efficient use of resources as well as in productivity and income gains (UNECA, 2005), it is evident that not all African regional economic communities have put in place the facilities for the free movement of people and other factors of production. Some Africa's regional economic communities, including the East African Community (particularly Kenya, Rwanda and Uganda) and the Economic Community of West African States have facilitated their nationals' movements among member countries. Progress in other regional economic communities is less advanced, however, and the average ratification rate for protocols on free movement of persons remains at 60 per cent (UNECA, African Union Commission and African Development Bank Group, 2016).

In addition, even though all Africa's regional economic communities consider free movement of persons a priority integration area (African Union Commission, 2010), and under Agenda 2063, free movement of people, capital, goods and services are part of Africa's vision for its future and they are expected of resulting into significant increases in trade volume and investments among African countries; it is important to note that this, however, remains in papers as the implementation in this regard is not reassuring. Moreover, little progress has been made on the proportion of members ratifying their regional economic community's protocol on free movement of persons (UNECA, African Union Commission and African Development Bank Group, 2016).

Furthermore, with regard to trade liberalisation, the African regional economic communities are committed to reduce the tariff barriers though in some communities, the implementation level is still low. Besides, some African regional economic communities have considerably reduced tariff barriers compared to others. For instance, out of Africa's regional economic communities with free trade areas, the East African Community has a zero average applied tariff on imports within the bloc, while the ECCAS and the COMESA both apply tariffs averaging around 1.9 per cent. The SADC's and ECOWAS's intra- regional tariffs are higher, at 3.8 and 5.7 per cent. COMESA, EAC, ECOWAS and SADC have all adopted measures to facilitate transport and reduce non-tariff barriers (UNECA, African Union Commission and African Development Bank Group, 2016).

While the transportation networks and infrastructure such as roads, railways, highways among others play a considerable role in promoting cross-border trade, African continent lacks such infrastructure to connect African countries. This has negative impact on intra-African trade as the lack of transportation networks and connectivity between African countries pushes most of African countries to trade more with the countries or trading blocs out of the continent where the trading facilities and transportation infrastructure are available and cheaply accessed instead of trading with other African countries.

For addressing this issue, African countries and regional economic communities are making efforts toward infrastructure promotion and different initiatives such as the establishment of the Programme for Infrastructure Development in Africa (PIDA) and New Economic Partnership for Africa's Development Presidential Infrastructure Champion Initiative among others have been undertaken to accelerate the availability of affordable infrastructure to support the intra-African trade. In addition, according to the Agenda 2063, the necessary infrastructure will be

in place to support Africa's accelerated integration and growth, technological transformation, trade and development by 2063.

Despite the various initiatives undertaken, some challenges are still hindering the promotion of trade infrastructure in Africa. Major challenges are tied to weak national ownership, finance, technical capacity and institutional arrangements (UNECA, 2016). But there is a hope that such issues can be overcome. The New Economic Partnership for Africa's Development Presidential Infrastructure Champion Initiative introduced to accelerate implementation of prioritised sub-regional and regional infrastructure projects is working on that and shows that there is increasing level of Africa's ownership and leadership of its infrastructure projects (UNECA, African Union Commission and African Development Bank Group, 2016). In addition, African countries and regional organisations are indeed taking steps to accelerate implementation, nationally and regionally, in particular in the context of Programme for Infrastructure Development in Africa's Priority Action Plan (UNECA, African Union Commission and African Development Bank Group, 2016).

4.2 The Profile of Intra-African Trade

Recent empirical studies show that African continent has a big number of regional economic communities and interestingly, all of them have trade promotion and liberalisation in their agendas and they are all committed to facilitate and promote trade among themselves. For instance, UNECA (2008) admits that within the various integration groupings, the development of trade has been a major objective pursued through programmes aimed at achieving a free trade area, a customs union and a common market. But this, however, does not save the continent from having low level intra-trade and intra-regional economic community compared to other regions. African trade statistics continue to paint a generally modest picture of intra-REC and intra African trade (UNECA, 2008).

