New School Economic Review, Volume **1**(1), 2004, 75-81

REGIONALISM AND TRADE: A GLIMPSE OF AFRICA'S EXPERIENCE

Ejeviome Eloho Otobo[1]

I INTRODUCTION

Regionalism has a long history in Africa. Its earliest manifestations can be traced to the pre-independence period when the regionalist impulse found expression in Pan-Africanism, highlighted in the Pan-African conferences organized in the first half of the last century. A few regional economic groupings were formed during that period, albeit in a colonial context. Two prominent examples dating from that period are the East African Community (Ndung'u, 2003) and the Southern African Customs Union (the world's oldest customs union (Jenkins, 2003)[2].

The struggle for and attainment of independence provided the main impetus for further regional integration, based on the belief that regionalism would result in strengthened political solidarity, mutual consolidation of newly-gained independence and collective self-reliance. Thus, Africa's post-independence efforts to implement regionalism focused on both political and economic changes. This article examines the progress made in regionalism in Africa and describes some of its key features, assesses its impact on intra-Africa and external trade in the context of globalization, and draws some conclusions.

II REGIONALISM IN AFRICA—PROGRESS AND FEATURES

Africa's regional integration efforts have proceeded on two complementary tracks. On the one hand, many regional economic groups have been created (see Table I). These are now regarded as the building blocks of Africa's integration. On the other hand, there have been region-wide integration efforts, which resulted in the formation of the Organization of African Unity (OAU) in 1963, the adoption of the Treaty establishing the African Economic Community in 1991 and the inauguration of the African Union (AU) in 2002. The African Union has been "described as an 'aspirational union': the expression of an end-goal of future process rather than the organic fruition of existing economic and political ties" (de Waal, 2001). Still, the establishment of the AU is an important milestone in and the culmination of a commonly felt desire for the unification of Africa. The New Partnership for Africa's Development (NEPAD)—Africa's plan for economic, social and political renewal launched in 2001—has not only been inspired by a vision of regionalism but also places considerable emphasis on regional integration.

Regionalism in Africa displays a few outstanding features. There is much overlapping membership in the regional economic groups, as evidenced in Table I. Most countries belong to two or more blocks. Of the 53 African countries, 30 are members of two regional economic groupings, 16 of three regional economic groupings, 1 country is a member of four regional economic groupings, and 6 are members of one[3]. This overlapping membership has several important implications for the governments of the countries concerned: they are often torn between competing regulations and policy commitments; they face high financial costs both in the obligatory assessed membership contributions and the funding of programs; and they are compelled to devote more organizational resources to managing regional integration than if they were in one regional grouping.

The multiplicity of regional economic groups has another perverse effect: it has tended to create "segmented regionalism" rather than "open regionalism," and to diminish or delay commitment to the latter. In addition, civil conflicts have disrupted the pace of consolidation of the integration process in several regional groups by diverting resources and energy from the integration process into peacemaking and peacekeeping operations. From ECOWAS to ECCAS and IGAD[4], countries in conflict have become a drag on the integration process. Productive capacities in the affected countries have been destroyed, hindering their ability to participate in regional trade. At the same time, they are unable to fulfill their membership obligations such as paying their membership dues and implementing agreed-upon policy commitments.

III REGIONALISM, TRADE AND GLOBALIZATION

Regionalism and trade can have an important influence on growth and development. While the role of trade as an engine of growth and development is well acknowledged, the place of regionalism in international trade is sometimes suspect. The reason for this attitude is that regional integration could result either in trade diversion or trade creation, and trade-diverting regionalism undercuts the usual gains associated with free trade. An important measure of the economic efficacy of regionalism is its contribution to promoting intra-regional and external trade.

One might suppose that the existence of several regional economic groups in Africa would result in significant intra-regional trade. This has proved not to be the case. Intra-African trade remains rather low. The share of intra-African trade as a percentage of its overall trade is 10.5% for exports, and 10.1% for imports. It is often argued that these ratios do not take into account informal trade between the countries of the region. Even so, the informal trade is unlikely to be as high as the formal trade. The paucity of intra-African trade is attributable to a variety of reasons. One major factor is that African countries remain mainly producers of primary commodities rather than of manufactures[5]. Other reasons for the low intra-African trade include the lack of coordination in domestic economic policies of member states, the disruptive effects of civil conflicts on formal trade and the prevalence of technical barriers (such as inefficient transport systems) and, sometimes, the substitution of non-tariff barriers for tariffs[6].

