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## تحديات وفرص التكامل الاقتصادي في إفريقيا

# The challenges and opportunities of Economic integration in Africa

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### Abstract:

This study represents of the reality and prospects of integration in Africa region, And what can be achieved internally at the level of African countries and externally with the rest of the world, which earns the weight of Africa at the global level, enabling them to achieve development of their countries and get out of poverty.

**Keywords:**Economic Integration, Africa El,oppertunities and prospetive.

### ملخص:

يعد التكامل الاقتصادي من المواضيع التي تحظى باهتمام كبير من طرف القادة الأفارقة، نظرا للمكاسب التي تحققها العملية التكاملية، وذلك على الصعيدين الأول داخليا فيما بين الدول الأفريقية والثاني خارجيا مع باقي دول العالم، الأمر الذي يكسب إفريقيا وزنا اقتصاديا وسياسيا على المستوى العالمي مما يمكنها من تحقيق التنمية المنشودة لبلداتها والخروج من دائرة الفقر.

**الكلمات المفتاحية:**التكامل الاقتصادي، التكامل الاقتصادي الافريقي، الفرص والتحديات.

## **Introduction**

This study aims to show the importance of the African Union under the current international conditions and towards the majority of the countries of the world towards the bloc, and integration with the review of the experiences of integration that occurred on the African continent in terms of origin, organizational structure and objectives.

The Constitutive Act of the African Union is then analyzed, and analyzed with a description of the strengths and weaknesses of the African Union. A group of global blocs are then reviewed, their relevance and impact on the global economy and the continent's vulnerability.

African countries in these blocs, where some of these clusters consider the African continent as a natural extension.

The study finally shows the obstacles and problems, and futur facing the African Union, including what is economic, political, social and cultural. The study then identifies ways of confronting these problems and how to overcome them so that the African Union can play the role required of it, namely, the advancement of the African continent. There is no doubt that at this time when the world is seeking consolidation and integration there will be no place for any single country or even continent Were torn apart by conflicts and undermined by backwardness.

On this basis, we will discuss this subject through following problematic:

### **What are the challenges facing the future African economic integration?**

#### **I. Economic integration –Conception, types, effects**

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##### **1. Conception**

A process by which the firms and economies of separate states merge in larger entities and discriminatory removal of all barriersof economic cooperation<sup>1</sup>.

The WTO defines regional integration as "the measures taken by the Governments to liberalize and facilitate regional trade, sometimes through free-trade areas or customs unions<sup>2</sup>.

##### **2. Type of economic integrtrion**

There are five stages for building an economic union<sup>3</sup>:

###### **2.1Free Trade Agreements (FTA):**

The first level of formal economic integration is the establishment of free trade agreements (FTAs) or preferential trade agreements (PTAs). FTAs eliminate import tariffs as well as import quotas between signatory countries. These agreements can be limited to a few sectors or can encompass all aspects of international trade. FTAs can also include formal mechanisms to resolve trade disputes. The North American Free Trade Agreement (NAFTA) is an example of such an arrangement.

## 2.2 Customs Union (CU):

A customs union (CU) builds on a free trade area by, in addition to removing internal barriers to trade, also requiring participating nations to harmonize their external trade policy. This includes establishing a common external tariff (CET) and import quotas on products entering the region from third-party countries, as well as possibly establishing common trade remedy policies such as anti-dumping and countervail measures. A customs union may also preclude the use of trade remedy mechanisms within the union. Members of a CU also typically negotiate any multilateral trade initiative (such as at the World Trade Organization) as a single bloc. Countries with an established customs union no longer require rules of origin, since any product entering the CU area would be subject to the same tariff rates and/or import quotas regardless of the point of entry.

