Intra-regional Trade and African Economic Integration

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1. Introduction

Intra-regional trade refers to the exchange of goods and services between countries located in the same geographic region. With growing trade, regions become increasingly economically integrated. From around the world, we can find examples of how countries have come together to promote intra-regional trade and sometimes also collaborate around economic policies, for example the European Union (EU) or the United States-Mexico-Canada Agreement (USMCA). Africa is a continent with more than a billion consumers, but it is composed of many sparsely populated countries, often landlocked, with small domestic markets and 'hard borders' that isolate neighbouring countries, their population and markets from one another. Because of this economic fragmentation, Africa provides an especially compelling case for economic integration through intra-regional trade. Over the years, there have been several attempts to improve such integration towards a "United States of Africa", implying a single African military force, a single currency and a single passport for Africans to move freely around the continent. In this chapter, we investigate the development of these efforts with a focus on the period since 1995.

Africa could reap large economic gains by furthering its long-standing efforts to integrate economically. We see four main paths in which those may materialise. First, integration enlarges the size of markets by combining the small domestic market of each nation into one larger-integrated-regional market with more consumers, producers, and hence greater levels of competition. Second, such competitive markets require producers to lower prices and improve quality, which ultimately benefits consumers. By purchasing goods at lower costs, consumers will be able to increase their disposable incomes. Third, the increased disposable income can be spent on new goods and services. The growing demand may then encourage entrepreneurship and creates new business opportunities for firms and enhanced employment opportunities. Fourth, larger markets spur innovation and enable efficiency gains, thereby achieving economies of scale as firms keep costs down while assuring quality. For example, they can utilise more advanced technology, and produce in larger batches to reduce the per-unit costs of production.

The chapter is structured as follows. The next section gives a brief historical background of intra-Africa trade during pre-colonial and colonial times. We then describe Africa's many intra-regional integration arrangements post-independence. Subsequently, we explore the types of trade agreements and their benefits and different institutional forms. Further, we estimate the volume of intra-regional trade flows in Africa's major trading blocs. Thereafter, we highlight some of the challenges that remain as African nations seek to integrate their economies further, and finally conclude.

2. Intra-regional trade in historical perspective

The pre-colonial era

Intra-regional trade in Africa goes back to pre-historic times as evidence exists of the earliest African communities exchanging items such as metals, stone tools, and shells. Trade accelerated with the emergence of agricultural settlements, the establishment of towns, and the development of complex political systems such as chiefdoms, kingdoms, and empires. Trade patterns in the pre-colonial period were shaped by variations in local resources as well as differences in climate, geography, technology, and population density. For example, trade in North African salt, cloth, beads, and metal goods, exchanged for West African commodities such gold, ivory and slaves, pre-dated colonial rule by at least a millennium. Similarly, cotton cloth – manufactured and dyed in Kano's flourishing textile industry in today's Northern Nigeria – was to be found in many parts of West Africa since the 18th century. Also, traders of wool from the Atlas Mountains in Morocco, ivory from the forests and grasslands south of the Sahara as well as slave traders engaged in West Africa's long-distance trade. Another telling sign of economic integration was the widespread use of similar commodity currencies such as iron, salt, gold dust and cowrie shells across distant regions. Despite its importance and duration, intra-regional trade within Africa has always been constrained by high costs of transporting goods over land and negotiating and enforcing trade agreements on a continent that is not only vast in size, but extremely fragmented socially, linguistically, and politically.

Transportation costs are higher in Africa than in many other regions of the world (see Chapter 5 *Commodity Trade and Development* by Alexander Moradi). One reason is that relative to its large area, the continent has few navigable waterways. Rivers and lakes have long been catalysts to inland trade as it takes less energy to move cargo, especially bulky goods, from one point to another across water than land. Also, inland transportation by horses, camels and oxen in tropical Africa was hindered by the prevalence of the tsetse fly that transmits sleeping sickness (trypanosomiasis) to draught animals. Therefore, human head-loading became the default mode of transport in the tropics. However, the cost of porterage was high relative to the value of the cargo porters carried. Porters were also limited in how far they could travel and how much weight they could carry. Meanwhile, in the dry areas of the Sahel and Sahara there was no sleeping sickness. Here major trade centres concentrated in the Niger River Basin such as Timbuktu, Gao, and Djenné connected sub-Saharan regions to areas north of the Sahara Desert including the rich trading regions along North Africa's Mediterranean Coast.

Another impediment to regional trade was the large number of independent chiefdoms. Each chief would tax traders crossing through their territory without regard to how much neighbouring rulers had already charged. When goods were moved over long distances, the total amount paid in taxes could reach a level that would make trade unprofitable. The ability to lower tax burdens by reducing the number of tax levying authorities may explain the durability of large and powerful empires that flourished in pre-colonial times, for example Ghana, Mali, Songhai, and Borno-Kanem.

In addition, trade tends to flourish when trading parties trust one another because they share a common language, belief system, and legal framework that they may refer to during negotiations or dispute resolutions. Pre-colonial Africa was, however, very socially diverse and this made trade costlier. Therefore, particular ethnic groups who had members dispersed across large areas often organised and carried out inland trade. The Mande (in West Africa), the Tuareg (in the Sahara), or the Fulani (in West-Central Africa) are examples that highlight the way in which the sharing of language, religion, and kinship fostered trust and familiarity which in turn helped to lower the costs of trading goods across the cultural, geographic, and political divides. A major reason why regional trade flourished along the trans-Saharan route was that Muslim traders spread Islam throughout West Africa and thereby introduced a common legal code. Muslim traders brought commercial innovations such as contract law that lowered the costs of resolving disputes and their use of a common language – Arabic – widened information networks and facilitated access to credit.