The major challenge for the smooth progress of integration in Africa is associated with the fact that the reality in the field does not conform to the theory. Theoretically, one of the benefits of economic integration, specifically in the field of trade, is that it leads to trade creation; thus, improving intra-trade. This is unlikely to happen in the African context as the big share of African trade is still done with the outsiders instead of taking place between and among African countries and regional economic communities to improve intra-trade. Available data shows that intra-African and intra-regional economic communities' trade as a share of Gross Domestic Product (GDP) is low relative to that of other regions. Intra-African imports as a share of the

continent's GDP rose from around 2.7 per cent in 1995 to around 4.5 per cent in 2013, but this is low compared with regions such as the Americas (6.7 per cent), Asia (17.9 per cent) and Europe (21 per cent) (UNECA, African Union Commission and African Development Bank Group, 2016).

Concerning intra-regional economic communities' trade, on the other hand, it is reported that some of Africa's regional economic communities perform strongly against other regional integration blocs worldwide. Southern African Development Community (SADC) in particular, with intra-regional imports of 6.6 per cent of GDP, has the fifth-highest ratio worldwide among 32 regional blocs. Others, however, perform quite poorly and can be found in the bottom third of the regional blocs considered on this measure (UNECA, African Union Commission and African Development Bank Group, 2016).

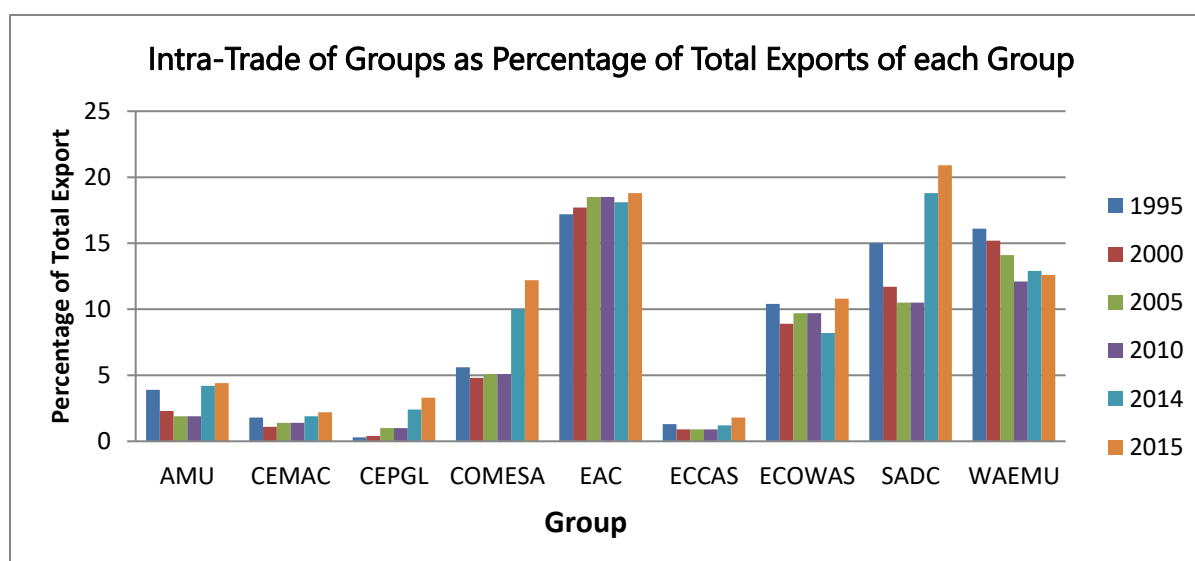
Moreover, African trade is very expensive especially in Sub-Saharan Africa not only in terms of financial cost but also in terms of time cost compared to other regions. The cost of export in Sub-Saharan Africa is \$1,878.8 per container and that of import is \$2,278.7 per container while the same container costs \$ 902.3 for export and \$948.5 for import in East Asian and Pacific, \$1,229.8 for export and \$1,384.3 in Latin America and Caribbean and \$1,069.1 for export and \$1,132.7 in Organization for Economic Cooperation and Development. In Sub-Saharan Africa, it also takes 34.7 days for exporting and 41.1 days for importing while it takes 23.3 days for exporting and 24.5 days for importing in East Asia and Pacific, 19.7 days for exporting and 22.3 days for importing in Latin America and Caribbean, 10.7 days for exporting and 11.4 days for importing in Organization for Economic Cooperation and Development (World Bank, 2009).