## 2.3 Common Market (CM):

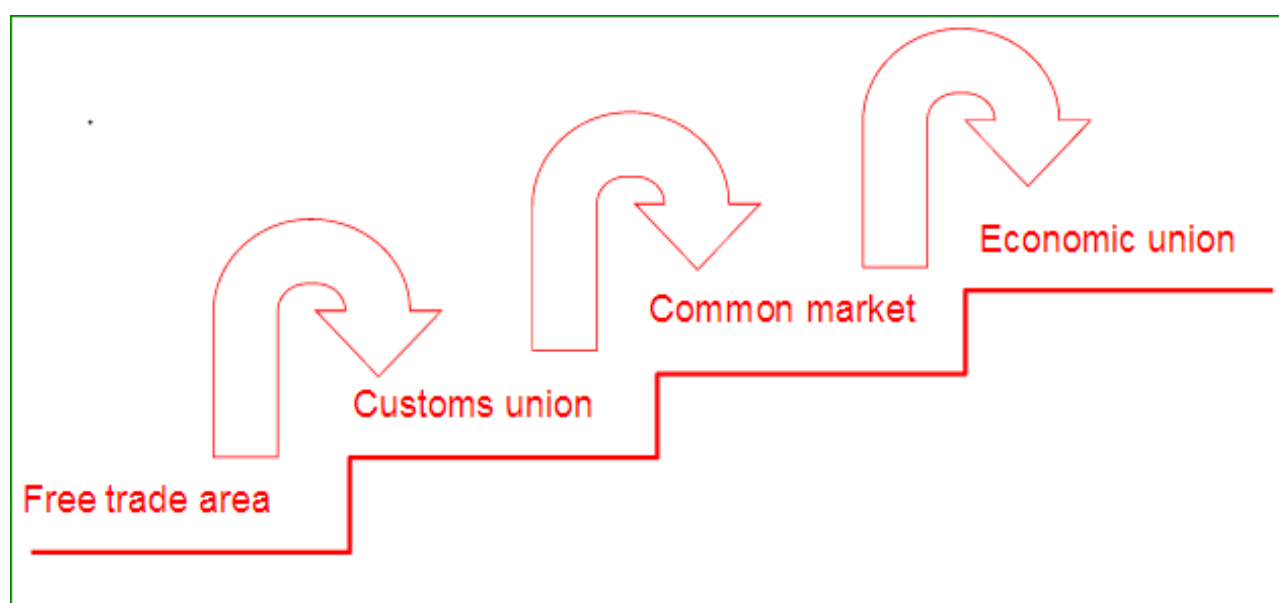
A common market represents a major step towards significant economic integration. In addition to containing the provisions of a customs union, a common market (CM) removes all barriers to the mobility of people, capital and other resources within the area in question, as well as eliminating non-tariff barriers to trade, such as the regulatory treatment of product standards.

## 2.4 Economic Union (EU):

The deepest form of economic integration, an economic union adds to a common market the need to harmonize a number of key policy areas. Most notably, economic unions require formally coordinated monetary and fiscal policies as well as labour market, regional development, transportation and industrial policies. Since all countries would essentially share the same economic space, it would be counter-productive to operate divergent policies in those areas.

The following figure indicates the stages of economic integration:

**Figure 1: A hierarchy of regional economic arrangements**



Source: Katarzyna Śledziowska, *Preferential Trade Agreements and the Multilateral Trade System*, University warszawski, P6, see: [coin.wne.uw.edu.pl/sledziowska/wyklady/tei2.pdf](http://coin.wne.uw.edu.pl/sledziowska/wyklady/tei2.pdf), (Accessed 31/12/2017).

### 3. Advantages and disadvantages of economic integration

Regional economic integration agreements are treaties between member states in a particular region of the world such as Sub-Saharan Africa or the Middle East. These agreements are usually made between nations with smaller economies in order to promote trade within the region. However, they can have disadvantages, too<sup>4</sup>.

#### 3.1 Advantages :

**3.1.1 Trade Creation:** Member countries have (a) wider selection of goods and services not previously available; (b) acquire goods and services at a lower cost after trade barriers due to lowered tariffs or removal of tariffs (c) encourage more trade between member countries the balance of money spend from cheaper goods and services, can be used to buy more products and services.

**3.1.2 Greater Consensus:** Unlike **WTO** with hugh membership (147 countries), easier to gain consensus amongst small memberships in regional integration.

**3.1.3 Political Cooperation:** A group of nation can have significantly greater political influence than each nation would have individually. This integration is an essential strategy to address the effects of conflicts and political instability that may affect the region. Useful tool to handle the social and economic challenges associated with globalization.