The colonial era

By the late 19th century, most of sub-Saharan Africa was colonised by European powers. The division of the continent into competing European-administered zones and the promotion of extractive industries such as mining (e.g. gold, diamond, copper) and cash crop cultivation (e.g. cotton, palm oil, groundnuts) for export to Europe led to a relative decline in the importance of intra-Africa trade. Colonial rulers built ocean ports and railways to facilitate extraction and export of precious African minerals and agricultural commodities to overseas markets. Although railways were commonly built to integrate colonies with their European 'mother country', in a limited number of cases, railway infrastructure facilitated the integration of contiguous African regions ruled by different European powers. For example, the Katanga-Benguela Line linked the copper mines of the Katanga region in Belgian Congo (DR Congo today) to ocean ports in British Tanzania as well as Portuguese Angola. More often, however, intra-regional rail links were blocked because competing colonial powers refused to allow railway tracks of rival powers to cross their territory.

With the coming of colonialism, pre-colonial trade structures increasingly steered away from addressing African consumer needs by exploiting the comparative advantage of regions, towards integrating African colonies into the global export market. European powers made efforts to integrate their African colonies with their own national economies at times by linking their African territories more closely together using new institutions such as customs unions and currency boards. Customs unions introduced a common external tariff for all goods imported into the colony while allowing for a tax-free movement of most goods within the customs union area. Currency boards were some of the institutions that played an important role in furthering the economic integration of colonial regions.

Today, we can still find examples of intra-regional trade with roots in the colonial period. The British formed Africa's first customs unions in their Southern and East African colonies at the end of the 19th century, mainly to facilitate the free flow of goods between the colonies. Still, the Southern African and East African blocs, known as the *Southern African Development Community* (SADC) and the *East African Community* (EAC), have the highest levels of intra-regional trade in Africa. The roots of Southern Africa's relatively high level of economic integration date back to 1889, culminating in the establishment of the *Southern African Customs Union* (SACU) in 1910. SACU integrated the economies of the British Cape Colony (the southern half of today's South Africa) and the Orange Free State (present-day South Africa's Free State). SACU expanded gradually until 1915 when it comprised present-day South Africa, Namibia, Swaziland, Botswana and Lesotho. In East Africa, the first colonial customs union was founded in 1900 as the East Africa Customs Union Collection Centre. This colonial antecedent of today's EAC was established in the Kenyan port of Mombasa to collect customs duties for imports to Uganda.

Another example of a colonial legacy on contemporary African economic integration is the continued use of currencies. The West African and Central African CFA Franc, first introduced in 1945, are still used in all regions of West and Central Africa (except Mauritania) that were French colonies. The common regional currency has eased intra-regional trade by eliminating the need to convert funds into a foreign currency before buying foreign goods.

3. Post-colonial regional economic integration

By the end of the 1960s, most African countries had gained independence, and started to experiment with regional integration. In this section we highlight a few examples of regional integration post-independence. Post-colonial integration had potential obstacles but also some opportunities to build on. The arbitrary colonial borders placed as well as the various colonial structures set to serve the interests of the colonial masters were potential obstacles. For example, French West Africa was more entangled in France's economic and political systems than with its neighbouring British West Africa. This divide continued even after independence. At the very least, this sowed seeds of language barriers between the Anglophone and Francophone neighbours. African colonial economies were export oriented and deeply entangled in the global capitalist economy as producers of raw materials for their colonial masters. However, there was also some head-start towards integration achieved during the colonial period in the form of various efforts at colonial intra-trade and co-operation. The EAC, established by colonial Britain to facilitate free trade between its colonies in the East African region, is a good example of colonial networks of trade integration. It involved the establishment of a customs union in 1917 between British Tanganyika (present-day Tanzania), Uganda and Kenya, and later in 1948 the creation of a common market and common services such as harbours and railways, as well as cross-border investments in postal and telecommunication infrastructure.

In the euphoria of independence, discussions about integration emerged from the late 1950s and early 1960s. There were two dominant views about Africa's regional integration. The first was a Pan Africanist vision of a political union including all African nations – the "United States of Africa" and the second a more gradualist approach. Both approaches underscored the need to move towards a political union of Africa as a way to achieve decolonisation and avoid or even reverse further *balkanisation*, a process of dividing a region into smaller countries, usually operating with minimal co-operation with each other.

The African Union, founded in 2002, consists of 55 member states and is based in Addis Ababa, Ethiopia. Official bodies include the Peace and Security Council and the Pan-African Parliament.

The gradualist approach considered Africa's regional blocs as the building blocks of an increasingly evolving political and economic ties paving way for the integration of the entire continent. Leopold Sedar Senghor of Senegal and other African leaders thus founded the *Organisation of African Unity* (OAU) in 1963. In 2002, it was disbanded and replaced by the *African Union* (AU, see image above), with 55 member states representing all the countries on the continent. The AU aims at achieving greater unity and peace between African countries, defending the sovereignty of member states, accelerating the integration of the continent, and co-ordinating and harmonising policies between existing and future regional economic blocs for the gradual attainment of the Union's goals. Hence, the importance of the regional economic blocs to the AU cannot be overemphasised, and these goals led to the creation of many political and economic unions in different regions of the continent. We introduce some of the major unions below, followed by a detailed analysis of how the blocs' traded evolved over time in section 6.

