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Integration Potential of African Regional Economic Communities

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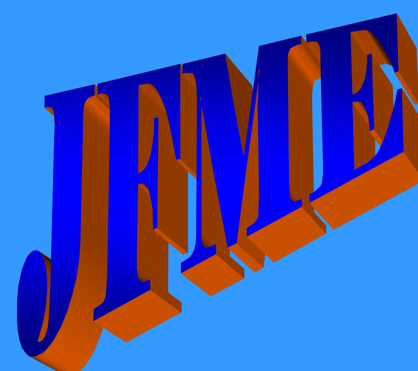

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INTEGRATION POTENTIAL OF AFRICAN REGIONAL ECONOMIC COMMUNITIES

Eduard MARINOV[65]

Abstract:

The paper presents a theoretical framework for the assessment of the progress and success potential of regional integration agreements among developing countries taking into account their specific features such as stage of economic development, size of the economy, openness to the global economy, trade regimes and the patterns in their international trade. It then applies this framework to the regional economic communities in Africa that are regarded as building blocks of the African economic community – the Community of Sahel-Saharan States, the Common Market for Eastern and Southern Africa, the East African Community, the Economic Community of Central African States, the Economic Community of Western African States, the Intergovernmental Authority for Development and the South African Development Community. For each community the paper outlines the main conclusions on the deepness and potential of the integration processes using the developed theoretical framework.

Keywords: economic integration, regional integration agreements, African economy, regional economic communities

JEL classification: F15, F55

Introduction

Regional economic integration is one of the main trends in the development of international economic relations in the last few decades. There are multiple examples, practically everywhere in the world, that demonstrate that it is not an isolated event, but an actual global phenomenon. The opportunities that are presented by the different forms of economic integration arrangements are growing as well as are the means and ways for their utilization.

Theories of economic integration and its benefits are not fully applicable to integration agreements among developing and least developed countries. The rationale behind economic integration among developing countries could not be defined and explained just by the static and dynamic effects that determine integration between developed economies. To assess the integration benefits and costs for developing countries one must take into account their specifics.

Although it is a stated priority goal of state and government leaders since the early year of independence in the middle of the XX century, the process of political integration in Africa is progressing slowly, mainly due to lack of political will on the part of African countries. In the area of economic integration, which has a much shorter history, achieved results, albeit insufficient against the stated objectives, are significantly more.

Seven of the currently existing 16 regional economic communities in Africa are officially acknowledged as building blocks for the creation of the African economic community – the Community of Sahel-Saharan States, the Common Market for Eastern and Southern Africa, the East African Community, the Economic Community of Central African States, the Economic Community of Western African States, the Intergovernmental Authority for Development and the South African Development Community. However, they are too different in terms of the features of their economic development and international trade. Moreover, there are great differences between their member states, as well as between the dynamics and the specific features of integration processes within each REC. Thus the communities will be presented separately, making an attempt to assess the progress and the potential of integration processes within them.

Integration determinants in developing countries

In most cases, theories of economic integration and its benefits – of dynamic ones, but even more of static ones, are not fully applicable to integration agreements among developing and least developed countries. Meier (Meier, 1960) claims that Viner's analysis has limited or no relevance to integration among developing countries. Even Balassa (Balassa, 1965, p.16) claims that theoretical

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literature on economic integration issues discusses customs unions only in industrialised countries. Their problems and environment are not related to economic development, but more to relative changes of production and consumption features.

The traditional theory of economic integration relies on many factors in order to reach the conclusion that net static effects determine the welfare effects of integration. Based on them, some generalisations can be made about the motivation of countries to participate in integration processes. This part of the study will try to highlight those factors and effects of economic integration agreements that are relevant to developing countries and will be used for the purposes of the empirical analysis of African Regional economic communities.

Traditional theory assumes that the larger (in economic terms) the participating countries are, the more substantial the benefits of integration will be. According to Abdel Jaber (Abdel Jaber, 1971, p.262) if the size of the economy is measured by the gross national product, integration benefits for developing countries are negligibly small. Balassa on the other hand claims that integration gains depend not only on the size of the countries participating in the integration arrangement, but also on their rate of economic growth. Thus, as developing economies tend to grow at higher rates than already developed ones, the benefits of integration for them would be even bigger (Balassa, 1961, p.38). Another possible measurement of the size of the integration community is the number of population. Under this criterion, developing countries will surely benefit from integration as they are usually over populated (Hosny, 2013, p.144).

Developing countries in general are specialized in the production of primary products. According to Abdel Jaber (Abdel Jaber, 1971, p.256-257) there is nothing wrong with that as long as the economic surplus gained from this type of production could be reallocated and invested efficiently in other sectors. That however is rarely what happens in reality, thus most developing countries adopt a trade policy of diversification and import substitution to accelerate economic growth. Balanced growth can be achieved by small developing countries by increasing the size of the market, benefiting from economies of scale, and expanding their inter-industry transactions, i.e. through economic integration. For these effects to be achieved however, a strong commitment is required – both in economic and political terms.