**3.1.4 Employment Opportunities:** As economic integration encourage trade liberation and lead to market expansion, more investment into the country and greater diffusion of technology, it create more employment opportunities for people to move from one country to another to find jobs or to earn higher pay. For example, industries requiring mostly unskilled labor tends to shift production to low wage countries within a regional cooperation.

#### 3.2 Disadvantages

**3.2.1 Creation Of Trading Blocs:** It can also increase trade barriers against non-member countries.

**3.2.2 Trade Diversion:** Because of trade barriers, trade is diverted from a non-member country to a member country despite the inefficiency in cost. For example, a country has to stop trading with a low cost manufacture in a non-member country and trade with a manufacturer in a member country which has a higher cost.

**3.2.3 National Sovereignty:** Requires member countries to give up some degree of control over key policies like trade, monetary and fiscal policies. The higher the level of integration, the greater the degree of controls that needs to be given up particularly in the case of a political union economic integration which requires nations to give up a high degree of sovereignty<sup>5</sup>.

## II. Economic integration in Africa

Africa is one big continental in the world and rich in natural resources, and diverse in cultures, so the integration in this region is a priority to achieve prosperity for their peoples.

### 1. Problematic regional economic integration in Africa – From the OAU to the AU

There were, however, some ‘missing’ elements in Africa’s regional integration process with regards to theoretical postulations. Given that African countries were newly independent, they were yet to achieve economic independence. Moreover, as political entities, states were yet to achieve a workable form of national integration. This meant that the basic structures and institutions to enable the integration process were not yet in place compared with the case of Europe (which provides a model for regionalism in Africa). The European countries were economically developed and had already achieved a level of intra-regional trade before the commencement of the integration process (Radelet 1997, p5). African states, however, sought political independence before focusing on economic development. Contrary to the expectation of the functionalist/neo-functionalist scholars that regional integration should follow a bottom-up process supported by individuals and groups in society, regional integration followed a different process. It started with the establishment of the OAU, which was a political initiative (of African leaders and policy makers). Later on, regional economic institutions focusing on economic sub-regional integration were established.

However, instead of identifying priority needs and challenges in the continent and formulating deliberate policies to address them, African leaders imitated the European process, which they saw as a model for Africa<sup>6</sup>.

### 2. The Objectives of Economic Integration in Africa

The main objective of economic integration in Africa is to consolidate conditions for the rapid economic development of the people of Africa, in order to eradicate poverty and free Africa from marginalisation. These conditions include<sup>7</sup>:

