Regional Economic Integration in Africa

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Part I

ECONOMICS

REGIONAL ECONOMIC INTEGRATION IN AFRICA

Eduard Marinov

Introduction

Regional integration in Africa is a stated priority goal of both African governments and international donors since the early days of independence. It should address the dynamics of the globalized economy as a means of ensuring competitiveness through the best options available in the field of international trade. In the case of Africa, it is even more important because of the colonial heritage, poor management and numerous conflicts. Regionalism is seen as a possible remedy for the political and economic problems of the continent.

African leaders are increasingly interested in speeding up the process of creating an economical African Economic Community (AEC) by developing initiatives for harmonization and cohesion as the Tripartite free trade area (FTA) COMESA-EAC-SADC. Although regional economic communities (RECs) are making a lot of efforts to achieve the first three stages set out in the Treaty establishing the African Economic Community by adopting a phased abolition of customs duties in intra-regional trade, there are many differences between their development: some RECs have not yet can created an FTA, while others already have working customs unions (CU). The pace of progress is not the same because of overlapping membership of many countries in two or more RECs, it is imperative to make strategic decisions and take action towards creating a continental FTA as a first step towards creating a continental CU, a common market and completing the ultimate goal - a fully functioning AEC.

The creation of a common continental market of goods and services, on which free movement of workers and investment operates, will help build the CU and the African common market. It would help merging the 54 separate economies in Africa into a more coherent large market. (ECA 2012; p.1) The joint use of the rich resources of Africa to create a more competitive and large economic space would allow the markets in Africa to be more effective. The common market would also help to increase intra-continental trade through better coordination and harmonization of liberalization regimes and would facilitate trade between RECs. Moreover, it would help to overcome the problems associated with overlapping membership and differences between neighboring RECs and would thus reveal the potential for inter-regional trade on the continent.

Economic integration – definition, stages and effects

Economic integration is the removal of various barriers to trade between countries. It indicates the growing economic interaction between countries. Integration can be defined as the process of removing discrimination in trade relations between the countries.

Economic integration is an economic agreement between countries aiming to improve the welfare, characterized by the reduction or elimination of tariff and non-tariff barriers to trade, coordination of monetary and fiscal policy with the objective of achieving full integration, including common monetary, fiscal, social and economic policies managed by supranational institutions.

The main goal of economic integration is the efficient use of factors of production. Economic integration is a means to achieve economic prosperity, security, peace, democracy and human rights.

The main stages of economic integration are:

- Free Trade Area (FTA) – removal of obstacles to the free movement of goods and services (tariffs and quotas). It brings positive effect on the economy due to the acceleration of the business processes and flows

- Customs Union (CU) – elimination of trade discrimination between member countries and harmonization of tariffs on trade with third countries through the adoption of a common customs tariff. Allows free movement of all factors of production – goods, services, capital and labor and thus can optimize the spatial organization of production through combining the better utilization of production factors.
- Internal market – removal of all trade barriers (including non-tariff barriers) and coordination of a number of economic policies. It creates freedom of movement of all production factors.
- Economic and Monetary Union - high degree of coordination of macroeconomic and fiscal policies. Includes two sub-stages:
    - Economic Union – integration, on the basis of the common market, of economic policies in various areas, application of common approaches and coordinated funding. This stage combines the elimination of discrimination with some degree of coordination of national economic policies in order to eliminate the differences between them.
    - Monetary Union – creation of a common exchange rate mechanism, culminating in the issue of a common currency that functions on the common market.
- Political Union – defined by Balassa as the ultimate political goal of integration. Adds integration areas that affect national sovereignty. This stage is related to development of common policies in areas such as foreign and security policy, justice and home affairs.
- Full integration – creation and application of common monetary, fiscal, social and countercyclical policies. The stage is characterized by supranational institutions whose decisions are binding on member states.