In the past, developing countries have sought motivation for economic integration in the benefits from trade diversion and import-substituting industrialization. Later on, with the introduction of the ideas of the dynamic effects of integration, they began to find arguments for integration in the economies of scale, investment creation, technology transfer, etc. Nowadays, however, the integration initiatives of developing countries far exceed those arguments – most of them pursue policies of trade liberalization and deregulation as part of their overall stabilization programs agreed with international organizations. This approach has the goal to make economic integration policies compatible and complementary to other policies in order to promote international competitiveness. Therefore, according to Hosni, most developing countries regard economic integration as a tool for more competitiveness in a global economy (Hosny, 2013, p. 143).

Lipsey assumes that the lower the share of international trade in GDP of the member states of an integration agreement is, the greater the expected benefits of a customs union on welfare will be (Lipsey, 1960, pp. 508-509). This is very important for developing countries because trade as a percentage of GDP in low-income countries has always been lower than in countries with a high level of income, although in recent years this imbalance is decreasing (Hosny, 2013, pp. 144-145). However, the same does not apply to countries with medium levels of income and least developed countries – their share of trade in GDP is even more significant than that in high-income countries. It can therefore be concluded that this criterion is not applicable to developing countries, because subgroups among them may have a larger or smaller share of trade of GDP compared with high-income countries.

According to Lipsey an integration agreement will bring more benefits in terms of welfare if the share of intraregional trade is growing, while trade with the rest of the world is decreasing (Lipsey, 1960, pp.508-509). Studies show that trade between developing countries is always much weaker than that between developed countries, suggesting that the benefits of integration regarding welfare will also be smaller.

However, other researchers (Balassa, 1965; Abdel Jaber, 1971) believe that this assumption should not always be taken for granted. They list several factors that restrict trade among developing countries, arguing that if these barriers are removed, trade flows between developing countries engaged in an integration process will likely increase. These factors include: first, the low level of economic

development; second, inadequate transport infrastructure and facilities; third, foreign currency control and other restrictions on imports; fourth, inadequate marketing; fifth, the lack of standardization.

It is widely recognized that the best indicator of the success of an integration agreement is the increase of the share of intra- and interregional trade in the total trade flows of member states. Although this is an important aspect of integration Inotai (Inotai, 1991, p.10) believes that it should not be seen as a means to its end. Equally important are the industrial development, the adequate infrastructure, the increase of the technological level, etc. Furthermore, the growth of regional trade may be the result of trade diversion from more efficient and competitive third countries. Therefore it can be regarded as positive only if it is combined with improving global competitiveness as a whole.

A major part of the imports from developed to developing countries consists of capital goods. From the dynamic analysis point of view, integration among developing countries requires substantial investments and since most of them are imported from developed countries in the form of capital goods it is likely that the volume of imports of integrating developing countries will grow. The conclusion of Mikesell is that the long-term goal of integration between developing countries should not be to reduce trade with the outside world, but rather to change in their trade structure (Mikesell, 1965, p.209).

Sakamoto (Sakamoto, 1969, p.293) believes that if the result of integration among developing countries is the trade diversion of consumer goods, this will release more foreign currency for imports of capital goods from third (developed) countries. The volume of trade with the rest of the world may not change or may even increase, but the important thing is it changes its structure.

Another thing that should be noted is that while in developed countries the main rationale for economic integration comes from economic groups of stakeholders, in developing countries integration processes often initially start as a political goal and effort, which in most cases leads to unsatisfactory economic results. Integration processes could be interpreted from the point of view of a combination of economic and political determinants. To achieve that one could use the system for combining economic and political factors to assess the success potential of an integration arrangement, first introduced by Haas and Schmitter (Haas and Schmitter, 1964, p.713-720). The system identifies four options of combination of those factors: identical economic goals and strong political commitment; close economic goals and strong political commitment; identical economic goals and weak political commitment; close economic goals and weak political commitment.

Haas and Schmitter claim that a given integration scheme in the first two cases has a strong, in case 3 – medium, while in case 4 – low potential for success. Regretfully case 4 is the most common in practice.

From the above said, it is obvious that the rationale behind economic integration among developing countries could not be defined and explained just by the static and dynamic effects that determine integration between developed economies. With developing countries some factors have a stronger, while, controversially, others have a weaker impact on their willingness to participate in integration agreements. To assess the integration benefits and costs for developing countries one must take into account their specifics such as stage of economic development, structure of the economy, production characteristics, demand preferences, trade regimes and policies, etc., as well as to have in mind the complexity of the political determinants of economic integration among developing countries.