Intra-Trade of Groups as Percentage of Total Exports of each Group

Group	1995	2000	2005	2010	2014	2015
AMU	3.9	2.3	1.9	1.9	4.2	4.4
CEMAC	1.8	1.1	1.4	1.4	1.9	2.2
CEPGL	0.3	0.4	1.0	1.0	2.4	3.3
COMESA	5.6	4.8	5.1	5.1	10.0	12.2
EAC	17.2	17.7	18.5	18.5	18.1	18.8
ECCAS	1.3	0.9	0.9	0.9	1.2	1.8
ECOWAS	10.4	8.9	9.7	9.7	8.2	10.8

SADC	15.0	11.7	10.5	10.5	18.8	20.9
WAEMU	16.1	15.2	14.1	12.1	12.9	12.6

Source: UNCTAD, 2016.



4.3 The Limiting Factors for Promoting Intra-African Trade

It is evident that doing business in Africa is expensive than in other regions as indicated in the previous section. There are different factors that can be taken into account to explain why the cost of doing business is higher in Africa than in other regions worldwide. The cost of doing business in the continent is generally high, due in part to infrastructure gaps, duplicative border procedures and cumbersome paper requirements (UNECA, 2008). While it is a well-known fact that infrastructure deficiencies undermine the capacity to trade and grow economically (UNECA, 2008), the African continent is not saved from that ill. There is a shortage of infrastructure links between some parts of the continent and most of the available infrastructure is in poor conditions and need to be rehabilitated and upgraded.

Several meetings and documents continue to point out that lack of adequate and quality infrastructure in roads, railways, electricity and other forms of energy, water, ICT and plant and equipment technology severely hampers the production and sale of goods (UNECA, 2008). Moreover, Africa's physical infrastructure (rail, roads, communications and power) is inadequate, deterring regional trade (UNECA, 2013). All these affect negatively the trade integration on the continent, intra-African and intra-regional economic communities' trade by making the cost of doing business very high.

While market expansion through regional economic integration can contribute to overcoming the trade constraint (UNCTAD, 2009), the high cost of doing business in the continent in terms of financial means and time renders the county's products uncompetitive in other African countries' markets and affects negatively the foreign investments in the continent. Thus, it limits market expansion within the continent and other accompanying benefits that would result from it.

Though, it is evident that for overcoming trade constraints, African counties and regional economic communities should encourage intra-trade and attract foreign investments (FDI) into the region by removing barriers to trade to expand the market, the Africa is slowly moving towards market expansion which still affects its intra-trade. Some countries and regional economic communities (RECs) are advanced compared to others in terms of level of integration and implementation of their commitments. Additionally, as Maruping admits the various African regional economic blocs, and indeed the individual countries that comprise their membership, are at varying stages of development and implementation of their regional arrangements (Maruping, 2005). These imbalances constitute a serious impediment to trade integration and intra-trade promotion as well as market expansion in Africa.

Furthermore, lack of harmonised progress of integration from one stage to another in African regional economic communities continues to hamper the promotion of intra-African trade. For instance, different time horizons for full liberalisation of trade among member states and sub-regions implying that considerable trade barriers – both tariff and non-tariff barriers – continue to inhibit intra-regional trade and cross-border trade (Maruping, 2005).

Though with agenda 2063, African countries are committed to reducing tariffs on African products, among regional economic communities and at continental level, lack of harmonised approach to address the trade barriers such as tariff and non-tariff barriers also keep on affecting the trade within the continent and among African regional economic communities by increasing the price of commodities. Besides, there is also lack of harmonised framework for the implementation of the signed agreements in African regional economic communities. For instance, the free movement of people and the right of establishment have progressed in some regional economic communities (RECs), but remain a paper objective in many other African sub-regions (UNECA, 2008).

There are various factors which contribute to the lack of proper implementation of the free movement of the factors of production in Africa; and these include the fact that some countries

face a difficult trade-off between public revenue losses from trade liberalisation and the long-term benefits from trade integration. This tends to delay the ratification of trade protocols and postpone their implementation (Maruping, 2005). In addition, progress in the area of free movement of people remains modest, largely because unemployment remains very high in Africa and there are fears that such liberalisation will bring about asymmetric benefits (UNECA, 2008).