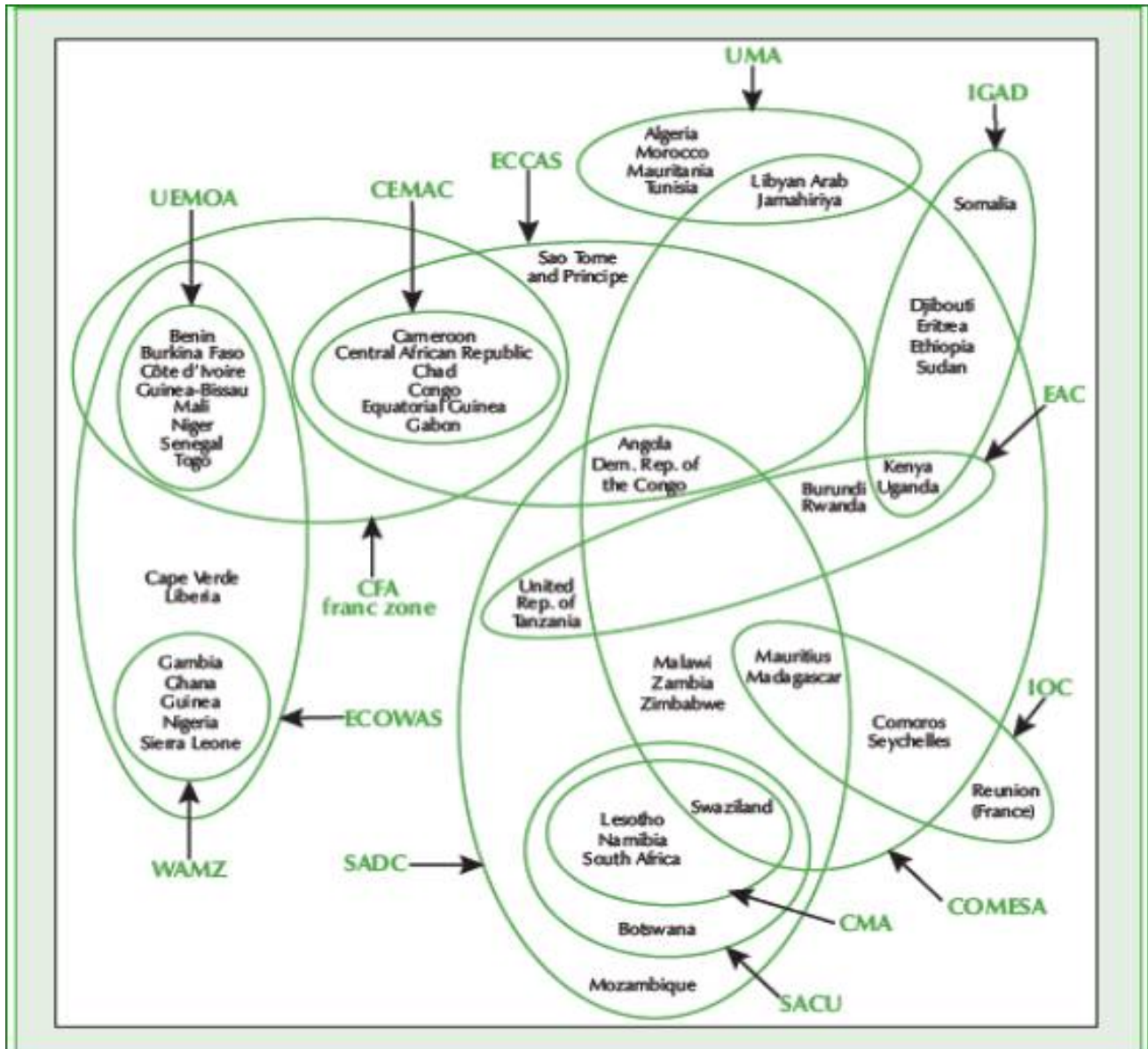
- Increasing trade and investment through building large regional and continental markets to support production and investment at critical levels that have significant linkages into the economies;
- Maintaining peaceful co-existence within and between countries; and peacefully resolving any disputes or conflicts through common mechanisms that have been established at the continental and regional levels;
- Ensuring the rule of law including constitutionalism and democratic governance within countries and among them ;
- Promoting the solidarity of Africa and of all the people of African origin outside Africa so as to strengthen the identity and the case for Africa in international relations, for instance, within the frameworks of the World Trade Organisation, the Cotonou Arrangement, and the African Growth and Opportunity Act.

### 3. Overlapping Regional Integration

There exists at least 14 regional economic communities of varying design and scope in Africa. Many of them are simple co-operation schemes with the objective of becoming an economic community in the future. Of the 53 African countries only seven belong to only one regional economic community. One country is a member of four regional institutions (see Figure 01) There are many examples for overlapping:

- The eight members of the West African Economic and Monetary Union (UEMOA) are also members of the Economic Community of West African States (ECOWAS);
- The three members of The Mano River Union (MRU) belong also to ECOWAS;
- The six members of the Central African Economic and Monetary Union (CEMAG) are also members of the Economic Community of Central African States (ECCAS);
- To ECCAS belong also the three members of the Economic Community of Great Lake Countries (CEPGL);
- From the three member countries of EAC belong two to The Common Market for Eastern Southern Africa (COMESA), one to The Southern African Development Community (SADC). One of the first mentioned two is also a member of the Inter-Governmental Authority on Development (IGAD);
- From the three member countries of EAC belong two to The Common Market for Eastern Southern Africa (COMESA), one to The Southern African Development Community (SADC). One of the first mentioned two is also a member of the Inter-Governmental Authority on Development (IGAD);
- The five members of the Southern African Custom Union are all the member of SADC, two belong also to COMESA<sup>8</sup>.