African regional economic communities

Seven of the currently existing 16 regional economic communities in Africa are officially acknowledged as building blocks for the creation of the African economic community.[66] However, they are too different in terms of the features of their economic development and international trade. Moreover, there are great differences between their member states, as well as between the dynamics and the specific features of integration processes within each REC. Thus the communities will be presented separately, making an attempt to assess the progress and the potential of integration processes within them. Trade flows will be presented only in general – as an indicator of the openness of the economies.[67]

[66] The Maghreb Union (UMA) has still not signed the AEC relations Protocol and since 2012 is not considered a pillar of the Community.

[67] Selected general economic indicators of the 7 RECs are presented in the Annex.

Community of Sahel-Saharan States

The Community of Sahel-Saharan States (CEN-SAD) was established in 1998 as a framework for integration and harmonization with the vision to become a leading organization among the RECs in Africa. CEN-SAD is the largest RECs in Africa with 23 Member States[68], a territory of 13,5 Billion sq. km and a population of 508 Million people. 16 member states are among the least developed countries, and five are landlocked. There are four official languages and the currencies within the community are 19.

CEN-SAD is the largest community in Africa also from an economic perspective – the total GDP is 934 Billion, and GNI – 891 Billion USD. However, there are stark differences within the community – Nigeria and Egypt produce more than half of GDP (at 28%), and 15 countries are with a GDP below 15 Billion, four of them – Djibouti, Gambia, Guinea-Bissau and Somalia, have a GDP of around or below 1 Billion USD. The average GDP per capita is 1840 USD, which ranks the community second in Africa after SADC. According to this indicator as well, however, differences within the community are significant – the highest values for the countries of North Africa (Libya – 9960 USD, Tunisia – 4350, Morocco – 3100, Egypt – 2780 USD), while 13 countries are under 1000 USD, reaching 374 for Liberia and Niger, and only 187 USD for Somalia.

CEN-SAD is the largest community as well in terms of trade flows with a total value of international trade of 563 Billion USD (46% of total trade of the continent). The most significant contribution have Nigeria (165 Billion, 30%), Egypt (99 Billion), Libya (59 Billion) and Morocco (44 Billion). 13 countries have a share of less than 1% of the international trade flows of the community, the most modest (under 550 Million USD, 0.1%) is the contribution of Guinea-Bissau, Gambia and the Central African Republic (CAR). The community as a whole has a positive trade balance of 7,6 Billion USD, due mainly to the major fuel exporters Nigeria and Libya. The biggest negative balance have Egypt and Morocco. Imports and exports occupy almost the same share of GDP – around 30%. The largest share of imports in GDP is observed in Somalia (77%), Liberia (62%), Djibouti and Tunis (around 55%), while the lowest – in Sudan (15%) and Nigeria (19%), although the latter is second only to Egypt in terms of the value of imports (51 Billion USD). The situation is radically different in exports – here leaders are Nigeria (114 Billion. USD, 43% of GDP) and Libya (59 Billion, 94% of GDP), while in some countries (Sudan, Djibouti, CAR), the share of exports in GDP is below 10%.

The great differences between countries within the CEN-SAD as GDP per capita and as general economic conditions (GDP, GNI) and population are not encouraging for the successful development of integration processes. This conclusion is reinforced by the fact that the countries within the community demonstrate radically different degrees of integration in international trade and openness of their economies. Moreover, CEN-SAD is somewhat burdened by the large differences in the cultural and historical development of the countries within it.

The conclusion regarding the weak prospects for the development and deepening of integration is confirmed if one assesses CEN-SAD based on the proposed by Haas and Schmitter criteria – it falls even under the fourth group of integration arrangement, as besides the lack of political will, the membership of all member states other, in most cases more developed integration communities only emphasizes the differences in their economic goals.

Common market for Eastern and Southern Africa

The Common market of Central and Southern Africa (COMESA) was established in 1994 to replace the previous one preferential trade agreement for Central and Southern Africa. The community encompasses 19 countries,[69] 11 of which are among the least developed, and 8 are landlocked. With a total area of 11.6 Billion sq. km and a population of 460 Million COMESA is the second largest REC in Africa.

With a total GDP of 578 Billion and GNI of 561 Billion USD COMESA is one of the three most powerful economic communities on the continent. However, economic disparities member states are very significant. The largest economy in the community – Egypt, although only covering about 18% of the

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[68] Benin, Burkina Faso, Cape Verde; Central African Republic, Comoros, Côte d'Ivoire, Chad, Djibouti, Egypt, Eritrea, Gambia, Ghana, Guinea-Bissau, Guinea, Kenya, Liberia, Libya, Mali, Mauritania, Morocco, Niger, Nigeria, São Tomé & Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tunisia.

[69] Burundi; Comoros; Democratic Republics of Congo; Djibouti; Egypt; Eritrea; Ethiopia; Kenya; Libya; Madagascar; Malawi; Mauritius; Rwanda; Seychelles; Sudan; Swaziland; Uganda; Zambia; Zimbabwe

population, produces over 45% of the GDP in the community. The average GDP per capita is 1280 USD, but here the differences between countries are even more dramatic – from 12300 USD in the Seychelles and about 10,000 in Libya to only 230 USD in the DR Congo and 270 in Burundi. In total 12 of the member states the GDP is lower than the average for the community, and in 8 of these it is below 50%, while in 4 it is more than three times higher than the average.