The main effects of a successful integration process are:

- Short-term static effects – related to the initial change in the behavior of businesses and the benefits of market integration:
  - Trade creation – the opportunities for greater choice of efficient producers and lower prices lead to targeting of demand for products within the community;
  - Trade diversion – the removal of internal barriers to trade and the introduction of protective tariffs on imports from third countries leads to the reorientation of trade flows within the community;
  - Trade expansion – the reduction of prices in the community stimulates domestic demand, which leads to an increase in imports.
- Long-term effects of restructuring – related to regional concentration of production and employment due to the improvement of conditions for the functioning of companies and their performance, and increased competition caused by the expansion of the market:
  - Economies of scale – reduction of costs by increasing production volumes;
  - Economies of scope – effectively combine the factors of production and interchangeability;
  - Growth of companies – market expansion increases the opportunities for mobilizing more resources and for the realization of increased production.
- Other effects of integrated markets:
  - Growth of production and welfare due to optimal spatial organization of production factors. Production specialization increases the comparative advantages of the countries in the community;
  - Increased production efficiency due to the free movement of factors of production;
  - Increased competition due to the greater choice that consumers have;

- Increased employment and qualification of workers because of the free movement of workers;

The concept of regional integration in Africa

Regional integration in Africa is a stated priority goal both of African governments and world donor organizations from the early years on independence. It should address the dynamics of globalizing economy as a means to ensure competitiveness through better opportunities it creates in the field of international trade. In the case of Africa this is even more significant due to the colonial heritage, misgovernment and continuous conflicts (ECA 2010; p. 23). Regionalism is seen as a potential cure for the various political and economic issues on the continent.

The Treaty for establishment of the African economic community (TAEC) is signed in 1991 and comes into force in 1994. It establishes the AEC as a part of the African union (AU). The Treaty defines six stages that should be completed for the gradual creation of the AEC for a period of 34 years (TAEC, Art. 6). The Treaty adopts an integration approach that to a great extent depends on the success of integration processes of the regional economic communities (Mlenga 2012; p.2). The Treaty explicitly states that the AEC will be established mainly based on coordination and gradual integration of the activities of existing RECs. Thus RECs are defined as the building blocks of the AEC. The idea of this stage approach is that integration should firstly be ensured at a regional level through the creation and strengthening of the RECs which in a certain moment will merge into the AEC.

The first stage includes the strengthening of existing RECs and creation of new ones where there are no existing and should last till 1999 (TAEC, art. 6). At the time when the TAEC came into force in Africa existed the Maghreb union (UMA), the Common market of Eastern and Southern Africa (COMESA), the Economic community of West African States (ECOWAS), the Economic community of Central African States (ECCAS) and the South African Development Community which included all countries on the continent. Until 2001 the General assembly of AU accepts three more communities – the Intergovernmental agency for development (IGAD), the Economic community of Sahel-Saharan states (CEN-SAD) and the East African community (EAC). In 2006 a decision was made that no other RECs will be acknowledged as building blocks of the AEC.

The second stage is with a 8 years duration and has the objective RECs to decrease or abolish tariffs, quotas and other restrictions to intraregional trade. Together with this is envisaged coordination of policies in the areas of trade, finance, transport, communications, industry and energy as well as coordination and harmonization of the activities of existing RECs (TAEC, art. 6). There is a progress in the strengthening of many REC sectors and despite the challenges the efforts are directed towards the requirements of the second stage of AEC establishment (Mlenga 2012; p. 7).

The third stage should be completed till 2017 and envisages all trade barriers to be abolished through the creation of free trade areas (FTA) in the RECs and the enforcement of common customs tariffs through the creation of customs unions (CU). Almost all RECs have completed the third stage to some extent except UMA,[1] IGAD[2] and CEN-SAD[3]. Differing from all other RECs, the CU is the first step of the creation of the EAC (in 2005). Progress towards the accomplishment of the third stage of the establishment of AEC is satisfactory, though for the communities that have not accomplished the set goals in periods of relative tranquility the future accomplishment will be hampered by the current conflicts as in the case with UMA (Mlenga 2012; p. 8).