Figure 2: Overlapping Regional Integration



Source: Trade and Economic integration in Africa: trend, pattern and future outlook, Banque africaine de développement (afdb), P7, See: <https://www.afdb.org>, (Accessed 01/01/2018).

The figure shows areas in Africa, the most important feature of which is the fragmentation they are experiencing. Despite the large number of blocs, they are still weak and and this has made the African continent weak globally.

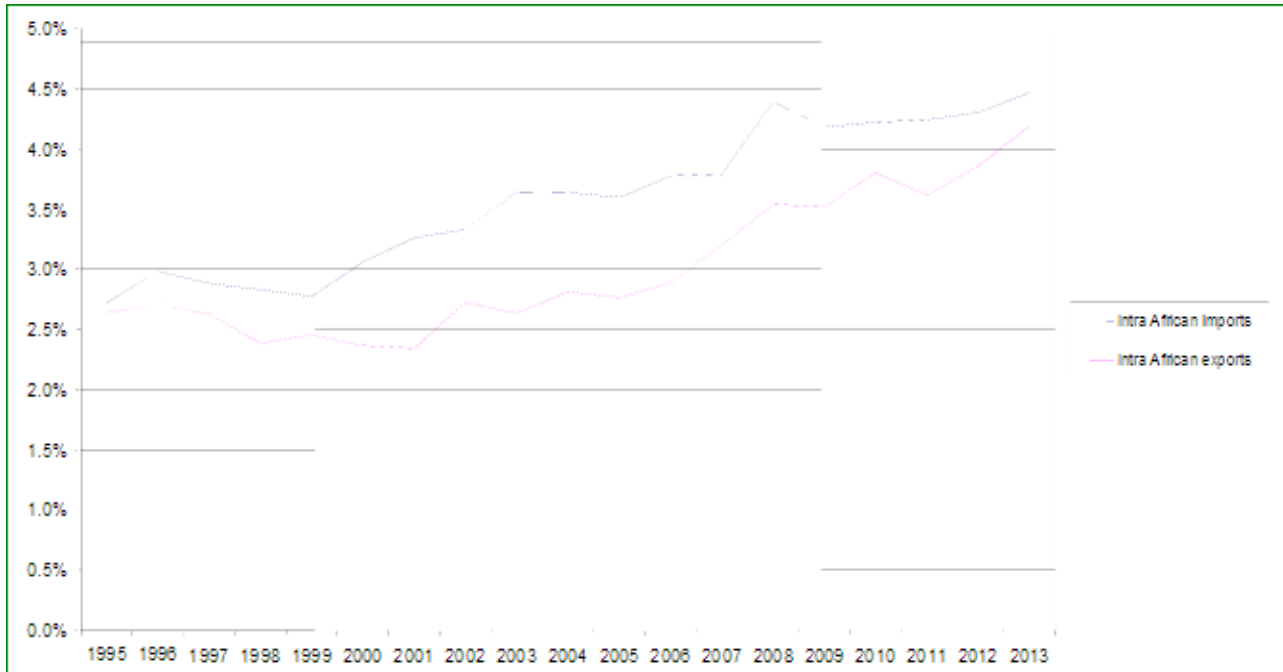
#### 4. Intra-African trade

Figures 3 and 4 represent the overall picture of intra-African exports and imports between 1995 and 2013. Intra-African trade, as percentage of gross domestic product (GDP) as of 2013, stands at around 9 per cent (figure 1) – a figure that is low as compared to other regions of the world. Trade in Africa is currently at around 14 per cent of Africa’s total trade, implying that 86 per cent is trade