As regards trade the community also ranks third among RECs with about 300 Billion USD total international trade, but with the largest negative trade balance of all RECs in Africa, with imports exceeding exports by over 40 Billion USD. In the trade flows also are observed significant differences between countries. The leading position is occupied by Egypt and Libya, with respectively 100 and 82 Billion USD, and the smallest are the trade flows of the Comoros (325 Million) And Djibouti (675 Million), with a total of 12 countries that are below 10 Billion USD. Of all countries, only Libya has a strong positive trade balance – 36 Billion USD. 9 countries have minimal positive or negative values (up to 600 Million. USD), while the largest negative balances are in Egypt (36 Billion), Kenya (10 Billion) and Ethiopia (9 Billion USD). There are also large differences in the share of trade in GDP. The overall share of imports for the community is 30% and of exports – 23% of GDP. The largest share of imports is observed in the Seychelles (71%) and in the Comoros, Djibouti, Malawi and Swaziland it is over 50%. The lowest is the share in Sudan (15%) and in seven other countries it is below 30%. In Libya exports produces almost the entire value of GDP (94%), in Swaziland - 50% and in 11 countries the share is below 15%, in the Comoros and Burundi being even below 5%.

COMESA does not have a great potential for success of the integration process due to significant differences in the levels of GDP per capita. This conclusion is confirmed by the size of the countries - both as population and as economies. The data show that there is a varying degree of openness of the countries in COMESA to trade and integration in international trade, which is a prerequisite for various benefits of integration for each of them, and this in turn is a major barrier to the development and deepening of the integration process.

Opportunities for success of integration within COMESA are weak also from the point of view the model of Haas and Schmitter, and so far the community falls into the lowest of the defined by them categories – the aims of individual countries are similar, but not identical, and the political will to implement them cannot be assessed as strong.

Despite the above said, there are some positive results of the integration process within COMESA, perhaps the most important of these being the Community's accession to the Tripartite FTA COMESA-EAC-SADC in 2012.

East African Community

After existing for 10 years in the period 1967 to 1977, the East African Community (EAC) was re-established in 2000. It brings together five countries,[70] four of which are among the least developed and three are landlocked. The official languages are English and Kiswahili, the number of currencies is 5.

Although it is the most advanced in terms of economic integration, EAC is the smallest of the recognized as building blocks of the AEC regional community with an area of 1.8 Billion sq. km and a population of 149 Million people. The total GDP of the community is 98 Billion USD, and the one of the largest economy Kenya is 40 Billion, while in the smallest – Burundi, it is 2.5 Billion USD. Despite the difference in the size of the economies, GDP per capita in the five countries is relatively uniform – from 270 USD in Burundi to 800 in Kenya, while the average for the community is 662 USD.

The total EAC trade flows are less than 51 Billion USD, which is only about 4% of total trade in Africa. Although values for the individual countries differ, they are relevant to the differences in the size of the economies. This applies both to the values of exports and imports and their share in GDP ranging from 16 to 23% for Burundi and Rwanda, about 40% in Kenya and Uganda to nearly 50% in Tanzania. The share of imports in GDP is about 30% in Burundi, Rwanda and Uganda and about 40% in Kenya and Tanzania, and the average for EAC is 37%. The situation is different for exports where the share in GDP is extremely low – only 15% of the community as a whole, the values reaching only 5-6% in Burundi and Rwanda.

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[70] Burundi, Kenya, Rwanda, Tanzania, Uganda

It is not surprising that the EAC is a community where integration processes are the most thorough and most developed. This confirms the hypothesis that countries with similar GDP per capita have higher chances of successful integration among them. Moreover, the countries of the community are close as cultural and historical heritage, which further supports the integration process.

Evaluated within the model of Haas and Schmitter, EAC is the only community in Africa which falls into the first category – communities with a high rating in terms of opportunities for success, having identical economic objectives and strong political will to achieve them, which can be also supported by the fact that with few exceptions the stated political and economic objectives are met on time.

Economic Community of Central African States

In 1986 the member states of the Customs and Economic Union of Central African States and of the Economic Community of Great Lakes create the wider Economic Community of Central African States (ECCAS). Currently it has members 10 countries,[71] six of which are among the least developed and three are landlocked. The official languages are French and Portuguese, there are five currencies, including the Central African CAF.