Africa's heavy dependence on primary commodity exports also explains its declining share of external trade, as values of those exports have declined over time. Africa's share of world trade fell from 5.9% in 1980 to 2.0% in 2002 (UNCTAD 2004:3). While manufactures account for 0.8% of Africa's share of global exports, the comparable figures for the developing countries in Asia and the Americas are 21.5% and 4.6% in 2000. In the period from 1980 to 2000, the annual average growth of manufacture exports from Africa was 6.3% (5.7% in sub-Saharan Africa alone). The comparable figures for the developing countries in Asia and the Americas are 13.6% and 11.5% (UNCTAD 2004:5-6). The value of exports by African regional economic groups is also low compared with other regions (see Table II).

Table II: Value of exports by economic grouping

(in millions of United States dollars)

	1980	*1990*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*
Africa									
CEMAC	4 668	5 560	6 079	7 124	7 441	5 917	6 720	9 622	9 453
CEPGL	1 804	1 184	596	692	688	551	572	575	540
COMESA	13 553	16 239	18 938	21 225	20 831	18 534	19 531	24 896	23 663
ECCAS	8 371	10 659	10 321	12 548	12 599	10 107	11 843	17 982	16 610
ECOWAS	33 348	20 769	21 865	26 451	25 348	20 628	24 534	30 652	30 474
MRU	1 225	1 209	1 125	1 173	1 159	1 300	1 266	1 367	1 490
SADC	34 242	37 199	42 611	46 484	47 695	40 762	42 415	49 256	47 394
UEMOA	4 885	5 036	6 648	7 421	7 318	7 641	7 666	6 666	7 114
UMA	40 648	34 394	32 133	35 471	36 483	30 191	34 252	47 502	46 180
Asia									
ASEAN	71 903	144 148	321 392	340 855	353 254	329 672	358 979	428 179	386 534
Bangkok Agreement	46 045	148 738	311 767	321 732	362 825	358 349	383 330	474 396	470 322
ECO	13 320	38 115	59 939	68 820	66 950	59 713	68 004	82 003	82 195
GCC	161 295	87 564	100 576	119 109	122 023	87 919	109 049	163 179	159 492
MSG	2 020	2 244	3 940	4 004	3 551	2 826	2 999	3 314	2 965
SAARC	13 142	27 494	46 129	50 407	52 780	51 248	53 455	62 549	63 987
Latin America									
ANCOM	30 467	31 134	39 496	45 581	46 419	39 109	43 381	58 026	52 185
CACM	4 768	4 354	8 284	8 568	10 005	11 499	11 945	11 846	10 613
CARICOM	11 443	4 752	5 681	5 710	6 149	5 463	6 061	7 984	9 195
LAIA	88 302	131 546	207 196	233 984	258 562	254 389	271 270	328 827	317 656
MERCOSUR	29 522	46 418	70 499	74 998	83 179	81 366	74 322	84 659	87 864
OECS	152	343	309	262	255	266	272	269	252

Source: The report of the Secretary General on State of South-South Cooperation (A/58/319 of 25 August 2003), based on UNCTAD handbook of Statistics, 2002

Yet it would be wrong to conclude from these figures that African countries are not fully integrated into the world economy. Using the share of trade as a percentage of gross domestic products, the widely accepted measure of integration into the world economy, Africa as a region is more integrated than some of the large economies. Africa's imports as a share of GDP are 38.5% and its exports as a share of GDP are 27.7%[7] For Sub-Saharan Africa, the shares are even greater—62.2%, actually above the world average of 57%. These averages mask wide disparities among African countries, as the export ratios of countries dependent on a narrow range of primary commodities— whether agricultural raw materials, minerals or oil—are even higher. Africa is more integrated into the world economy than is often thought.

The central problem with this integration is that it is of the wrong type: Africa is caught in a “commodity trap.” Furthermore, the prices of commodity exports have suffered severe declines over the years. These facts help to explain why Africa has benefited least from globalization. Another reason is that much of the continent’s labor force lacks the scientific training required for participation in the fastest growing technology sectors. Finally, Africa’s inability to penetrate and participate in the production and supply chains of global competitive sectors, together with its inadequate infrastructures and the misperception of a “continent in crisis,” serve as deterrents to foreign direct investment in the region.

IV CONCLUSIONS

Regionalism holds much promise in Africa. It can potentially transform the small market spaces of individual countries into a larger economic, monetary and trading arena. It would enable Africa to develop an internal economic dynamism, a launching pad to competition in a globalized world economy. Converting that potential into reality will require a composite of measures, which can be classified as economic, political and institutional.

One of the economic issues to be addressed is the harmonization of the various national monetary, fiscal and trade policies with regional integration goals. Achieving this convergence of macroeconomic policies must precede the adoption of a common currency, the benefits of which are undermined by the lack of such convergence. Another issue is compensation: given that regionalism produces winners and losers, finding a fair and well-funded compensation mechanism is vital to retaining political support in constituent states. The lack of robust compensation mechanisms has continued to plague the regional economic groups in Africa.