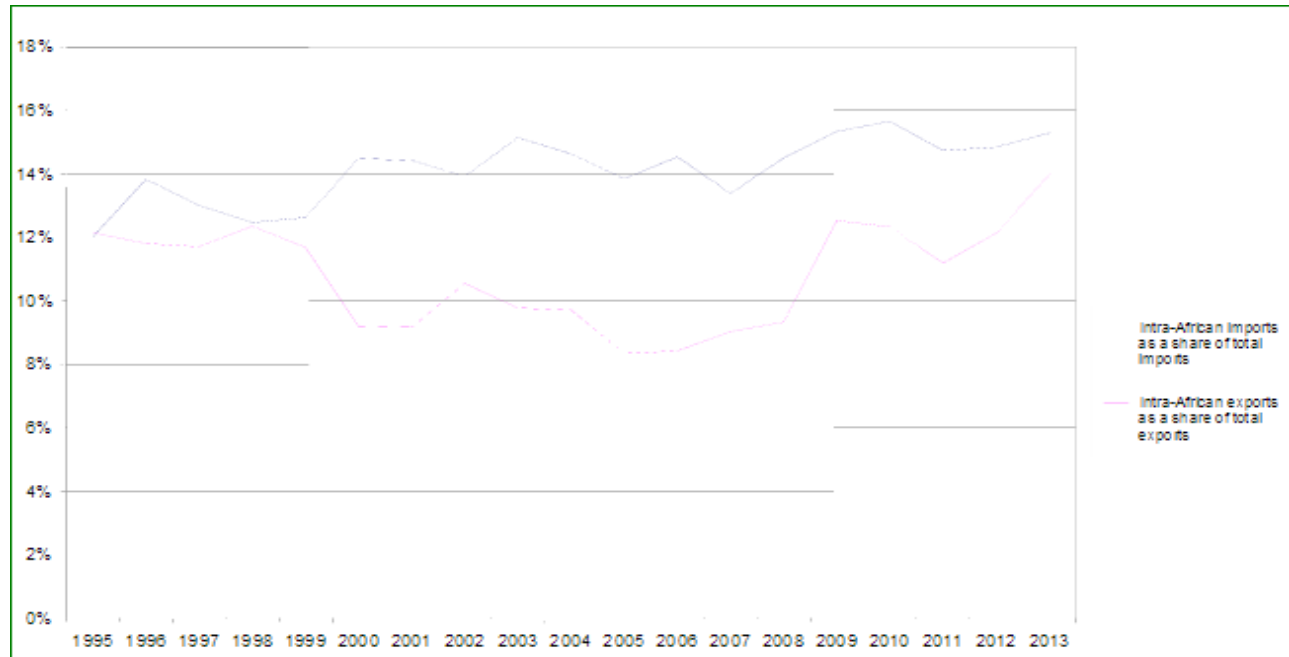
with the rest of world (figure 2). It can also be observed that the average level of intra-African trade, though fluctuating, has consistently remained around 15 per cent of Africa's total trade over the past decade<sup>9</sup>.

**Figure 3: Share of intra-african trade in Africa's GDP**



Source: Intra-African trade and Africa Regional Integration Index Progress report on intra-African trade, United Nations, Economic and Social Council, 22 September 2015, P3, See: <https://www.uneca.org>, (Accessed 31/12/2017).

