Regional Integration: Can it Bring More Independence to Africa?

By Oumnia Boutaleb

Although there is no single way to understand regional integration, it is considered beneficial in all its forms. It is commonly accepted that countries that are better integrated into their regional space are more likely to benefit from their anchorage. Regional integration can take many forms and be applied in different ways. In Africa, regional economic integration, which takes place mainly through trade relations, is the most widespread model. This model of integration is often concluded between two or more countries with the aim of forming a trade bloc and increasing trade flows at the regional level through the liberalization of trade relations between the countries involved. In general, economic theories distinguish two groups of factors explaining why countries engage in trade relations. The first explanation, which forms the basis of trade theory, suggests that differences in factors of production lead to trade based on comparative advantage that benefits all parties. The second explanation emphasizes the importance of economies of scale in production. According to this theory, by exchanging products of the same nature but with production differences, one can benefit. Also according to this theory, advanced regional integration, even if it only brings together countries at the same level of development, still leads to gains in terms of trade between their industries.
INTRODUCTION

Regional economic integration has many benefits. The main one is significant trade liberalization within the concerned region, with a wider range of partners and thus less dependency. This liberalization has both static and dynamic effects. The static effects refer mainly to the immediate effects of the deployment of the various preferences. For example, trade flows and consumption might increase due to the abolition of customs duties and the resulting fall in prices. In the case of a shift away from one’s usual external partners to less-efficient regional partners, intra-regional trade may increase at the same time as satisfaction falls. Static effects can thus generate as many gains as they can lead to losses.

Dynamic effects, meanwhile, are observable over time as a result of the impact of regional trade liberalization. They cause structural changes in trade, for example by modifying production processes. These changes affect the level of growth of a country or region rather than having a one-off impact. Thus, while static effects are observable in the short term, dynamic effects are observable in the medium or long terms. On the one hand, they allow for a broadening of markets leading to economies of scale and allowing the various producers to multiply their access to markets. On the other hand, they also lead to an increase in competition within the integrated regional group. Naturally, when countries are faced with more competition, they are more inclined to review their production capacities and their comparative advantages. This leads countries to improve their productivity by reducing not only the duration of production but also by improving the quality of labor and human capital. In addition, a drop in production costs often leads countries to reduce their selling prices because of the reduction in expenses generated in the entire production chain. All of these factors lead to a strong search for innovation in terms of production. The main consequences are:

- **Development of cooperation**: Successful regional integration leads to more cooperation between countries. They are led to help each other in several social, economic, and political areas. Historically, diplomatic and friendly relations between countries have often been based on the development of commercial relations. During periods of financial instability, the cooperation mechanisms put in place within African monetary unions or economic communities have led to a certain resilience on the macroeconomic level. The guarantees of regional central banks and the confidence placed in them have allowed the least-developed countries to remain resilient.

- **Market expansion**: Within the same regional grouping, the opportunity to access a larger market is attractive to private investors and to countries belonging to the same region. As a result, trade increases within the region and beyond. This significant increase in private investment generates technology transfers and transfers of skills from foreign companies to national companies. It is therefore not only a question of countries attracting as much financing as possible, but also of taking advantage of the experience acquired by others to benefit from their own resources.

- **Risk reduction**: Being part of a regional group also allows for risk sharing. The lack of connectivity of African countries to global financial markets had minimal impact during the 2008 financial crisis. Several other factors may influence the resilience of their economies. On one hand, countries that are part of a monetary union, such as members of the Central African Economic and Monetary Community (CEMAC) or the West African Economic and Monetary Union (WAEMU), benefit from their fixed exchange rate and the security of convertibility of their currencies, which allows for little speculation on the currency. On the other hand, the new dynamics of South-South partnerships have come to complete the North-South alliance models. These new commercial alliances
between emerging countries, which avoid the traditional recourse to Western donors, have proved to be beneficial since they have allowed for multiplication of partners.

- **Increased regional stability**: The development of close channels of communication and cooperation between countries in the same regional space allows better management of territories and borders. By securing their borders as well as those of their neighbors, African countries protect themselves against possible external threats. Increased insecurity in neighboring territories can often destabilize entire regions. Thus, greater regional integration promotes regional stability.

In summary, in the short term, the main goal of regional integration through trade is to achieve a larger regional market that replaces national markets through static effects. In the long run, the same integration aims at structural transformation of the economy and sustainable growth through dynamic effects. The latter could represent major potential benefits, although they depend heavily on the regional integration model put in place and the reforms adopted. It also seems essential that countries have a certain degree of complementarity in their trade. If they are not complementary, regional integration will not be optimal. However, if they share multiple complementarities, intra-regional trade will be fruitful and will allow for greater development of dynamic effects. Countries with complementary trade structures have greater incentives to trade with one another, compared to countries with similar trade structures.