ESCAS occupies about 22% of the area of the continent (6,6 Billion sq. km). On population (11% of Africa, 121 Million people) the community is the smallest of the recognized blocks of AEC and with the lowest population density – only 83 people per sq. km. The share of GDP of the community in Africa's is similar to that of the population - 10.1%, and its value is 200 Billion USD. According to the size of the economies, countries can be divided into three groups – Angola with a GDP of 114 Billion USD (over 56% of the total GDP of the community), 5 countries with a GDP of 12 to 17 Billion USD (6-10%) and 4 with GDP below 2.5 Billion USD (below 1.2%). There is a great divergence in terms of GDP per capita - on the one hand, Equatorial Guinea is a member of ECCAS, which has the highest value of this indicator across Africa – nearly 28000 USD, making it the 32nd in the world; on the other hand, in the DR Congo and Burundi GDP per capita is less than 300 USD. The average for the ECCAS value of this parameter is 1663 USD, in 6 of the countries it is less than this level. It should be noted that there is a big difference between GDP and GNI (nearly 27 Billion USD), which reveals the serious presence and share of exports of foreign companies in the region.

The total value of trade ECCAS is near 172 Billion USD, and here is applicable the above used division into three groups in which the shares are similar to those of GDP, the largest contribution being of Angola (about 100 Billion USD), 5 countries with a share of 4-12% and 4 – with less than 1% (Sao Tome and Principe, CAR, Burundi, Cameroon). The same is true regarding imports and exports, but one should note that while Angola is among the leaders the continent (respectively 4th and 3rd), Sao Tome and Principe ranks last on both counts, and Cameroon is the third weakest exporter. Among the recognized blocks of the AEC ECCAS is the community with the highest positive trade balance (over 72 Billion USD), mainly due to the fact that almost all countries are exporters of fuels and minerals, here also Angola being the leader with 49 Billion USD, while the four countries of the third group have negative (though small in value) balances. There are also differences in the share of imports in GDP – from 53 percent for Sao Tome and Principe and 42 in Cameroon to only 15% for the CAR. Even greater is the divergence in the share of exports in GDP – in Equatorial Guinea it is 87%, in Congo – 80%, in Gabon and Angola – 65%, while in the four countries of the third group this share is below 10% reaching only 2.9% for Cameroon.

ESSAS is the community that perhaps most clearly demonstrates that size matters for the integration process. Differences in the size of countries (both physical, demographic and economic) are so large that the process of integration in the community is almost stopped. The many conflicts in the region in recent years also contribute to this, which shift the attention of governments from achievement of economic integration goals towards making the ECCAS a peacekeeping organization and forum for negotiations.

This shift of policy efforts and the distancing from the economic objectives set the ECCAS in last, fourth group communities from the viewpoint of the system of Haas and Schmitter, giving it little potential for success.

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[71] Angola; Burundi; Cameroon; Central African Republic; Chad; Democratic Republic of Congo; Equatorial Guinea; Gabon; Republic of Congo; São Tomé and Príncipe

Economic Community of Western African States

The Economic Community of West African States (ECOWAS) was established in 1975. It currently has 15 member countries,[72] 12 of which are among the least developed, and three are landlocked. Mauritania withdrew from the ECOWAS and thus (due to the de facto exclusion of the Maghreb Union from the AEC) is the only country on the continent excluded from the framework of AEC. Within the community there are three official languages, and 8 currencies, including the West African CFA.

Although its territory is relatively small (5100 Million sq. km, 17% of Africa), ECOWAS is the third on population among RECS (340 Million people, 32% of Africa). The total GDP of the community is nearly 420 Billion USD. The leading role of the Nigerian economy is obvious with nearly 2/3 of this amount (263 Billion USD). Here, however, should be noted the big difference between GDP and GNI (more than 20 Billion USD) that reveals serious activity of foreign companies in the country. Other major economies are those of Ghana (40 Billion USD) and Cape Verde and Côte d'Ivoire (around 25 Billion each). The smallest (less than 1 Billion USD) are Guinea-Bissau and Gambia. In ECOWAS, as well as in most other RECs, rather large differences in terms of GDP per capita are observed – from 3800 USD in Cape Verde to the modest 374 USD in Liberia and Niger. The average value for the community is 1234 USD, and besides Cape Verde only Ghana and Nigeria have GDP per capita which exceeds it.

Nigeria dominates in trade as well with 62% of the total trade flows, 46% of imports and 73% of exports. The other two countries with relatively higher share in the trade flows are Ghana (respectively 11, 16 and 8%) and Côte d'Ivoire (8, 9, and 8%). The share of imports in GDP is quite interesting – all countries except Nigeria (19%) and Liberia (62%) are in the range 30-45%. Much more serious divergence is present in the share of exports in GDP – from only 10% in Gambia, trough 15-20% in 8 countries and 25-30% in the other 4, to 44% in Nigeria and 50% for Côte d'Ivoire. These are the two countries with positive trade balance, with the fuel exporting Nigeria having so large positive balance (63 Billion USD), that it compensates for the relatively small negative balances of other countries in the community, which as a whole has a positive balance of more than 45 Billion USD.

