



REGIONAL INTEGRATION AND ECONOMIC DEVELOPMENT IN AFRICAN NATIONS

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Abstract: *The paper examined regional integration and economic development in African nations. The objectives of the study were to examine the factor that hinders the progress of regional integration in African nations; and examine the contribution of regional economic integration to the growth and development of African nations. The study used library science method to obtain secondary information. The study identified that the following factors hinders regional integration and economic development of African nations: Homogeneity of goods, Ideology differences, insufficient foreign exchange, Poor infrastructural facilities, Political instability, Language barrier, Trade preference with non-members, Developmental level differences, and trade in primary goods. Also, the study showed that regional integration contributes to the growth and development of the African trade zone through economic diversification, trade creation, employment opportunities and attraction of foreign direct investment (FDI). Based on the findings, the study suggested that – members of regional economies should strive to diversify their exports to member countries, improve infrastructure, ensure political stability, and adhere to community policies.*

Keywords: African, Diversify, Economic development, Integration, Regional

1. INTRODUCTION

Regional integration is seen as a rational response to the difficulties faced by a continent with many small national markets and landlocked countries. After freedom from the slave masters, African nations found the necessity of both political and economic association with one another (Agbonkhese & Adekola, 2014). This stemmed from the belief that for their economies to develop, certain obstacles had to be removed. According to Akpan (2020), regional bodies were created to take advantage of economies of scale in production, consumption, which are the fruits of efficient regional integrations. As a result, African governments have concluded a very large number of regional integration arrangements. There is much support from African governments for regional integration. Thus, since independence they have African nations seen regional integration as an important component of

development strategies and concluded a very large number of regional integration agreements (RIAs). There are however few success stories. African RIAs are generally motivated structures with unrealistic time frames towards deeper integration and in some cases even political union. The perceived benefits of regionalism on trade and economic development, in term of economies of scale through specialization has also raised the global upsurge in regional integration. Despite Africa's well-endowed natural resources, the continent is still suffering from continued dependence on the production and exports of primary goods, weak industrial base, and dependence on foreign loans and capital. Consequently, the share of Africa's products in the EU market decline from 6.3% in 1980 to 3.3% by 1992.

In lieu of the situation above, the study examined regional integration and economic development in African

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countries with the objective of determining the contribution of regional economic integration to growth and development in African countries.

2. LITERATURE REVIEW

2.1 The Level of Regional Economic Integration

The African paradigm is that of linear market integration, following stepwise integration of goods, labour and capital markets, and eventually monetary and fiscal integration. The starting point is usually a *free trade area*, followed by a *customs union*, a *common market*, and then the integration of monetary and fiscal matters to establish an *economic union*.

a) Free trade area: We may consider the free trade area as the loosest form of economic integration. In a free trade area, member countries eliminate import duties on goods from other member's states, but each member state is free to impose its own import duties (which may be different from those imposed by other member states) on imports from non-member countries. An example of a free trade area was the European Free Trade Association (EFTA), American Free Trade Agreement (AFTA), North American Free Trade Agreement, etc.

b) Customs union: The customs Union is a higher level of economic integration than the free trade area. Here also member countries remove all barriers to trade but maintain common tariff rates against non-member countries. Examples are Gulf Cooperation Council (GCC), Central American Common Market (CACM), Caribbean Community and Common Market (CARICUM), Mercado Comundel Sur (MERCOSUR).

c) Common market: A level of economic integration which is higher than the customs market has all the properties of the customs union, is the common market. The common market has all the properties of the customs Union, but in addition, it provides for movement of labour and capital between member countries. Example Common Market for Eastern and Southern Africa.

d) Economic union: This is a higher level of economic integration than the common market, but in addition, it involves coordination and harmonization of policy in such fields as economic planning, industrialization, monetary policy, and exchange rate determination. This is the level of integration which ECOWAS hopes to attain in the future.

e) Political union: Here countries coordinate all aspects of economic systems. Member countries accept a common stance on economic and political policies regarding non-member nations. Nations are allowed a degree of freedom in setting certain political and economic policies within their territories.