Following the gradualist path, Tanzania, Uganda and Kenya came together and created the *East African Community* in 1967. The agreement aimed at maintaining a common external tariff on imports from non-members and free trade within the bloc. This agreement ended in 1977 due to a power tussle over control of the bloc's resources and differences in economic and political ideologies pursued by members, amongst other reasons. It was only in 1999 that the EAC was revived when a treaty to re-establish the bloc was signed in Arusha (Tanzania). Burundi and Rwanda later joined the founding members of the bloc in 2007, and South Sudan in 2016.

Established in 1975 ECOWAS consists of two institutions to implement policies: ECOWAS Commission in Abuja (Nigeria) and ECOWAS Bank for Investment and Development in Lomé (Togo), shown in picture.

In West Africa, the post-colonial period witnessed the emergence of the *Economic Community of West African States* (ECOWAS, see image above). ECOWAS was established in 1975 in the treaty of Lagos (Nigeria) and it is made up of 15 Francophone and Anglophone countries; these are Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. Its objective is to create a large West African market through free trade and a monetary union. Building on these goals, the *West African Economic and Monetary Union* (WAEMU), a sub-regional bloc of ECOWAS, was established in

1994 in the Treaty of Dakar (Senegal). This is a bloc comprising eight West African countries that share a common currency, the CFA franc, and French as an official language; these are Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo and Guinea-Bissau. WAEMU's objective is to promote regional economic integration and a common market.

Further, the *Southern African Development Co-ordination Conference* (SADCC) was founded in 1980 by 9 member states, including Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. In 1992, it was replaced by the *Southern African Development Community* in Windhoek (Namibia) with the adoption of the 9 SADCC pioneer members and newly independent Namibia. South Africa joined later after apartheid in 1994, and other members namely Mauritius, Comoros, DR Congo, Madagascar and Seychelles joined afterwards. Originally, SADCC was established to reduce economic dependence on South Africa and mobilise resources to implement intra-and interstate policies. Later, SADC's objectives were reformulated to include achieving economic growth and development, peace and security, alleviate poverty and enhance the standard and quality of life of the people of Southern Africa.

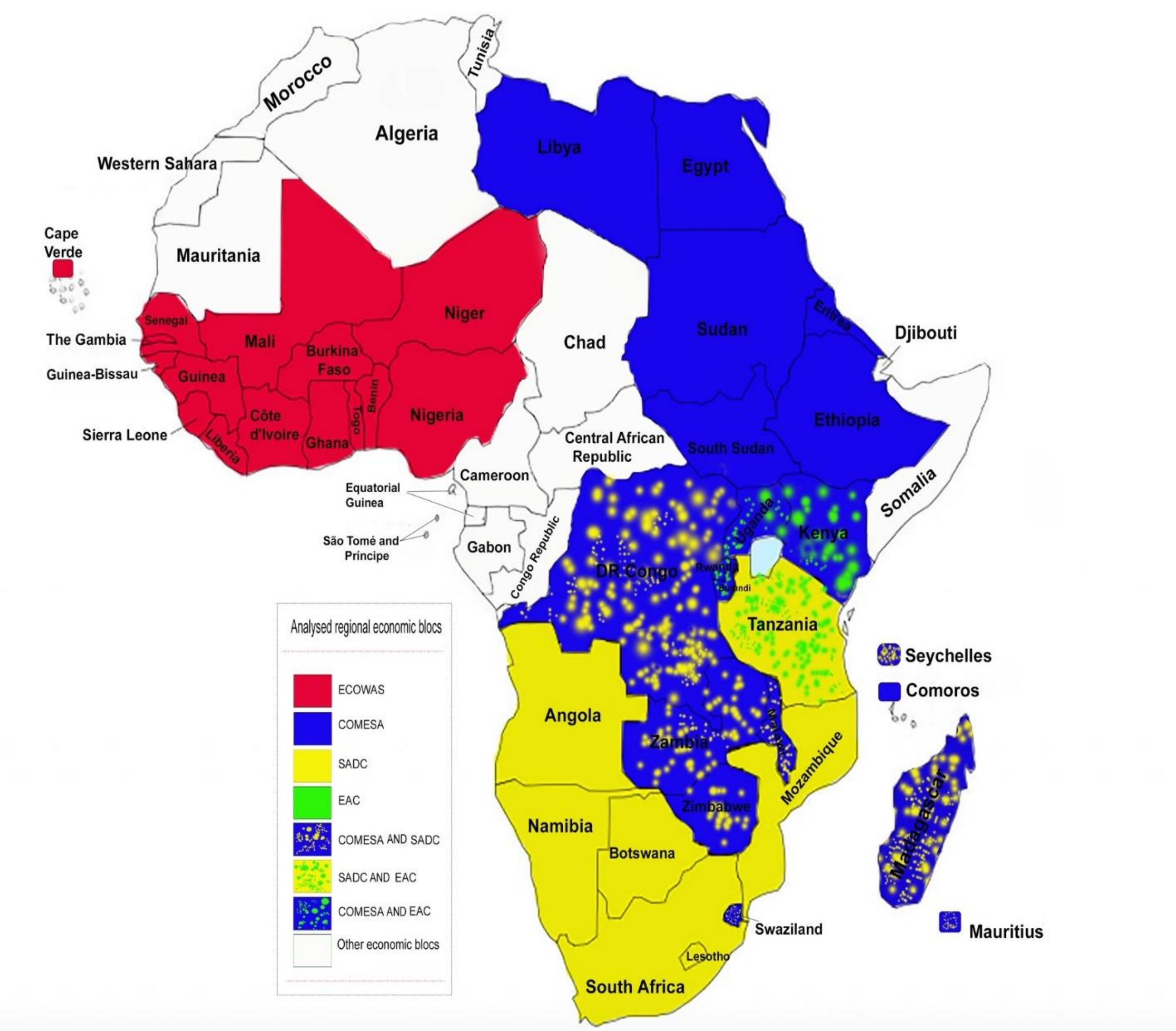
Finally, the *Common Market for Eastern and Southern Africa* (COMESA) was established in 1994 in the treaty of Lilongwe (Malawi). This agreement replaced the Preferential Trade Area of Southern and Eastern Africa which existed since 1981. COMESA is a union of 19 countries mainly from eastern and southern Africa; namely Burundi, Comoros, DR Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. The bloc was established to abolish obstacles to free trade between members, and co-operate in developing its natural and human resources.