Although the countries in ECOWAS can hardly be described as identical both as size (population, GDP per capita), as well as as trade features, the process of integration in the community is one of the fastest developing in Africa. Although there have been some delays, here, as in the case of EAC, there is a strong political will to achieve the objectives, which helps deepen the integration process despite linguistic and historical differences between countries.

Intergovernmental Authority for Development

The Intergovernmental Authority for Development (IGAD) was established in 1996 replacing the existing since 1986 Intergovernmental Authority on Drought and Development. It has 7 member countries,[73] six of which are among the least developed, and two are landlocked. Official languages of the Member States are English and French, the currencies are 6. The total area of IGAD is 5200 Million sq. km and the population is 226 Million people, on both indicators the community ranks fourth among the pillars of the AEC.

The community's GDP is 166 Billion USD (8.4% of Africa), which ranks is next to last among the RECs. Furthermore, within the IGAD large differences between countries are observed that allow their division into three groups – the highest GDP being in Sudan (59 Billion USD, 35%), followed by Ethiopia and Kenya (25%) and Uganda (12%), while at the bottom are the other three countries with GDP below 3 Billion USD (2%). The situation is different in GDP per capita, which has relatively close values with few exceptions – the leader here again is Sudan with 1866 USD, followed by Djibouti (1203) and Kenya (808 USD). In the other countries, GDP per capita is less than 500 USD, reaching only 187 USD in Somalia, which is the lowest value in the entire continent.

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[72] Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo

[73] Djibouti; Eritrea; Ethiopia; Kenya; Somalia; Sudan; Uganda

In terms of total trade flows, imports and exports countries can be divided into four groups, the difference with the above is that here leader is Kenya (with 37, 36 and 40%) while Sudan falls into the second group with Ethiopia (respectively 20-25, 20-26, and 20%). Here again Uganda has values of 13-15%, while the other three countries are below 3% on all indicators. Interestingly, while the share of imports in GDP in most states it is within 30-40%, the one in Sudan is only 15%, and for Djibouti and Somalia it is quite high (55 and 77%). Quite different is the situation with exports – all countries are less export-oriented, with the highest values of this indicator being only 15% in Eritrea and Kenya.

Overall the countries in IGAD are quite closed and unintegrated in international trade, but unlike the situation in ECCAS, they are close from the point of view of size of economies. Nevertheless, here the integration process has generally stopped. This is due to the fact that the member states of IGAD are part of more advanced integration communities – COMESA and EAC, which leads to weak political will to develop integration within the community. Hence the conclusion that perhaps the most important factor for the development of integration among developing countries is the political will.

The lack of such and the participation of countries in other communities with different goals and levels of development are the two reasons that place IGAD in the fourth category of integration arrangement in the model of Haas and Schmitter, with little potential for deepening and development of integration processes.

South African Development Community

In 1992 the founded in 1980 Southern African Development Coordination Conference was transformed into a Southern African Development Community (SADC), with a focus on economic integration. It has 15 member states,[74] eight of which are among the poorest in the world, while six are landlocked. SADC is third on area (nearly 10 Million sq. km) and fourth in population (286 Million people) among the building blocks of AEC.

With a GDP of 650 Billion USD SADC is the second among the RECs on the continent in terms of economic size. It is dominated by the economy of South Africa (RSA) with a contribution of nearly 60%, followed by Angola – 18%. These two countries share (10 Billion USD each) the difference between GDP and GNI in the community. 9 other countries have a GDP of about 10 Billion USD or more. USD, and only four – less than 5 Billion. However none of the countries is with GDP below 1 Billion USD. There are huge differences in GDP per capita – from 12300 USD in the Seychelles and 8750 in RSA to only 230-530 USD in DR Congo, Malawi, Madagascar, Tanzania and Mozambique.

Similar to the situation on the value of GDP is the one on total trade flows - the community is second in Africa with 421 Billion USD. Here RSA has the largest contribution as well – 50%, followed by Angola with 23%. Similar are the shares of the two countries in the total imports of the community (57 and 11%), the total SADC imports being 214 Billion USD. The total export value is 208 Billion USD, but here South Africa and Angola are almost equal – respectively 87 and 73 Billion (42 and 35%). It should be noted, however, that the main export product of South Africa are processed products at the expense of fuel imports, while Angola exports fuels and minerals and imports processed products, which is reflected on the balance of trade of the two countries – minus 35 Billion USD for South Africa and plus 49 Billion Angola. The community as a whole has a low negative trade balance – about 6 Billion USD, which is only about 1% of the GDP. Although exports and imports as a share of GDP are about 33 percent of community, interesting differences are observed between countries. In imports the only two countries below the average SADC level are South Africa and Angola, while in some other countries (Namibia, Swaziland, and Botswana) the share is up to 50 and even 70% in the Seychelles. Export has highest share in GDP in Angola (64%), and the lowest – in South Africa (22%) and Swaziland (20%).