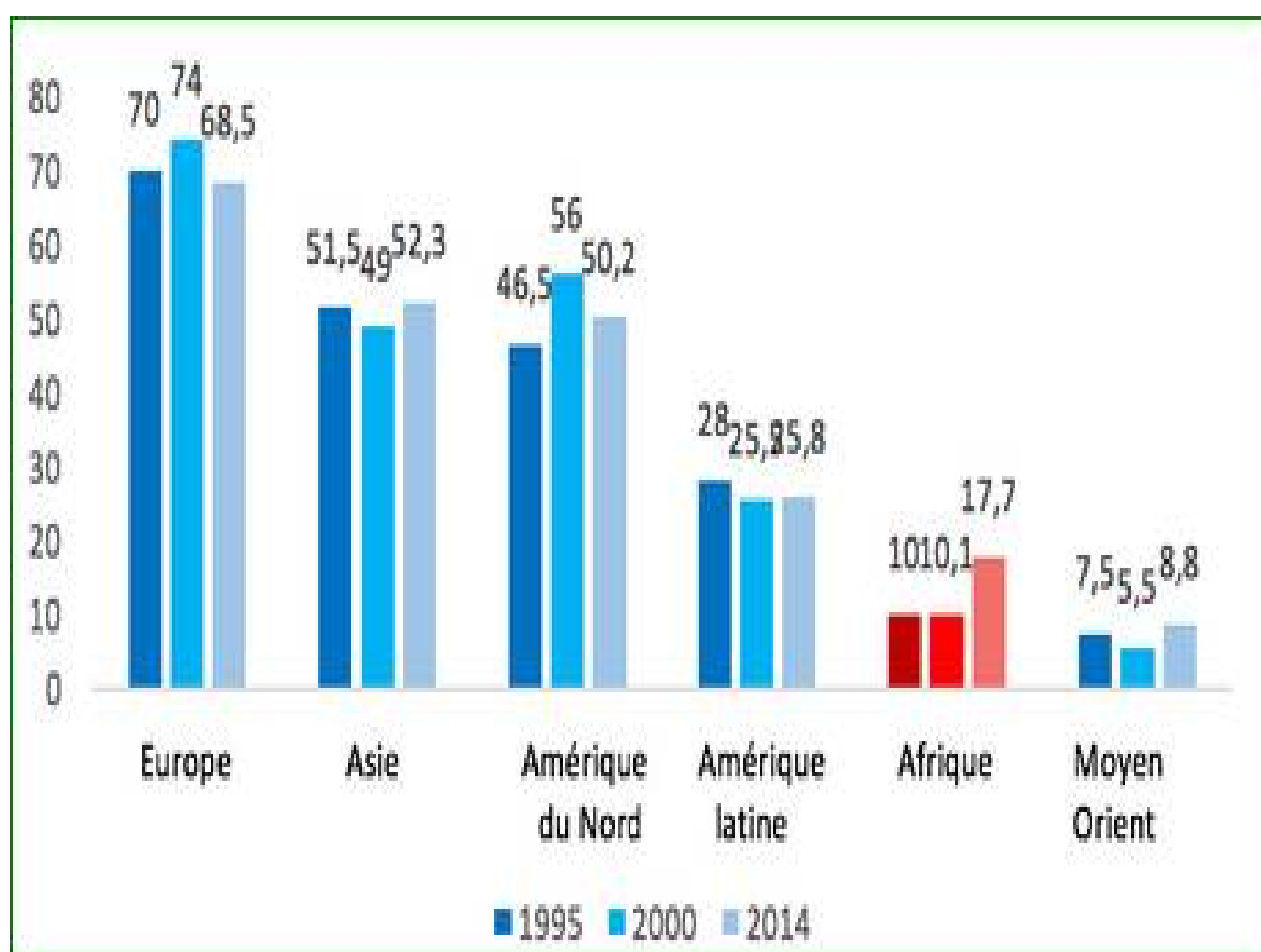
**Figure 4: Share of intra-African trade in Africa's total trade**



Source: Intra-African trade and Africa Regional Integration Index Progress report on intra-African trade, Ibid, P3.

The graph 5 indicates that from a very low level, Africa is the continent that has been able to accelerate intra-regional trade at the fastest pace since the beginning of the 2000s. African countries, trade in Africa reached 17.7% of the region's total exports in 2014, compared to only 10% in 1995 and 2000. However, the continent is still far behind the world's leading trade. intraregional. In Europe, Asia and North America, intra-regional trade accounts for a large share of exports. In Europe, trade in the region has averaged over 70% of the region's total merchandise exports over the last 20 years. In Asia, 52% of exports were sold in Asia. North America's share of intra-regional trade was slightly lower at 50% of total exports to the region. For the Middle East, trade in the region plays a minor role in relation to all commercial activities. Thus, in 2014, only \$ 113 billion was sold for export in the region, compared to total exports of \$ 1,288 billion, or 9% of the total.

**Figure 5. Part du commerce intra-régional par région du monde, 1995, 2000 et 2014**



Source: Vera Songwe, *L'intégration économique en Afrique: un processus en cours*, Decembre 22, 2016, see: [www.ocppc.ma](http://www.ocppc.ma), (Accessed 31/12/2017).

During the period 2007-2014, the two previous figures showed weak inter-trade due to the fact that the African continent is regarded as a highly consumerized market and weak in its production apparatus.

## 5. Nature and Structure of Trade and Regional Economic Integration in Africa

There is currently a proliferation of regional economic and trade blocs in Africa, cutting across sub-regions in many cases (see Table 1). Three striking features of these economic groupings are noteworthy and include overlapping memberships (see Table 1), varying degrees of integration, and differing membership philosophies that range from economic and political to security with sub-interests that include customs and monetary cooperation.