**State of Regional Integration in Africa**

Since their independence in the early 1950s, African countries have consistently viewed regionalism as an essential component of their development. For governments, regional integration was supposed to represent the end of the isolation of their nations, as well as the ultimate solution to the developmental lag faced by the entire African continent. Faced with the rapid globalization of a large majority of countries, political leaders have tried to place regional integration at the center of their economic growth and development strategies. This explains the presence today of a multitude of regional organizations and regional economic communities that govern the various African regions. Despite all these attempts, accompanied by a strong desire to see the continent achieve a higher level of regional integration, Africa remains one of the least-integrated regions of the world. For example, according to Afreximbank data in 2018, the share of intra-regional trade in Africa represented only 15% of its total trade, while it represents 68% in Europe, and 58% in Asia. A study from Brookings Institute published in 2021 confirmed that African intraregional trade represented only 15% of total trade.

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4. Trade Statistics Division of the International Monetary Fund (IMF).
Moreover, even if Africa is one of the richest regions in terms of natural resources and human capital, its economic development is not representative of this abundance and many of its countries still record very low levels of growth. However, the situation cannot be considered entirely negative. Some sub-regions have managed to achieve progress in regional integration, demonstrating that regional integration makes it possible to achieve higher levels of development and more advanced and successful cooperation. For example, regional organizations including the Economic Community of West African States (ECOWAS) and the East African Community (EAC) have enabled their member countries to achieve greater integration.

Although African governments have not lacked the will to achieve their integration objectives, integration remains at the forefront of their development agendas at both national and continental levels. In this regard, several African initiatives demonstrate the continent's interest in integration issues, as shown by the Organization of African Unity, the Abuja Treaty establishing the African Economic Community in 1991, and the New Partnership for Africa’s Development (NEPAD). Nowadays, it is clear that deeper regional

integration would allow Africa to achieve its development and growth objectives by relying on its internal means and exchanges. However, it remains true that successful regional integration is strongly linked to the political dynamics and governance of countries.

The national preoccupations of African countries, as well as the set of challenges they have faced for decades, represent obstacles to achieving good regional integration. Increasingly, it is becoming clear that it is these same issues and strong governance deficiencies that distort efforts to further inter-state cooperation and regional integration at the sub-regional and continental levels. As a result, it is not so much the initiatives that are lacking, but their implementation and the will to see these agreements materialize. Often, it is not only national issues that stand in the way, but also the desire to reconcile national interests with regional or continental interests.

Nevertheless, it is important to bear in mind the complexity of Africa when talking about integration. African regions have specificities that make them unique. The priorities and objectives of each region differ, leading to different perceptions of what regional integration could mean. This would imply that integration should be structured as a multi-dimensional concept rather than as a set of unified requirements. It is therefore necessary to take into account the different dimensions of regional integration, taking into account the social and economic differences as well as the difficulties experienced by the different regions and the opportunities they represent. As a result, the establishment of organizations or institutions to support the implementation of regional integration policies at the national level is compromised and difficult to implement. All of these reasons explain why it is difficult for African countries to achieve a level of regional integration that would allow them to achieve positive levels of growth and satisfactory development at national, regional, and continental levels.

### Barriers to regional integration

When discussing the difficulties experienced by Africa in terms of trade, it is not uncommon to highlight some of the continent’s specific deficiencies. For the African countries that are struggling to integrate into the global trading system, the weakness of the competitiveness of their exports can be blamed. There is more than one explanation for this widespread phenomenon. In particular, while some countries have achieved satisfactory levels of development in terms of infrastructure, many of their neighbors lack the good infrastructure needed to ensure competitive trade. This is often cited as the greatest impediment to regional integration in Africa. For example, the lack of connectivity of African ports, the lack of transport infrastructure, and lacking port and logistics facilities, on a continent that contains 16 landlocked countries, leads to a sharp increase in trade costs, which discourages many commercial operations. To encourage national production, several African countries have implemented import-minimization policies, which has led them to adopt protectionist measures.