Apart from the impact of tariff and non-tariff barriers to the progress trade integration in Africa, there are other deficiencies that affect the African trade integration, intra-regional economic communities and intra-African trade which need to be addressed. The most common are lack of political will to establish effective and dynamic supra-national institutions and to implement agreed treaties and protocols; lack of sanctions against non-performance; overlapping memberships—many members are unable to manage effectively nor fund adequately the many RIAs which they belong to; heavy reliance on tariffs for fiscal revenue; inadequate mechanisms for equitable sharing of the costs and benefits of integration; over ambitious goals and unrealistic time frame; non observance of the rule of law and good governance code; and poor private sector and civil society participation (Adedeji, 2002).

Intra-African trade is also limited by low productive and product diversification capacity in most of African countries. The countries generally lack a strong industrial capacity to produce diversified manufactured goods for trade within regional markets (UNECA, 2008). In addition, intra-African trade remains low, however, because of weaknesses in manufacturing (UNECA, African Union Commission and African Development Bank Group, 2016).

5. Conclusions

It would be unwise to say that the economic integration does not have benefits to African countries though the intra-African trade remains low compared to other regions. Several of Africa's regional economic communities have reduced tariffs on intra-regional imports and some of them such as the East African Community (EAC) and the Economic Community of West African States (ECOWAS) have made interesting step to promote the intra-trade by facilitating their nationals' movements among member countries.

Interestingly, most of African countries and regional economic communities are committed to reduce or eliminate the tariff barriers. Out of Africa's regional economic communities with free trade areas, the East African Community (EAC) has a zero average applied tariff on imports

within the bloc, while the ECCAS and the COMESA both apply tariffs averaging around 1.9 per cent. The SADC's and ECOWAS's intra- regional tariffs are higher, at 3.8 and 5.7 per cent. COMESA, EAC, ECOWAS and SADC have all adopted measures to facilitate transport and reduce non-tariff barriers (UNECA, African Union Commission and African Development Bank Group, 2016)

Concerning the intra-regional economic community trade, some of Africa's regional economic communities perform strongly against other regional integration blocs worldwide. SADC in particular, with intra-regional imports of 6.6 per cent of GDP, has the fifth-highest ratio worldwide among 32 regional blocs. Others, however, perform quite poorly and can be found in the bottom third of the regional blocs considered on this measure (UNECA, African Union Commission and African Development Bank Group, 2016).

High cost of doing business; lack of adequate infrastructure networks in some parts of the continent; different approaches to address the trade liberalisation issues and varying stages of the implementation of the treaties among African regional economic communities; lack of political will to establish effective and dynamic supra-national institutions and to implement agreed treaties and protocols; lack of sanctions against non-performance; and overlapping memberships among other things are the major impediments for trade integration in Africa.

6. Recommendations

The free movement of the factors of production play an important role in promoting transnational trade. In the context of Africa, few countries and regional economic communities have made an important step toward removing the constraints to free movement of the factors of production while others are still lagging behind. This is in part due to different approaches in dealing with them or lack of strong and dynamic supra-national institutions to implement the agreed treaties among other things. With regard to this, we recommend that African regional economic communities would come up with a common approach and put in place stronger supra-national institutions to address all the issues hindering smooth progress of integration process and implementation of the signed treaties and agreed programmes.

It is evident that in most of African regional economic communities, there is noticeable weak involvement of private sector in their activities and programmes. Therefore, we recommend the regional economic communities (RECs) to improve their partnership with the private sector so as the private sector can actively involve in regional economic communities' programmes

especially in the field of infrastructure. This will enhance the investment in infrastructure networks which can facilitate and promote the intra-African trade. The partnership with emerging economies is also highly needed to foster and enhance trade and foreign direct investment, improving infrastructure, and supporting capacity building and technology transfer to Africa.

The shortage of strong industrial capacity to diversify African products for trade within African markets is also remarkable in most of African countries and regional economic communities. Therefore, to overcome this challenge, African Union in cooperation with regional economic communities has to set up favourable environment by easing doing business in Africa to attract foreign direct investment (FDI) in the continent.

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