Within SADC there are more countries that are at a relatively higher stage of economic development (comparable to other RECs). That, together with the fact that the two largest economies produce interdependent products, are good prerequisites for the deepening of the integration processes. This contributes to the common, though not too pleasant, history, especially in terms of administrative and institutional culture.

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[74] Angola; Botswana; Democratic Republic of Congo; Lesotho; Madagascar; Malawi; Mauritius; Mozambique; Namibia; Seychelles; South Africa; Swaziland; Tanzania; Zambia; Zimbabwe

The stable development of the integration process within the SADC does not confirm the hypothesis of the relationship between the size of the integrating countries (as economies and population), the uniformity of the characteristics of consumption (GDP per capita) and the success of integration. From the point of view of the system for combining economic and political determinants of integration of Haas and Schmitter SADC falls into one of the first two categories - with close or identical economic objectives and political will to implement them, which gives it a high rating in terms of the opportunities for success of the integration scheme.

Conclusion

There is a clear distinction between integration processes among developed countries in which mainly classic static and dynamic effects described by the classic and new integration theory are sought, from those among developing and least developed countries where the reasoning, the expected benefits and the clear constrains to the participation in integration arrangements are different. Thus a different theoretical basis must be used to determine the potential of the regional integration agreements between developing countries that takes into account factors as the stage of economic development of the participating countries, the size and openness of their economies, their trade regimes and the patterns in their international trade.

The economic rationale for regional cooperation is particularly strong given the small size of many African countries in economic terms. However, the regional economic communities that are recognised as building blocks of the African Economic Community are too different in terms of their economic development and international trade properties. Moreover, there are great differences between their member states, as well as between the dynamics and the specific features of integration processes within each REC.

This is the main reason for the controversial results of the assessment of the progress and potential of the integration processes in Africa – some of them have high potential for success (EAC, SADC), in others it is mediocre (COMESA, ECOWAS) while the RECs where the integration process is in a standstill (CEN-SAD, ECCAS, IGAD), it could be regarded as low. The main reason for the different results of African RECs is the political will and the commitment to the stated economic goals of the RECs by their members.

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11.* * *, World DataBank, African Development Indicators, http://databank.worldbank.org, assessed on 1.11.2014

African countries – general economic indicators (2013)