2.2 Theories of Regional Integration: The Neo-Functionalism and Intergovernmentalism

Neo-functionalism seeks to explain the reason and process for states to accept to become a part of supranational organisation by gradually giving up on national sovereignty. The theory is based on the assumption that the role of nation states will decrease, and does not see the state as a single unified actor on the international stage.

Also, intergovernmentalism theory argues that states based on national interests, determine the outcome integration. Governments have a strong and autonomous position in this approach, and bargain intensively in order to get their interests in making policies.

2.3 Empirical Evidences on Regional Integration

Oluwafemi, Abiodun and Adeniyi, (2022) investigated the effects of trade integration on economic growth and employment in West Africa from 2005 to 2019. Using a two-step panel GMM estimation technique, results showed that trade between West African member states and other SSA countries has more reinforcing growth propelling effect. The result showed that trade deepening between West African countries and other SSA countries has the tendency to boost growth more than when trade is just among the West African countries. The results also showed that although trade integration has not led to expansion in employment in the West African region, increased volume



of trade among countries would foster more employment generation.

Vigninou (2021) Examined regional trade integration a growth and convergence engine in Africa, using a panel data over the period 1979 to 2018, this paper examines the contribution of regional trade integration (RTI) to economic growth and income convergence in Africa and its major Regional Economic Communities (RECs). The results of the instrumental variable and panel fixed-effects estimation show that RTI promotes economic growth in Africa. However, it fosters income divergence, reflecting the distribution of the gains from regional integration in favor of the more developed economies of the continent. The results showed the need to support the African Continental Free Trade Area (AfCFTA) project with policies aimed at reducing non-tariff barriers to trade and improving infrastructure in order to maximize the effects on growth in all participating countries.

Alinsato, (2022) analyzed the nature of the interactions between countries of the West African Economic and Monetary Union (WAEMU) over the period 1995–2015. The analysis uses sigma-convergence on the one hand and the Dendrinos-Sonis spatial competition model estimated by the SUR method on the other hand. The results show a lack of convergence of living standards and support the idea of income polarization in space; these results also support the idea of a very poorly integrated region with relatively competitive interrelationships. The study suggested the acceleration of regional integration in the WAEMU region combined with the implementation of inclusive integration policies that promote each member's comparative advantage.

Ernest (2001) examined regional integration in West Africa. The study discovered that ECOWAS, the Economic Community of Western Africa States, was set up in 1975 by 16 countries with the ultimate objective of forming an economic community. As in similar RTAs, that were best thought as extensions of ISI, early results have been rather discouraging, but the process of domestic

liberalisation and trade reform initiated in the late 1980s led in 1992 to a new attempt to revamp the Community. There are at least two very interesting features of ECOWAS that indeed makes it a very interesting case study for the project. First, two of the most relevant Emerging Africa countries are located in the sub-region, namely Côte d'Ivoire and Ghana, as is Nigeria, still embroiled in many economic woes, but that is regularly considered alongside South Africa as the key country to sustain the renaissance of Africa. Exploring how the smaller partners can provide a stimulus to Nigeria is therefore a first goal of the study. Second, the ineffectiveness of ECOWAS cannot mask the rich web of intra-regional ventures, of various kind and success, which characterise Western Africa. These range from multilateral military interventions in Liberia and Sierra Leone, to multinationals such as Air Afrique, to joint infrastructure projects such as the Escravos-Effasu gas pipeline and the Abidjan stock exchange, to nongovernment groupings such as the Federation of West African Chambers of Commerce or the West African Enterprise Network.

Tumwebaze and Ijjo (2015) examined the contribution of COMESA integration to economic growth in this area. The authors use the GMM method on annual panel data from 1980 to 2010. The results indicate no significant empirical support for a positive impact of integration on growth in the region. Ogbuabor Onyinye, Ogbonna, and Orji, (2019) replicates the same methodological approach on WAEMU data. Contrary to the widely held view that regional economic integration promotes economic growth in participating countries, they find no empirical evidence of a positive impact of WAEMU integration on growth in West Africa. Similarly, Golit and adamu (2014) argued that intra-African trade has not been effective in fostering growth. They noted that wrong policies, such as preferential trade liberalization schemes, encourage African countries to concentrate on trade among themselves and therefore reflect trade diverting effect.