In 1991, with the signing of the Abuja Treaty, several African countries belonging to regional economic communities abolished customs duties. This initiative gave rise to a single external tariff applied to all members of the same community, while encouraging these countries to join more than one community at a time. Simultaneous membership of different economic communities has led to confusion in the application of tariff and non-tariff barriers because of the mismatch between the procedures applied. This makes it more complex to pursue regional integration successfully, since the divergence in the rules applied has led to higher trade costs. Consequently, trade between African countries is now much more expensive on average than trade between African countries and non-African countries. In addition,
the trade policies applied by African countries, either between themselves or with the rest of the world, are so complex that they hinder trade development. Delays in logistics and customs procedures, as well as the lack of development of transport and trade infrastructures and their poor management, also contribute to the complexity of trade between African countries, and thus aggravate the delay in terms of regional integration. This is why it seems necessary to relax trade procedures, and tariff and non-tariff barriers, to encourage greater regional integration.

Beyond all these considerations, the nature of African exports represents a major obstacle to trade development. The abundance of natural resources has more often than not proven to be bad rather than good for African economies. According to World Bank data, in 2010, 75% of South Africa’s exports were based on five natural products. This dependence on exports of natural resources and raw materials underpins a lack of diversification in African economies, and low productivity. In addition, concentration on the exploitation of natural resources hinders investment in industrialization, and thus in the improvement of production and value chains. While these factors complicate trade operations between Africa and the rest of the world, they are even more pressing when it comes to intra-regional trade. The lack of computerized processes coupled with cumbersome administrative rules and delays discourages regional trade and thus regional integration.

Role of Regional Economic Communities in the African Continental Free Trade Area

The 1991 Abuja Treaty enshrines the stages of regional integration as conceived by African countries. These were supposed to precede the creation of a continental African economic community to ensure its success.

- Strengthening sectoral cooperation;
- The establishment of a continental customs union;
- The establishment of a common market;
- The establishment of a monetary and economic union;
- The creation of regional free trade communities.

In 2015, as a first step towards the African Continental Free Trade Area (AfCFTA), three African economic communities came together to form a Tripartite Free Trade Area (TFTA). This regional initiative, established following the summit between the Southern African Development Community (SADC), the East African Community (EAC), and the Common Market for Eastern and Southern Africa (COMESA), has the objective of eventually achieving full regional integration for all the African countries in this zone, which includes southern and central Africa. The African Union designed the free trade areas of regional communities following the model of the Southern and Central communities. The process chosen by the African Union is such that the continental organization first encourages regional integration among the various organizations in the same region through the establishment of free trade areas. Thus, when the AfCFTA is implemented, its application will be easier for all regions that have already harmonized many of their trade policies and increased their trade. In the context of the TFTA, tariffs and rules of origin were first negotiated. In a second phase, the regional communities discussed cross-border investments, competition policies, and the supply of services.

The table displays the integration performance of all eight communities recognized by the African Union. It takes into account five indicators established by the United Nations Economic Commission for Africa to establish an African regional integration index. It shows that communities differ in how much progress they have made. However, it seems the most progress on regional integration has been made in terms of trade integration. With regard to the establishment of a single market within the various communities, with the exception of the East African Community, all the other communities have not yet unified in terms of markets. Moreover, the East African Community is the most regionally integrated of all the communities. As regards the adoption of an economic and monetary union, none of the eight communities seems to have succeeded in completing the initiative. ECOWAS appears to be the most successful community with regard to the free movement of people, with all 15 countries joining.

**Figure 3:**
Role of regional economic communities in AfCFTA

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The box above sets out the requirements regional economic communities should meet in the context of AfCFTA. If member countries of an economic community have a higher level of integration than under AfCFTA, they will maintain that level between themselves. Those that are mature enough to form customs unions will have to introduce common market access offers for trade. As for the institutional structure, the regional economic communities must coordinate their implementation on a regional scale. In the long term, the regional integration achieved within the regional communities must be translated to the continental level in accordance with the 18th ordinary session of the African Union Conference. At this session, African governments affirmed that “the promotion of intra-African trade is a fundamental factor for sustainable economic development, employment generation and effective integration of Africa into the global economy”.

How Can the AfCFTA Participate in the Making of a More Self-Reliant Africa?

Before explaining the positive contributions expected for African countries in terms of economic and commercial benefits from the effective implementation of the AfCFTA, the importance of two factors should be recalled. The first is the human factor, since the free trade area offers the possibility of free movement of goods and services. This implies that African populations will be led to interact more. This openness towards others, which implies the discovery of different cultures, is one of the most interesting potential gains, since it will encourage African countries to increase their trade relations. It is easier to trade with trusted partners. Second, one of the fundamental pillars of strengthening African competitiveness and facilitating its integration into the global economy is the defragmentation that remains in Africa.

After several decades of not fully achieving integration, African leaders have come together to finally take a historic step forward in African history. They have set in motion the implementation of this new form of integration on a continental scale. The achievement of the objective of an annual growth rate of 7%, as set by Agenda 2063, undeniably requires regional integration that promotes inclusive growth for all countries, along with a structural transformation. The idea of an African free trade area was born in 2012.

