

CONSOLIDATING AFRICA'S REGIONAL INTEGRATION EFFORTS

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The Priority

In a December 2011 edition of *The Economist*, an article entitled “Africa Rising” cemented an emerging consensus that Africa is on the verge of turning the corner in its development efforts. But more importantly, the transformation taking place is mostly driven by Africans themselves. African governments are implementing policies that are changing the continent’s investment climate for the better; citizens are more informed about their rights and are demanding more accountability from their governments; and the African private sector is starting to look beyond national borders. One of the most important pillars in determining whether the positive prospects for Africa will be realized is success in regional integration. With numerous countries, small economies, low population density and many landlocked nations, regional integration is absolutely pivotal to generating high rates of economic growth and development in Africa.

Why Is It Important?

This year is a crucial one for Africa’s regional integration project and actions by governments, regional organizations and the international community will be critical in determining the course of the continent’s development for many years to come. The continent’s integration projects are certainly reaching a tipping point.

Africa’s economic integration agenda progressed slowly in the early years after independence. Some countries were still under colonial control and the priority was decolonization. Furthermore, the geopolitical environment and a world order dominated by the Cold War made regional integration less of a priority for African countries. The integration agenda has been progressing at a faster rate since the Abuja Treaty establishing the Africa Economic Community was adopted in June 1991 and implemented in May 1994. The Constitutive Act of the African Union (AU) signed in July

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2000 added impetus to this second phase through full embrace of the Abuja Treaty.

While there has been significant progress in Africa's regional integration, evidence shows that much more can be achieved. While intra-African trade has grown, there has been little increase of its share in Africa's total trade; rising only by 1 percentage point from 9.7 percent in 2000 to 10.8 percent in 2010. In contrast, in other parts of the world intra-regional trade is a much larger share of total trade for the region.

As Africa enters 2012, many are optimistic that the regional integration agenda will make crucial progress and bring a substantial boost to intra-African trade. Three recent decisions are the basis for this confidence. First, the tripartite free trade agreement (FTA) of the Common Market for East and Southern Africa (COMESA), the South African Development Community (SADC) and the East African Community (EAC) has entered its negotiations phase. Expected to conclude in 2014, this agreement will lead to the creation of a common regional market covering 27 African countries, which include more than half of Africa's population and GDP. Second, in November 2010 AU trade ministers agreed to fast-track the creation of a continental FTA. Demonstrating their seriousness toward creating an African Common Market, the ministers in December 2011 endorsed a *Framework, Roadmap and Architecture of the Continental Free Trade Area (CFTA)*. Finally, the decision by African Union leaders to dedicate their January/February 2012 Summit to the theme of boosting intra-African trade will bring additional focus to the issue. During this meeting, AU leaders are expected to consider and adopt an action plan for increasing intra-regional trade. Adoption of these proposals will be one of the most important events in determining the course of African development in 2012 and beyond.

Estimates by the United Nations Economic Commission on Africa (UNECA) indicate that, by 2022, the removal of internal tariff barriers would lead to additional intra-regional exports of around \$25 billion per year over the current baseline. Intra-regional trade as a share of Africa's total trade would increase to 15.4 percent by simply eliminating tariff barriers. However, while tariff barriers are important, the more constraining factors to intra-African trade are non-tariff barriers and weak infrastructure. The UNECA

study shows that making customs procedures twice as efficient and halving the time goods spend at port within the African free trade zone would double intra-regional trade to 22 percent by 2022. This growth in trade would be accompanied by growth in real incomes. More importantly, the estimates show that intra-African trade in agro-processed goods would grow by an average of 8 percent per year, and intra-African industrial exports would grow 5 percentage points over the baseline. The CFTA will lessen the burden of agriculture-related imports while helping to create regional value-chains.

What Needs to Happen in 2012?

African regional integration efforts in 2012 look optimistic. The current global economic environment leaves Africa with little choice than to decisively consolidate and build its regional trading market. The commodity-boom super-cycle that started in 2003 will not continue forever and the benefits of the commodities boom are only a small proportion of what the region could gain through an enlarged internal African market. The uncertainties facing Africa's traditional export markets in Europe and the U.S. further exacerbate the risk to the region's development prospects if growth in the emerging market economies of China and India were to slow down significantly. Yet, even if Africa's traditional export markets and the emerging economies were to dramatically improve, the last six decades have shown that the trade policies Africa has pursued to date cannot lead to economic transformation. Below, we propose policy actions that African governments and regional economic communities (RECs) should implement to enhance integration and suggestions on how regional organizations and international players can contribute to this agenda.

African Governments

African governments must realize true regional integration requires them to think regionally as well as locally. They must place their economic and political decisions within the framework of the larger integration agenda. Enhancing African integration calls for a paradigm shift that embraces a regional approach, rather than a national approach, to considering the benefits and risks of building a larger continental market. Second, efforts to consolidate the regional market must also move beyond its current focus on mer-

chandise goods trade. Thirdly, national sovereignty must no longer trump regional integration goals, especially regarding the free movement of people—particularly business persons—across the continent.

In 2012, African governments must increase their commitment to deeper regional cooperation. The *Action Plan for Boosting Intra-African Trade* and the *Framework, Roadmap and Architecture of the CFTA* offer the blueprint for transformational integration decisions.

Regional Economic Communities

The RECs are the building blocks of African integration. Although they have achieved varied results across the different sub-regions, given the higher African integration goal, they will need to learn from each other's successes and failures. The Economic Commission for Western Africa States (ECOWAS) has the best policy regarding the movement of people across national borders, which could be replicated elsewhere. COMESA, SADC and EAC have demonstrated trade policy harmonization, which could provide the model for other RECs to build upon. In the short-term, in order to enhance African integration, RECs will need to do at least two things. First, they must accelerate the implementation of previous agreements, especially those related to market integration. Second, RECs will need to provide stronger leadership and coordination of regional development strategies, helping their member states better prioritize projects and programs aimed at deepening integration.

Regional Organizations

Both the *Action Plan for Boosting Intra-African Trade* and the architecture for the CFTA identify specific areas where regional organizations could play a role in implementation. For example, the EAC and the African Development Bank are expected to provide technical support during the negotiations and implementation of the CFTA for the African Union Commission, RECs and member states. Specifically, to support the integration agenda in the short term, regional organizations will need to concentrate their work in three areas: tariff and non-tariff barrier analysis; evaluating the operational rules of different RECs to prepare for future harmonization in the CFTA; and addressing trade remedy concerns. In addition, regional organizations will need to help RECs stay on course for CFTA implementation, which includes a preparatory phase between 2012 and 2014.

Africa is now well positioned to enter a phase of accelerated and more durable economic growth. Deepening regional integration is crucial for this to occur and should be a priority in 2012.