While the regional economic blocs were established to primarily pursue sustained economic growth and development between member countries, they have also been drawn into the resolution of conflicts and other peace and security matters due to the appreciation that peace and security is a necessary prerequisite to stability and economic development. For example, amongst others, ECOWAS intervened in the civil conflicts in Liberia and Sierra Leone, and SADC in the DR Congo. The AU itself has supported military deployments in Burundi, South Sudan, Central African Republic and mandated the Multi-national Joint Task Force against Boko Haram in the Lake Chad Basin. The AU now has at its core the regional economic blocs as a cornerstone of its peace and security architecture in the continent.

Figure 1 shows countries' membership in the above mentioned Africa's major regional economic blocs. Countries coloured in pink, blue, yellow and green represent ECOWAS, COMESA, SADC and EAC regional economic blocs, respectively. Some countries on the map appear in a dotted-combination of colours indicating that those countries are members of multiple economic blocs, hence, their colouring overlap. For example, DR Congo, Zambia, Zimbabwe, Seychelles, Madagascar, Swaziland, Mauritius and Malawi belong to both COMESA and SADC. Similarly, Burundi, Uganda and Kenya are members of both COMESA and EAC.

The white areas mapped in Figure 1 belong to regional economic agreements not covered by the four regional blocs presented earlier. For example, Algeria, Tunisia, Morocco, Mauritania, and Libya are members of the *Arab Maghreb Union*. The four regional economic blocs explored in the chapter cover the majority of countries in all African regions.

Figure 1: A selection of Africa's major economic blocs



4. Trade agreements across Africa

The establishment of trade agreements is an imperative aspect of regional economic integration. The degree of economic co-operation varies between the types of trade agreements. Table 1 presents the different types of collaborations, extent of economic co-operation and provides some examples. It shows a progressively stronger level of economic co-operation between countries, indicated by the grey shaded major trade objectives in each stage of economic integration.

Table 1: Stages of economic integration

Stage of economic integration	Diminishing trade barriers between countries	Common external tariffs	Freedom of movement of factors of production	Common currency & economic policy	Integration in non-economic areas	Example
1. Preferential trade area						Preferential Trade Area for Eastern and Southern Africa
2. Free trade area						South African Development Community
3. Customs union						East African Community
4. Common market						European Union

A type of agreement requiring only limited commitments toward economic integration is the *preferential trade area*. This is an agreement where member states charge lower tariffs on imported goods from participating countries, while imposing higher tariffs on imports from non-member states. Preferential trade agreements can be bilateral (between two countries) or multilateral (between more than two countries). An example of this sort of an agreement is the *Preferential Trade Area of Eastern and Southern Africa* (PTAES) between Zambia, Burundi, Ethiopia and Lesotho, among others.

The *free trade area* is a regional trade bloc whose member countries have signed an agreement that removes all tariffs and quotas on imports from member countries. For example, as indicated in the preceding section the PTAES transformed into COMESA, a free trade area. The SADC is another example. Internationally it compares to the USMCA, between the USA, Mexico and Canada.

A more advanced stage of the free trade area is the *customs union*. This is essentially a free trade area with the additional feature of member countries charging common tariffs on imports from non-members. Hence, the customs union could be labelled as a free trade area with common external tariffs. The EAC is an example of this trade agreement.

Finally, the *common market* is a more integrated version of a customs union. It is essentially a customs union with the added feature of free movement of factors of production, such as labour and capital, between member states. The European Union is the only existing example of such advanced regional economic integration.

5. Benefits from regional economic blocs

There are numerous advantages associated with abolishing barriers to free trade and forming regional economic blocs. Its potential benefits are five-fold: (i) consumer welfare, (ii) productivity gains, (iii) enhanced capacity and capability to undertake regional infrastructure development projects, (iv) greater economic diversification, and (v) strengthened political ties and enhanced bargaining power in global markets. Some of these benefits are related.

i. Improved consumer welfare

Removing trade barriers increases the flow of goods and services within a trade bloc. This is because reducing the costs associated with transporting goods from one country through reductions or the elimination of customs fees and tariffs increases the volume of goods and services that are traded. An increase in the number of goods in the market typically results in lower prices for consumers. Moreover, increased trade between members of a trade bloc may also increase both variety and quality of consumer goods. As trade barriers are lowered, prices decline and consumer welfare improves. The general population can save money from purchasing at lower prices.