In 2018, most African heads of state, plus five more later in the year, signed an agreement to establish the African Continental Free Trade Area. This zone is designed as a single continental market for the free movement of goods and services, bringing together all African markets in order to boost their productivity. Moreover, through continental integration, governments intend to reduce production costs through economies of scale.

The free trade area is also about encouraging private investment by offering a larger and more attractive market. The demographic factor is important in terms of attractiveness to investors. The African population is growing constantly and a new middle class is emerging to drive the market. For Africa, this would also mean that the nature of the investments received could be changed. Although one of the primary objectives of the free trade area is to transform the continent into a more globally integrated and competitive space, it will only be possible to observe the real effects when the agreement actually comes into force. However, the desire to further develop regional integration through economic and trade integration within the framework of this new zone will enable African countries to move away from their dependence on exports of the same products, mainly natural resources. Similarly, their exposure to commodity price fluctuations and price volatility will be reduced, as a strong and integrated domestic market will provide a better hedge against external shocks and greater protection against variations in global demand.

Since competitiveness on global markets is primarily driven by the productivity of economies, the strength of institutions as a whole, and the establishment of coherent policies and sufficient infrastructure, it is primarily an improvement in these factors that will enable Africans to be more competitive in global markets and thus more economically and commercially independent. Competitiveness also promotes international integration. In the Global Competitiveness Index, published annually by the World Economic Forum, the ranking of countries is determined by their economic development and their position in terms of infrastructure implementation. The ranking provides an explanation for the relationship between growth and competitiveness at the global level. African economies that have managed to achieve encouraging and rapid levels of growth over the past decade, including Rwanda and Côte d’Ivoire, are also those that have managed to compete on international markets. Those same growing countries also seem to be taking advantage of their new positioning to multiply their partners and sources of revenue.

Figure 4:
African trade with and without the implementation of the AfCFTA

The benefits expected from the entry into force of the AfCFTA are numerous, but two in
particular are worth noting:

**Emphasize intra-African trade:** African countries trade less with each other than they
do with the rest of the world. To stop this trend, and to encourage Africans to prioritize
their neighbors over partners outside the continent, the AfCFTA has two main provisions.
These should also have an impact on the quality of traded goods and technology transfer
and exchange. Article 18 of the AfCFTA agreement states that “following the entry into
force of this Agreement, State Parties shall, when implementing this Agreement, accord
each other, on a reciprocal basis, preferences that are no less favorable than those given
to Third Parties”. In addition, the states involved have the possibility to grant preferences
to third parties as long as these are reciprocal. In addition, African states retain a certain
amount of commercial freedom. Thus, Article 4 of the protocol on trade in goods stipulates
that “Nothing in this Protocol shall prevent a State Party from concluding or maintaining
preferential trade arrangements with Third Parties, provided that such trade arrangements
do not impede or frustrate the objectives of this Protocol, and that any advantage, concession
or privilege granted to a Third Party under such arrangements is extended to other State
Parties on a reciprocal basis”. Furthermore, the establishment of one of the largest free
trade areas in terms of size could boost competitiveness through various channels. As a
result, African countries could benefit from greater technology transfer, greater industrial
development, and diversification of their means of growth, in addition to expanding trade
between them. Finally, the advantage of such an area in the estimates of trade performance
should be highlighted. The African market that will be formed once the African Continental
Free Trade Area comes into force will cover about 1.2 billion people and a GDP of $2.5
trillion. It would be the largest economic organization since the creation of the World Trade
Organization (WTO). According to African Union projections, the African economy will be
able to grow twice as fast as developed countries. According to the Economic Commission
for Africa (ECA), the AfCFTA is expected to increase intra-African trade by 52.3% through
the elimination of tariffs. If non-tariff barriers are also significantly reduced, trade could
grow by more than half its current value. The AfCFTA should therefore help to significantly
increase Africa’s ranking in the global competitiveness index. From another perspective, the
continent’s focus on extractive resource exports hinders trade diversification. Until 2014,
the share of natural resources in exports from the African continent was around 75%; for
intra-African trade it was almost 40%. This dominance of extractive resources increases the
risks associated with their volatility on world markets and greatly penalizes many African
countries. The entry into force of the zone will greatly benefit the continent’s industrial
exports. It will lead to inclusive trade that is independent of price fluctuations. Moreover,
given that the extractive sector generates very few jobs, the diversification of trade and
the industrialization of African countries will contribute to greater job creation, which is
essential for the African workforce given the demographic dynamics. Projections indicate
that by 2050, Africans will number 2.5 billion or 26% of the world’s working age population.