3. REGIONAL ECONOMIC INTEGRATION: AFRICA REGION IN FOCUS

3.1 Regional Integration and Africa's Economic and Trade Performance

According to Economic Commission for Africa, 2010 Africa's regional integration record is not impressive. The fact that the large number of RIAs has done little to promote intra-regional trade raises questions about the appropriateness of this linear model for addressing the real challenges that inhibit regional trade. Part of the reason for this trend is African reliance on very few export commodities – primary commodities representing more than 80 percent of Africa's total exports in recent years – and one or two sectors. Such high dependence on commodities creates severe constraints on growth due to commodity price volatility, a factor which is external to these countries and beyond the scope of their domestic policies (Sindzingre, 2011). Despite this recognition, many African countries lack the industrial capacity for diversified manufactured goods, and are faced within adequate infrastructure to support trade (Economic Commission for Africa, 2010).

Over the last two decades, global merchandise trade (in current US dollars) has tripled (WEF et al., 2011). Africa, however, has not featured prominently in this trade growth. While African merchandise trade did grow over the past few years – exports and imports growing by an average of 10 percent and 13 percent between 2005 and 2010, respectively (WTO, 2011) – the region's share of world trade declined. While Africa contributed 8 percent to total world exports in 1948, this decreased to 6 percent in 1980 and 2.3 percent in 2000, before improving somewhat to 3.3 percent in 2010. This compares to the developing economies in general which have witnessed a growing trend over time; developing economies contributed 29.5 percent to global exports in 1980, which increased to 42 percent in 2010 (World Economic Forum, 2011).

Similar trends are observed in Africa's international trade in services. Services exports from Africa increased seven-

fold between 1980 and 2010, from a share of 10 percent of Africa's total (merchandise and services) trade to a share of 18 percent. However, Africa's services exports, as a share of global services exports, declined from 3.5 percent in 1980 to 2.5 percent in 2010. On the import side, Africa's share of global services imports decreased from 6.6 percent in 1980 to 4.4 percent in 2010, while the share from developing countries as a whole increased marginally from 32 percent to 35.7 percent over the same period (UNCTAD stat. 2011).

3.2 Intraregional Trade in Africa

The situation is as disappointing, if not more so, with regards to intra-Africa trade, which has remained consistently low compared with its intercontinental trade (Economic Commission for Africa, 2010). More than 80 percent of Africa's exports are still destined for outside markets, with the European Union (EU) and the United States accounting for more than 50 percent of this total. Asia, and China in particular, are also important export markets for African countries and RECs. At the same time, Africa imports more than 90 percent of her goods from outside the continent, despite resource endowments which provide the potential to supply her own import needs.

On average, only about 10 to 12 percent of African trade takes place amongst African nations. (This can be attributed partly to the slow implementation of regional integration agreements designed to eliminate tariff and non-tariff barriers (Economic Commission for Africa, 2010). Although intraregional trade flows in Africa have been generally low compared with other regions, intra-REC exports have been growing in value across most RECs in recent years. Over the 2000 to 2009 period, intra-REC exports within sub-Saharan Africa accounted for an average of 9.7 percent of total exports in SADC, 5.3 percent in COMESA, 19.8 percent in the EAC, 8.8 percent in ECOWAS, and 0.8 percent in ECCAS. In 2009, intra-REC exports accounted for 10.8 percent of total exports in SADC, 7.1 percent in COMESA, 18.9 percent in the EAC, 9.9 percent in ECOWAS, and 0.6 percent in ECCAS.



However, in each REC, one or a few countries dominated exports: in SADC, 62 percent of exports came from South Africa; in COMESA, 67 percent of exports came from four countries – Kenya (27 percent), Egypt (18percent), Uganda (10 percent), and Zambia (10 percent); in the EAC, 73 percent of exports came from Kenya; in ECOWAS, 77 percent of exports came from two countries – Nigeria (45percent) and Côte d'Ivoire (32 percent); and in ECCAS, 64 percent of exports came from Cameroon (IMF Direction of Trade Statistics), 2011.