The pre-eminent political issue is that of ending and preventing conflicts. The African experience is replete with instances of regional economic groups being weakened or stalled by the prevalence of conflicts in one or more countries within the same group. Regional integration cannot take off or flourish under those conditions. While it is reassuring that some of the major regional economic groups and the newly established African Union have instituted peace and security mechanisms, the most important mission of a regional economic group is to use trade liberalization to generate economic growth and improve the lives of the citizens of the participating states. Absent this, the impact of the regional economic groups will continue to look remote, leading to loss of political and public support.

There are several institutional issues which deserve much more attention than they have received so far. Firstly, a credible process must be in place for gradually folding the existing regional economic groups into fewer groups, pending the time when the African Union will fully establish its institutions and begin to function as one economic space.

Closely related to this process is that of moving from the public-sector-led approach to a private-sector-driven orientation. While there is a conceptual consensus and growing political commitment to this latter approach in Africa, translating this commitment into reality has yet to occur. An important starting point, perhaps, is to involve Africa's private sector in its infrastructure development—in particular the construction of cross-border roads and rails and the operation of airlines, which have historically been under the firm grip of state-owned enterprises (though privatization is beginning to loosen that hold). Promoting private sector participation in these industries is vital to increasing the efficiency and adequacy of African infrastructure, which is crucial to facilitating regional and international trade.

The renewed political commitment to regionalism in Africa, exemplified in the recent establishment of the African Union, will be assessed by how creatively the foregoing challenges are addressed in the years ahead.

END NOTES

1 Ejeviome Eloho Otobo is chief of the Policy Analysis and Monitoring Unit in the Office of the Special Adviser on Africa at the United Nations, New York. The views expressed here are in his personal capacity.

2 The East African Community was first established in 1947, dissolved in 1977, and resuscitated in 1993.

3 This data is from ECA 2002.

4 See Table I for the meanings of the acronyms.

5 There are a few counter-examples of the heavy dependence on primary commodities: Egypt, Mauritius, Morocco, South Africa and Tunisia have very high shares of manufactures as a percentage of merchandise exports.

6 The use of the term "formal trade" is meant to bring attention to the fact that much illegal and informal commercial exchange continues even in situations of civil conflict in neighboring countries.

7 Source: ECA data base, 2004.

REFERENCES

de Waal, Alex (2002): "What's new in the New Partnership for Africa's Development?", *International Affairs 78, 3,* pp. 463-475.

Economic Commission for Africa (ECA, 2002): *African Development Forum III—Defining Priorities for Regional Integration.*

Jenkens, Carolyn (2002): "Catch-up in Southern Africa", *Cooperation South 2003,* pp. 4-18

Ndung'u, Njuguna S. (2003): "East Africa's Experience, From Colonial Times To Present", *Cooperation South 2003,* pp. 46-61

United Nations Conference on Trade and Development (UNCTAD, 2004) *Economic Development in Africa*: *Trade Performance and Commodity Dependence*

United Nations Development Program (UNDP 2003): *Human Development Report*, Oxford University Press, New York.

Table I: Classification of African countries within Regional Economic Groups

Acronym of Regional Economic Group	Name of Regional Economic Group	Member-Countries
CEMAC	Central African Economic and Monetary Community	Chad, Cameroon, Central African Republic, Equatorial Guinea, Gabon, Congo
CEN-SAD	Community of Sahel-Saharan States	Burkina Faso, Central African Republic, Chad, Djibouti ,Egypt, Eritrea, Gambia, Libya, Mali Morocco, Niger, Nigeria, Senegal, Somalia, Sudan Tunisia
CEPGL	Economic Community of the Great Lakes' Countries	Burundi, Democratic Republic of Congo, Rwanda
COMESA	Common Market for Eastern and Southern Africa	Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
EAC	East African Community	Kenya, Uganda, Tanzania
ECCAS	Economic Community of Central African States	Burundi, Cameroon, Chad, Central African Republic, Equatorial Guinea, Gabon, Congo, Democratic Republic of Congo, Rwanda, Sao Tomé and Principe
ECOWAS	Economic Community of West African States	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal, Togo
IGAD	Intergovernmental Authority for Development	Djibouti, Eritrea, Ethiopia, Kenya, Sudan, Somalia, Uganda
IOC	Indian Ocean Commission	Comoros, Madagascar, Mauritius, Seychelles, France(Reunion)
MRU	Mano River Union	Guinea, Liberia, Sierra Leone
SACU	Southern African Customs Union	Botswana, Lesotho, Namibia, South Africa Swaziland
SADC	Southern African Development Community	Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa Swaziland, Tanzania, Zambia, Zimbabwe
UEMOA	West African Economic and Monetary Union	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo
UMA	Arab Maghreb Union	Algeria, Libya, Mauritania, Morocco, Tunisia

Source: Report on the Third African Development Forum, UN ECA (2002: 5-6)