**Encourage regional and continental integration:** The multiplication of regional
organizations in Africa and the fact that countries belong to several at once creates
confusion. According to a 2017 World Economic Forum study, the multiplication of
regional economic communities and their overlap represents a brake on the growth of
businesses in view of the unfavorable environment. In Article 3 of the AfCFTA agreement,

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the African Union states that one of the goals of the continental free trade area is to “resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes”. The AfCFTA provides that free trade areas established within the framework of regional economic communities are constituent parts of the larger continental zone. The Lomé Act of 2000, which was initiated by the African Union, also recognizes that Regional Economic Communities are established within the broader AfCFTA framework. The Lagos Act of 1980 and the Abuja Treaty of 1991 of the African Economic Community recognize that integration at the continental level can only be achieved by strengthening the integration of the Regional Economic Communities. The latter are then seen as transitional stages towards a single, larger African Community. As a result, all the Acts and treaties recognize the indispensable nature of strengthening the Regional Economic Communities to achieve successful integration on the continent.

In addition, improving internationally competitiveness, market integration will enable the continent to increase its bargaining power. Fragile and fragmented markets do not have the bargaining power of unified markets. The members of this new community can thus demonstrate unity and negotiate fair trade terms with the major powers. This will make it easier for these countries to meet their own needs, to act in the interest of the demands of the African domestic market, and to take advantage of the benefits of the latter. Today, average tariffs are 6.1%19 for companies exporting to Africa. The phasing out of tariffs under the AfCFTA will make it easier for African companies to negotiate contracts. Since the continent has the largest natural resource reserves, it seems appropriate in principle that the continent should be able to participate in setting the prices of products traded on world markets. However, in order for this free trade area to promote development, all actors must be involved and committed. If the free trade area, even if it manages to achieve its economic objectives, cannot compete with economic communities such as the European Union, for example, it is mainly because of the political instability that reigns in several countries, combined with the glaring lack of infrastructure.

Meanwhile, small and medium-sized enterprises represent the majority of companies in Africa, which means that they are essential for the continent’s growth20. The entry into force of the AfCFTA should enable them to tap into regional markets to counter the difficulties they experience in integrating into global markets. They can effectively produce inputs for large regional exporters and thereby integrate into production chains under preferential trade regimes.


CONCLUSION

Integration, first at regional level and then at continental level within the framework of the AfCFTA, seems to be extremely promising for Africa’s future. Beyond all the benefits that it intends to bring on the commercial level, regional integration would allow the continent to develop its international competitiveness. Africa will thus be able to play a role on the world stage. Moreover, deeper integration leading to a reduction in the dependence of all African countries on their production and trade models on the one hand, and on their dependence on their external partners on the other, could make the continent more resilient and more commercially and economically independent. Africa will also be able to strengthen its production capacity, especially in terms of its industrial activity. Currently, about 85% of Africa’s formal trade is with the rest of the world.

International partners also have an interest in encouraging regional integration on the continent. Integration would mean that they cooperate with a stronger and less risky partner. This is especially important given the increasing importance for them of Africa in terms of trade. The European Union, which represents a possible model for Africa in terms of integration, is encouraging African countries to pursue this new dynamic. This is the only strategy that can provide an answer to common African problems. It is also through this same regional integration and therefore economic integration strategy that the continent can increase its global weight and influence. Moreover, the emergence of a country or region among the others as a leader of this integration can also contribute to its proper conduct and ultimately to its success.

However, the expected benefits of the AfCFTA are not guaranteed without preconditions. In addition to encouraging regional integration within economic communities, African countries must put in place a number of measures. The agreement has not yet been ratified by all countries. Strategies for the deployment of the agreement must also be put in place and accompanied by well-defined action plans. The start of trade under preferential conditions is still conditioned by the precision of tariff concessions, the definition of rules of origin, and the list of commitments for services.
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The Policy Center for the New South: A public good for strengthening public policy. The Policy Center for the New South (PCNS) is a Moroccan think tank tasked with the mission of contributing to the improvement of international, economic and social public policies that challenge Morocco and Africa as integral parts of the Global South.

The PCNS advocates the concept of an open, responsible and proactive « new South »; a South that defines its own narratives, as well as the mental maps around the Mediterranean and South Atlantic basins, within the framework of an open relationship with the rest of the world. Through its work, the think tank aims to support the development of public policies in Africa and to give experts from the South a voice in the geopolitical developments that concern them. This positioning, based on dialogue and partnerships, consists in cultivating African expertise and excellence, capable of contributing to the diagnosis and solutions to African challenges.

The views expressed in this publication are those of the author.

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