ii. Increased economic growth and productivity

As countries specialise in exporting commodities that they produce at lower costs than their trading partners, domestic producers gain foreign customers who buy at higher prices than the domestic consumers. The economy becomes more efficient when producers get higher incomes by selling their goods in foreign markets at higher prices while domestic consumers save by purchasing imported goods that are cheaper than the domestically produced alternatives. Companies may also become more efficient and produce goods at lower cost because the costs of producing and distributing goods in bulk for both the domestic and foreign markets may be lower, a term referred to as '*economies of scale in production*'. The combined gains for consumers and producers, in the form of decrease in prices, increase in output, and the growing efficiency of firms that export goods can contribute to economic growth.

iii. Enhanced capacity and capability to undertake regional infrastructure development projects

As countries productivity increases the infrastructure that underpin and accelerate growth need to be enhanced. Thus, there could be co-operation in the development of transport infrastructure such as roads and railways across international boundaries to reduce the high costs of intra-regional trade. An example is the Arusha-Namanga-Athi River road that connects Tanzania and Kenya, completed by the EAC in 2012.

iv. Economic diversification

One virtue of intra-Africa trade is that the goods currently exchanged between African countries are more diversified than those traditionally exported to other continents. African countries that trade extensively with other African countries also happen to be the least dependent on revenues from oil, gas, and precious metals. There is a striking contrast in the types of goods that African countries trade within the continent versus those which are exported to foreign markets. In 2018, 60% of Africa's intra-regional trade value was made up of agricultural commodities and manufactured goods, whereas only 28% of African exports outside the continent were agricultural or manufactured commodities; the other 72% consist mostly of crude oil, natural gas and minerals. Agriculture and manufacturing tend to require a lot of labour, in contrast to mining and drilling where production depends more on having advanced technologies and capital. Therefore, there is reason to expect that growth of intra-regional trade will improve employment opportunities within the African continent. Another long-standing concern is that African economies are mostly mono-cultural and exports such as minerals and agricultural commodities (e.g. cocoa, coffee, cotton and palm oil) are characterised by large and sudden price fluctuations. In the event of a sharp fall in prices for a country's major export, this may lead to a revenue crisis and it can reduce a nation's overall growth. A more diversified set of export goods would shield African economies from instability by providing alternative sources of export revenue.

v. Strengthened political ties and enhanced bargaining power in global markets

Increasing economic interaction between member states of a trade bloc may also strengthen political ties. This can help when addressing international, political and civil conflicts. For example, the Economic Community of West African States Monitoring Group (ECOMOG), a multi-national military force, was established by the Economic Community of West African States (ECOWAS). ECOMOG was instrumental in mitigating some of the political and civil conflicts in Liberia, Sierra Leone and Guinea-Bissau from 1990 to 2003. We take a final example from African countries negotiations with international organizations such as the World Trade Organization (WTO) and the United Nations (UN). If these were to be undertaken as a bloc of nations, rather than as individual countries speaking on their own behalf, African states would have more political and economic leverage.

6. Comparative analysis of trade flows in Africa's regional economic blocs

It is useful to analyse first, the development of the extent of African intra-regional trade over time in each of Africa's major trading blocs before proceeding to analyse how the shares of the blocs' trade have evolved over time. To do this, data for the period 1995-2018 was retrieved from an open-source online database maintained by the United Nations Conference on Trade and Development. The data consists of annual time-series of each bloc's intra-regional trade flows, trade flows with other regions within and outside Africa (all measured in million USD), as well as the population of each trading bloc.

Figure 2: Intra-regional trade flows in Africa's major regional economic blocs, 1995-2018