	REC membership	Area (mil. sq. km.)	Population (mil.)	GDP (mil. USD)	GDP (USD p.c.)	GNI (mil. USD)	Imports (mil. USD)	Exports (mil. USD)	Trade (mil. USD)	Trade balance (mil. USD)	Exports (% of GDP)	Trade (% of GDP)
Algeria	UMA	2381,7	38,5	205789	5244	203595	46801	73981	120782	27180	35,9	58,7
Angola	ECCAS, SADC	1246,7	20,8	114147	5318	102613	24000	73000	97000	49000	64,0	85,0
Benin	CEN-SAD, ECOWAS	114,8	10,1	7557	802	7512	2200	1400	3600	-800	18,5	47,6
Botswana	SADC	581,7	2,0	14504	8533	14464	8025	5971	13997	-2054	41,2	96,5
Burkina Faso	CEN-SAD, ECOWAS	274,2	16,5	10441	613	10454	3150	2350	5500	-800	22,5	52,7
Burundi	COMESA, EAC, ECCAS	27,8	9,8	2472	271	2463	780	130	910	-650	5,3	36,8
Cameroon	ECCAS	475,4	0,5	1827	1260	1858	766	53	819	-713	2,9	44,8
Cape Verde	ECOWAS	4,0	21,7	25322	3798	24876	7100	4500	11600	-2600	17,8	45,8
Central African Republic	CEN-SAD, ECCAS	623,0	4,5	2184	489	2183	320	210	530	-110	9,6	24,3
Chad	CEN-SAD, ECCAS	1284,0	12,4	12887	918	9752	2600	3900	6500	1300	30,3	50,4
Comoros	COMESA	1,9	0,7	596	810	595	300	25	325	-275	4,2	54,5
Congo, Dem. Rep.	COMESA, SADC, ECCAS	2344,9	65,7	17204	231	16062	6100	6300	12400	200	36,6	72,1
Congo, Rep.	ECCAS	342,0	4,3	13678	3485	10832	5200	11000	16200	5800	80,4	118,4
Cote d'Ivoire	CEN-SAD, ECOWAS	322,5	19,8	24680	1195	23683	9800	12350	22150	2550	50,0	89,7
Djibouti	CEN-SAD, COMESA, IGAD	23,2	0,9	1049	1203	1120	580	95	675	-485	9,1	64,3
Egypt, Arab Rep.	CEN-SAD, COMESA	1001,5	80,7	262832	2781	256347	69813	29397	99210	-40416	11,2	37,7
Equatorial Guinea	ECCAS	28,1	0,7	17697	27478	11051	6000	15500	21500	9500	87,6	121,5
Eritrea	CEN-SAD, COMESA, IGAD	117,6	6,1	3092	482	3064	950	470	1420	-480	15,2	45,9
Ethiopia	COMESA, IGAD	1104,3	91,7	41605	357	41511	12000	3000	15000	-9000	7,2	36,1
Gabon	ECCAS	267,7	1,6	18377	11114	16428	3900	12000	15900	8100	65,3	86,5
Gambia, The	CEN-SAD, ECOWAS	11,3	1,8	917	506	874	380	100	480	-280	10,9	52,3
Ghana	CEN-SAD, ECOWAS	238,5	25,4	40711	1570	38564	18000	12000	30000	-6000	29,5	73,7
Guinea	ECOWAS	245,9	11,5	5632	498	5202	2300	1400	3700	-900	24,9	65,7
Guinea-Bissau	CEN-SAD, ECOWAS	36,1	1,7	822	626	821	250	130	380	-120	15,8	46,2
Kenya	COMESA, EAC, IGAD	580,4	43,2	40697	808	40527	16290	6127	22417	-10163	15,1	55,1
Lesotho	SADC	30,4	2,1	2448	1106	2752	2600	1100	3700	-1500	44,9	151,2
Liberia	CEN-SAD, ECOWAS	111,4	4,2	1734	374	1582	1066	459	1525	-606	26,5	88,0
Libya	CEN-SAD, COMESA, UMA	1759,5	6,2	62360	9957	61985	23000	59000	82000	36000	94,6	131,5
Madagascar	COMESA, SADC	587,0	22,3	9975	465	9686	3050	1500	4550	-1550	15,0	45,6
Malawi	COMESA, SADC	118,5	15,9	4264	365	4139	2350	1300	3650	-1050	30,5	85,6
Mali	CEN-SAD, ECOWAS	1240,2	14,9	10308	684	9808	2950	2150	5100	-800	20,9	49,5
Mauritania	UMA	1030,7	3,8	4199	1190	4066	2800	2500	5300	-300	59,5	126,2
Mauritius	COMESA, SADC	2,0	1,3	10486	8755	10598	5200	2650	7850	-2550	25,3	74,9
Morocco	CEN-SAD, UMA	446,6	32,5	95982	3105	93084	44256	21255	65510	-23001	22,1	68,3
Mozambique	SADC	799,4	25,2	14244	533	14203	6800	4100	10900	-2700	28,8	76,5
Namibia	SADC	824,3	2,3	13072	5383	12716	6750	4100	10850	-2650	31,4	83,0
Niger	CEN-SAD, ECOWAS	1267,0	17,2	6773	374	6656	2900	1500	4400	-1400	22,1	65,0
Nigeria	CEN-SAD, ECOWAS	923,8	168,8	262597	1502	241297	51000	114000	165000	63000	43,4	62,8
Rwanda	COMESA, EAC	26,3	11,5	7103	583	7029	2000	470	2470	-1530	6,6	34,8
Sao Tome and Principe	ECCAS	1,0	0,2	263	1473	261	140	11	151	-129	4,2	57,3
Senegal	CEN-SAD, ECOWAS	196,7	13,7	14046	1119	13865	6440	2510	8950	-3930	17,9	63,7
Seychelles	COMESA, SADC	0,5	0,1	1129	12321	1087	800	497	1297	-303	44,0	114,9
Sierra Leone	CEN-SAD, ECOWAS	71,7	6,0	3796	496	3796	1750	650	2400	-1100	17,1	63,2
Somalia	CEN-SAD, IGAD,	637,7	10,2	1070	187	1300	822	148	970	-674	13,8	90,7
South Africa	SADC	1219,1	51,2	384313	8070	375786	122760	87261	210021	-35499	22,7	54,6
Sudan	CEN-SAD, COMESA, IGAD	2505,8	37,2	58769	1866	56347	9100	3100	12200	-6000	5,3	20,8
Swaziland	COMESA, SADC	17,4	1,2	3744	3831	3454	1950	1900	3850	-50	50,7	102,8
Tanzania	EAC, SADC	947,3	47,8	28242	517	27983	11114	5500	16614	-5614	19,5	58,8
Togo	CEN-SAD, ECOWAS	56,8	6,6	3814	588	3331	1800	1000	2800	-800	26,2	73,4
Tunisia	CEN-SAD, UMA	163,6	10,8	45662	4350	43638	24447	17008	41454	-7439	37,2	90,8
Uganda	COMESA, EAC, IGAD	241,6	36,3	19881	487	16760	5920	2404	8324	-3516	12,1	41,9
Zambia	COMESA, SADC	752,6	14,1	20678	1425	19542	8000	8550	16550	550	41,3	80,0
Zimbabwe	COMESA, SADC	390,8	13,7	9802	757	9420	4400	3800	8200	-600	38,8	83,7

Source: African Development Indicators, World Bank, assessed on 1.11.2014 and own calculations.