**Table 1: Major Regional Economic Communities in Africa**

Major Regional Economic Communities	Type	Areas of Integration and Co-operation	Date of Entry into Force	Member States	Specified Objectives
Arab Maghreb Union (UMA)	Free Trade	Goods, services, investment, migration	17 Feb 1989	Algeria, Libyan Arab amahiriya, Mauritania, Morocco, Tunisia.	Full economic Union
Common Market for Eastern and Southern Africa (COMESA)	Free Trade	Goods, services, investment, migration	8 Dec. 1994	Angola, Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe.	Common Market
Community of Sahel-Saharan States (CENSAD)	Free Trade	Goods, services, investment, migration	4 Feb. 1998	Benin, Burkina Faso, Central African Republic, Chad, Côte d'Ivoire, Djibouti, Egypt, Eritrea, Gambia, Libya, Mali, Morocco, Niger, Nigeria, Senegal, Somalia, Sudan, Togo, Tunisia.	Free trade area and Integration in some sectors
Economic Community of Central African States (ECCAS)	Free Trade	Goods, services, investment, migration	1 July 2007	Angola, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Sao Tome and Principe, Rwanda	Full economic Union
Economic Community of West African States (ECOWAS)	Free Trade	Goods, services, investment, migration	24 July 1993	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo.	Full economic Union
Inter-Governmental Authority on Development (IGAD)	Free Trade	Goods, services, investment, migration	25 Nov 1996	Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, Uganda	Full economic Union
Southern African Development Community (SADC)	Free Trade	Goods, services, investment, migration	1 Sep 2000	Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia, Zimbabwe	Full economic Union

<b>Economic and Monetary Community of Central Africa (CEMAC)</b>	Customs Union	Goods, services, investment, migration	24 June 1999	Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon	Full economic Union
<b>East African Community (EAC)</b>	Customs Union	Goods, services, investment, migration	7 July 2000	Kenya, United Republic of Tanzania, Uganda, Rwanda, Burundi	Full economic Union
<b>Southern African Customs Union (SACU)</b>	Customs Union	Goods, services, investment, migration	15 July 2004	Botswana, Lesotho, Namibia, South Africa, Swaziland	Custom Union
<b>West African Economic and Monetary Union (UEMOA)</b>	Customs Union	Business law harmonized. Macroeconomic Policy convergence in place	10 Jan 1994	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo	Full economic Union

**Source:** Trade and Economic integration in Africa : trend, pattern and future outlook, Banque africaine de développement (afdb), P 5-6, see: <https://www.afdb.org>. (Accessed 01/01/2018).

## 6. The future of regional integration in Africa

We have seen how a new momentum is building up behind regionalism in Africa, but that there are competing visions for the objectives and design of regional integration arrangements. On the one hand, there are those who argue that, because of the poor record of regional economic integration, African countries should “forget theoretical schemes of the pan-African type (a ‘United States of Africa’) or the neo-colonial type (a customs union), replacing them with simpler, cheaper, more productive, and more cost-effective models of integration through projects - choosing priority sectors for development (agriculture, industry, power, transportation, and training) and identifying specific, concrete projects in each sector to be implemented on a community basis, with possible financial support from outside. On the other hand, there are the erstwhile sceptics among the donors who have been converted to supporting regionalism of a certain type, one which is outward-looking, which is focused on trade facilitation, which has strong private sector involvement and which has light institutional structures. Finally, there is the traditional model of top-down African regionalism, espoused by the OAU and endorsed by African Heads of State, which has a strong rhetorical basis and a largely political significance<sup>10</sup>.

## Conclusions:

Regional integration is important for Africa. Regional Trade and Cooperation Agreements have supported this program and need to be further developed. In addition, although progress has been made in some regions, other areas are lagging behind and the next step in the regional integration agenda will also need to focus on interregional trade issues.

## Recommendations:

- Unifying political decisions in Africa to facilitate the process of integration.
- Work on forming task forces to study the possibility of African economic integration.
- Take advantage of international experiences in the area of economic integration.
- Work on establishing a free trade zone that is subject to customs Union.
- Establishment of a fund for financing development in African countries.

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