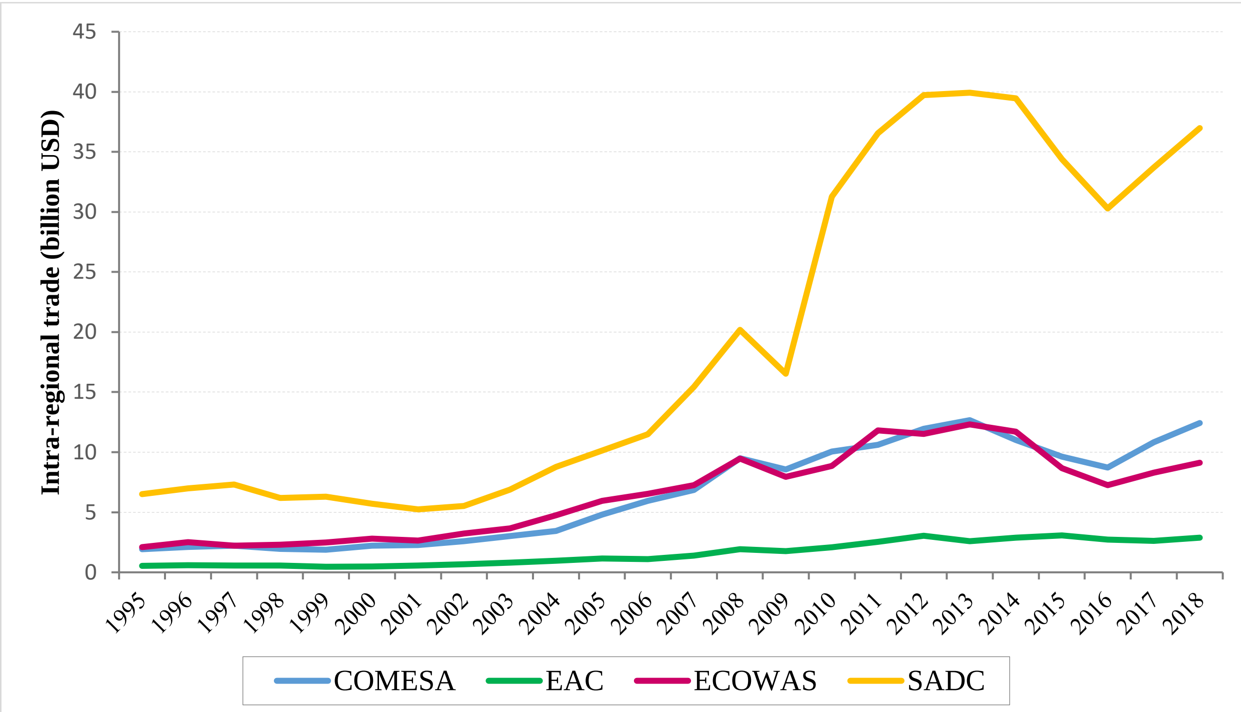
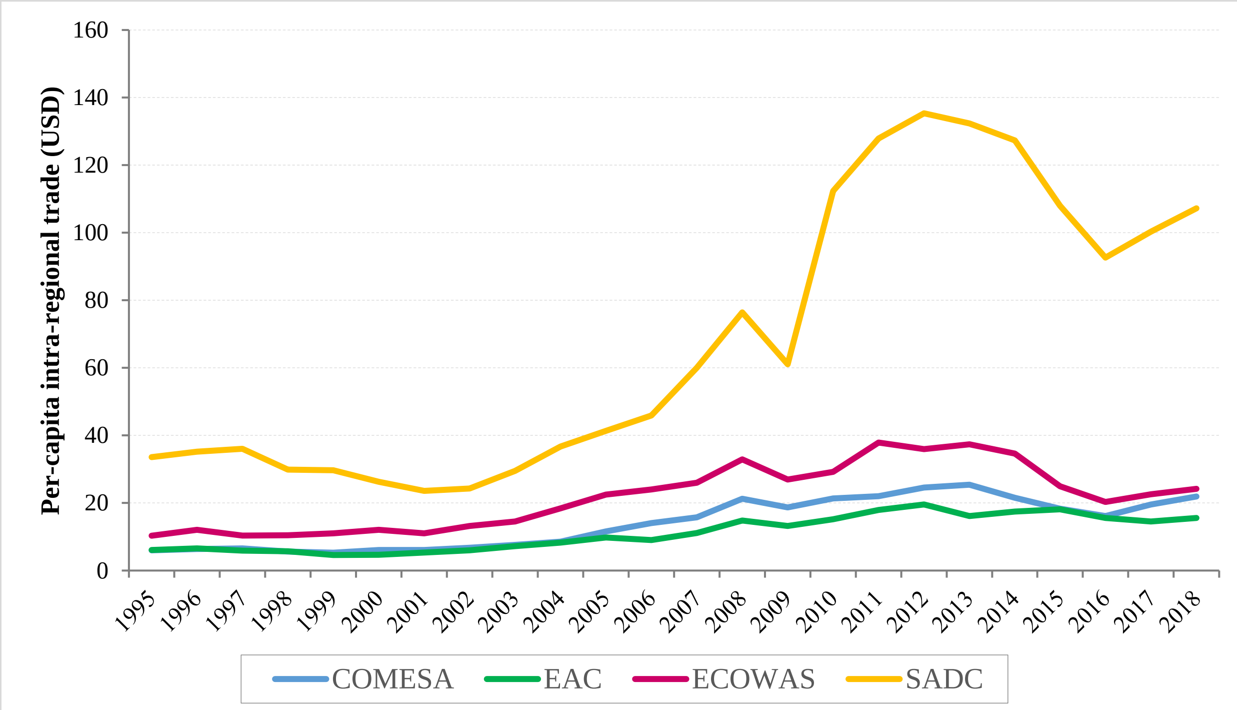


Figure 2 presents the trends of intra-regional trade flows in Africa's regional economic blocs, showing a growing volume of intra-regional trade over the past 15 years. A similar set of trends is depicted in Figure 3 showing per-capita volumes of intra-regional trade (in USD), defined as the ratio of the total volume of intra-regional trade divided by the population of a bloc.

Though the trends depicted in Figures 2 and 3 are similar, it is worth noting the growth and divergence of the SADC curve from 2008 onwards, relative to the trends depicted by the curves for other blocs. SADC established a free trade area in 2008, abolishing tariffs on 85% of the goods traded between member states. This agreement made SADC more open to intra-regional trade, although this trade is largely driven by South Africa, the most industrialised country in the region. For example, South Africa's exports to SADC rose from about \$9 billion in 2008 to \$23.6 billion in 2013, indicating a growth rate of exports to SADC countries of over 160%. Meanwhile, its imports from other SADC countries also rose from about \$5 billion in 2008 to \$7 billion in 2013, i.e. a 40% growth rate.

Figure 3: Per-capita intra-regional trade flows in Africa's major regional economic blocs, 1995-2018



For the analysis of how the shares of the blocs' trade have evolved over time, we measure the level of economic integration by the share of intra-regional trade. This is defined as the ratio of within-bloc trade to the total trade carried out by bloc members. For instance, considering a regional economic bloc such as COMESA, our measure of integration compares the volume of trade flows between members of COMESA, to COMESA's total trade flows.