3.3 Factors that Hinder Regional Integration in Africa.

a) Homogeneity: Homogeneity of goods produced among the member states can hinder trade. If countries produce the same goods there is no need to trade among themselves. This situation is seen among Eastern African Countries which produce almost the same agricultural products such as maize, sugar, etc.

b) Ideological differences: Countries may have different ideologies. They may not be comfortable with their culture or opinions. This makes it difficult to synchronize their economic strategies.

c) Insufficient Foreign Exchange: Some countries may not have enough foreign currency to trade with other countries. This could be as a result of not earning enough from their export.

d) Poor infrastructural facilities: Trade can be hampered by poor transport and telecommunication facilities. This is usually the case with the developing economies. This makes it difficult to trade and move from country to another.

e) Political Stability: For business to flourish there must be a peaceful environment. Therefore, if a member state is experiencing political instability, it will affect trading relations in the whole block. This undermines trade among the member states.

f) Language barrier: Member countries may not use the same language. There will be a language barrier among them making it difficult to communicate. This will make

trading in the block more difficult and harder economic integration.

g) Trade preference with non-member: Some member countries have trading partners who are not in the trading block. They prefer to trade with them rather than the member states of the block. These outside partners could be former colonial master which member state has a closer trading ties with.

h) Different developmental level: Countries in the block may have different levels of development. Countries that are more developed will benefit more from the common market. The less developed countries will feel unfair trading practices against them.

i) Primary goods export: In trading blocks, especially Africa, the member countries sell unprocessed primary goods. This limits trade because there are limited manufactured goods in the market.

3.4. Contribution of Regional Integration to Economic Development in African Nations

a) Trade creation: RIAs (Regional integration agreements) create more opportunities for countries to trade with each other by removing the barriers to trade and investment. Due to a reduction or removal of tariffs, cooperation results in cheaper prices for consumers in the bloc countries. This is because production shifts to more efficient member countries from inefficient domestic or outside countries. Various studies indicate that regional economic integration significantly contributes to the relatively high growth rate in the less developed countries.

b) Trade diversification: Regional integration agreements make it possible for member countries to concentrate on the production of goods that they are naturally endowed with. This is so as various members are endowed with different resources. This leads to specialization and ultimately results to massive output. This impacts positively on growth and development.

c) Employment opportunities: By removing restrictions on factor movement, economic integration can help expand job opportunities. This is factors such as labour,



machineries, entrepreneurial abilities are moved voluntarily from a relatively saturated area to places for which those skills can be applied more effectively.

d) Attraction of foreign direct investment (FDI): Economic block attracts foreign investment easily. This is due to the abundance of required resource inputs at a relatively cheaper price that is made possible courtesy of specialization. Foreign investors are attracted to areas that offer resource inputs abundantly and cheaply. Economic integration satisfies this as it promotes specialization and efficiency.

4.0 CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

Although various studies show that regional economic integration significantly contributes to the relatively high growth rate in African nations, however, from the foregoing so far, it has been seen that the large number of RIAs has done little to promote intra-regional trade, or indeed to enhance the global trade performance of African countries, raises questions about the appropriateness of this linear model for addressing the real challenges that inhibit Africa's regional and global trade performance. Integrating very small and poor economies still results in a relatively small regional market.

4.2 Recommendations

Diversification – Members of regional economies should strive to diversify their exports to member countries as homogeneity of goods produced among member states can hinder trade.

Infrastructure– The countries in the block should improve their transport systems, energy supply as well as telecommunication.

Serene Environment- Member countries should ensure a peaceful environment in order for economic activities to flourish. Thus, if member state is experiencing political instability, it will affect trading relation in the block.

Adherence to Community Policies– This is very important as it is a requirement for integration to encourage trading among member states. Member countries should

avoid trading with non-members as this can be detrimental to members.

Compensation– Countries in the block may be at different developmental level and consequently more developed ones may benefit more than the less developed ones. Hence, there should be fair compensation to those members that lose.

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