Figure 4 presents each trade bloc's average share of intra-regional trade in the period 1995-2018. The EAC is the most integrated bloc in Africa with a 19% share of intra-regional trade, followed by SADC (15%), ECOWAS (9%) and COMESA (8%). What explains the EAC's leading performance based on this measure of integration? First, the founding EAC members had the advantage of having the same colonial administration. Following independence, the colonial infrastructure and institutions (railways, ports and trade boards) which were created for colonial purposes provided a good foundation for the EAC compared to other regional blocs. Second, the fact that the EAC is a customs union appears to place it at a more advanced stage of economic integration. Meanwhile, the other blocs remain at the stage of either a preferential trade area or a free trade area. The EAC also records the highest share of trade with other regions in Africa (see Figure 5). The EAC carries on 16% of its trade with the rest of Africa while the other blocs record considerably lower volumes: SADC 3%, ECOWAS 5%, and COMESA 5%. Within the EAC bloc, Kenya is the most industrialised country and the major source of exports generally, while Uganda is the largest importer, sourcing mostly from Kenya.

Figure 4: Average share (%) of intra-regional trade in total trade flows, 1995-2018

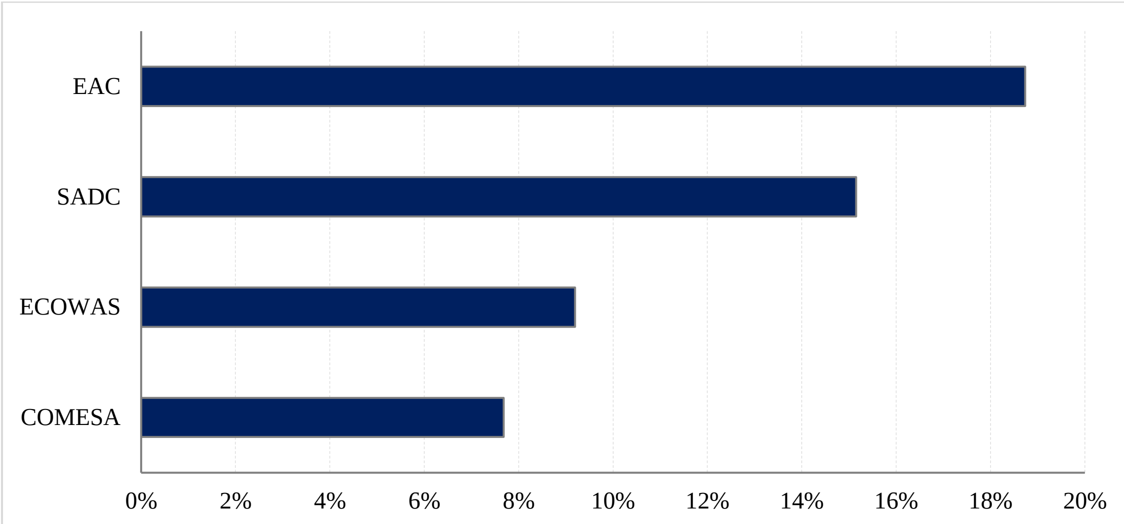
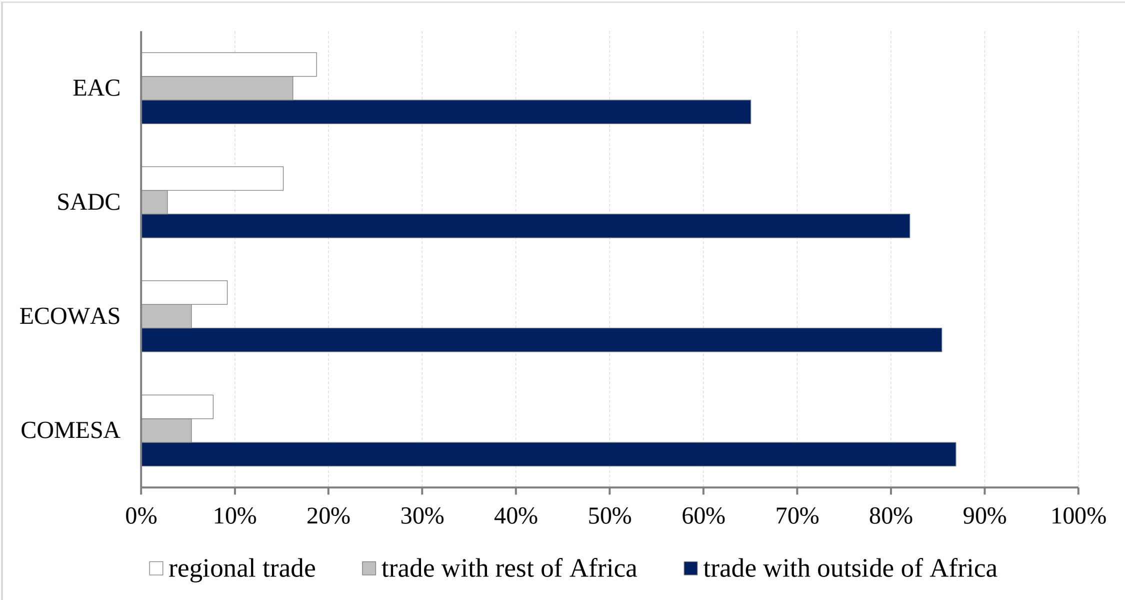


Figure 5 shows that EAC is also the most successful trading bloc when it comes to the magnitude of trade with other regions within the continent. While Kenya mainly exports manufactured products and imports food items, especially cereals, the imports and exports between Tanzania, Uganda, Rwanda, Burundi and South Sudan, are largely composed of food and agricultural products. By and large, the region has been successful in utilising the internal differences in comparative advantage in the production of various commodities needed by members to boost trade within the bloc. For example: Rwanda and Burundi import dairy products from Uganda; Tanzania and Uganda export wheat and maize to Kenya; and Burundi exports sugar to Rwanda. Moreover, a common official language, Swahili, is shared by three big players in the bloc, namely Kenya, Uganda and Tanzania. This promotes the idea of sharing a similar historical background and social ties, thereby making member countries more receptive of integration.

Figure 5 also illustrates that in the years 1995-2018 on average about 80% of African trade was done with regions outside the continent. This indicates that compared to the continent's engagement in global import and export markets, Africa's own economic integration is relatively limited. Notwithstanding, this pattern has recently begun to change. Between 2011-2018 the average share of within African trade by our blocs in Figure 5 was about one-quarter, while three-quarters of trade was with the rest of the world.

Figure 5: Intra-regional, intra-Africa and foreign trade in sub-Saharan Africa, 1995-2018



7. Challenges and opportunities for future intra-Africa trade

Intra-regional trade as a percentage of total African trade (the value of total exports and imports), remains the lowest in the world. Intra-regional trade accounts for only 10% of total trade in Africa, but comprises 70% of all trade in Europe, 48% of all trade in Asia, and 20% of all trade in Latin America. So, why is Africa's intra-regional trade comparatively low? And why does it grow so slowly? The answer is not that African countries have failed to sign a sufficient number of agreements liberalising trade within the continent. Instead, there are other trading costs and obstacles that seem to be impeding the realisation of the greater economic integration and intra-Africa trade.

First, African trade blocs have long focused on reducing tariffs, but have ignored non-tariff barriers such as sourcing rules, labelling requirements and other country-specific standards that can be even bigger obstacles to promoting regional trade. In cases of overlapping membership, countries make multiple financial contributions to economic blocs while overlapping bloc memberships can complicate tariff reforms when changes by one bloc conflict with rules set by another. For instance, to qualify for preferential access to markets in SADC countries, textiles must be manufactured and sourced entirely in the SADC region, but very few textiles from SADC qualify. As a result, trade in garments is stifled and the SADC area imports most textiles from non-SADC countries.

Second, efforts to liberalise regional trade may flounder for political reasons. Domestic support for free trade is often weak and the increased competition from imported goods often galvanises groups such as labour unions to oppose further liberalisation. African trade blocs do not have a way of compensating domestic producers hurt by import competition and that weakens the political case which leaders must often make to their constituents about the benefits of free trade. African states themselves often lack the will to reduce import tariffs because tariffs provide an important source of government revenue and they are especially vital because governments often have great difficulty raising revenue through income taxes.

Third, if integration is to progress further, Africa's regional trading blocs will have to widen their focus from tariffs and trade in goods to liberalising trade in services. To make it easier for bankers, building contractors, accountants, lawyers, and other service providers to do business in a multinational region, policy makers will have to harmonise rules about professional licenses to remove restrictions that prevent service providers with licenses earned in one country from serving clients in other nations where licensing requirements may differ. Africa's trade blocs will also have much work to do to harmonise rules about competition, investment, and intellectual property. Failure to consider these areas will cause future conflicts as bloc members intent on protecting domestic producers from foreign competition may claim that foreign governments are giving their own firms unfair advantages by setting rules on competition, investment, or intellectual property that stymie foreign competition.

Fourth, the costs associated with the transportation, handling, and inspection of goods often exceed the costs of tariffs. According to a World Bank report *Doing Business* 2008, the cost of delays at African borders was four times higher than the cost of paying foreign tariffs. Whereas Canada and Estonia only require 3 documents to legally export goods, Burkina Faso requires 11 documents and Angola requires 12. The average time spent in clearing goods at the Danish border was 5 days in 2007, whereas the delay that year was 69-71 days in Rwanda, Burundi and Eritrea. Transport costs are also high in African countries compared to Asia, Latin America and Europe, partly because Africa has fewer paved roads than other world regions. In 2009 the World Bank found that 19% of African roads were paved versus 53% in China, 80% in Russia and almost 100% in Germany. Generally, transportation costs across the African interior are often at least two times higher than most world regions.

8. Conclusion

This chapter examined Africa's historical trajectory of regional economic integration, highlighting its benefits, the various initiatives that African governments have pursued to enlarge and integrate its regional markets, the nature of the integration process and its contemporary challenges. The chapter also presented the current level of economic integration in Africa by comparing the volume of intra-regional trade flows of each major trading bloc. Despite the many challenges to integrating African economies, progress is being made. As of

July 2019, the leaders of 54 African nations signed a landmark agreement to create the *African Continental Free Trade Area* (CFTA) with a plan to eliminate tariffs on 90% of all products within 5 to 10 years, to create a continent-wide free trade area in services, and to end restrictions on the movement of capital and business persons. In terms of the number of signatory nations, CFTA is already the world's largest free trade agreement.

Study questions

1. Did colonial rule both expedite and impede African inter-regional economic integration?

2. What are the most significant differences in the sorts of goods which African countries export to other regions in the world versus the type of goods traded with other African nations?

3. Discuss, using examples, the stages of economic integration starting from the earliest to the most advanced forms of economic and political co-operation between countries.

4. Discuss the rationale for economically integrating African countries. How successful have Africa's regional blocs been in achieving their goals of economic integration?

5. Compare African experiences with regional integration after independence.

6. Discuss three factors that impede regional economic integration among African economies and proffer solutions to these impediments.

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