The fourth stage is to be completed until 2019 and the goal is the establishment of an African customs union through harmonization of the common customs tariffs of all RECs. As a positive step towards the completion of this objective could be seen the creation of the tripartite FTA between COMESA, SADC and EAC in 2008 through which

[1] Since 2012 is not considered a building block of AEC.

[2] Because of the conflicts in the region (Sudan, Somalia).

[3] The FTA agreement is still in draft form.

the three communities abolish trade barriers between each other (ECA 2012; p. 10).

There is no progress made in completing the fifth and sixth stage – the establishment of an African common market and of a continental economic and monetary union. These stages should be completed in 2023 and 2028 respectively.

Overview of Regional economic communities in Africa

Currently there are 16 African regional economic communities communities, 8 of them are recognized and serve as pillars for the establishment of an African Economic Community.[4] At Table 1 are presented the main data for the RECs that are recognized as building blocks of the AEC.

The Economic Community of West African States (ECOWAS) was established in 1975 and consists of 15 countries,[5] and the leading economy is Nigeria. The main objective of ECOWAS is to stimulate regional economic cooperation and meet new development challenges. In the future are envisaged specific steps to one passport and one citizenship and a single currency, and the creation of a federation of West African States.

On the territory of the Economic Community of West African States operate two monetary zones. The first is the West African Monetary Zone (WAMZ) - a group of 6 countries,[6] which aims to introduce a new stable currency - eco, after 2015. The second zone is the West African Economic and Monetary Union (UEMOA) with 8 member states,[7] which is to promote economic integration among countries that share the CFA-franc as a common currency.

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

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

[6] Gambia, Ghana, Guinea, Nigeria, Sierra Leone.

[7] Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo.

Table 1. Main data of AEC building blocks (2012)

Name	ECOWAS	ECCAS	COMESA	EAC	SADC	UMA	IGAD	CEN-SAD
Member-states	15	11	21	5	14	5	7	28
Area (thousand sq. km)	5030	6547	13929	1702	9065	5774	4894	14995
Area (% of Africa)	17,1	22,3	47,4	5,8	30,9	19,7	16,7	51,0
Population (Mln.)	300	145	473	137	252	87	215	549
Population (% of Africa)	29,5	14,3	46,4	13,5	24,8	8,6	21,2	53,9
Population density (p. at sq. km)	59,8	22,3	34,0	80,9	27,9	15,2	44,1	36,7
Net migration (thousand)	-1034	422	-1385	-239	-575	-845	-734	-2455
Employment (% of p. over 15)	33,4	38,3	38,0	43,3	36,7	33,7	40,1	33,1
GDP (Mln. USD)	304851	175880	598391	78714	566126	360909	144358	831567
GDP (USD p.c.)	1013,5	1207,2	1264,3	571,3	2240,4	4111,3	668,6	1512,5
Merchandise trade (Mln. USD)	193106	142295	333418	37258	336689	250520	56897	471741
Merchandise trade (% of Africa)	19,7	14,6	34,1	3,8	34,4	25,6	5,8	48,2
Imports (Mln. USD)	82157	47425	154683	26410	161759	110029	36347	230641
Imports (% of Africa)	17,5	10,1	32,9	5,6	34,4	23,4	7,7	49,1
Imports (% of GDP)	26,9	27,0	25,8	33,6	28,6	30,5	25,2	27,7
Exports (Mln. USD)	110949	94870	178735	10848	174929	140491	20550	241100
Exports (% of Africa)	21,8	18,7	35,2	2,1	34,4	27,7	4,0	47,5
Exports (% of GDP)	36,4	53,9	29,9	13,8	30,9	38,9	14,2	29,0
Trade balance (Mln. USD)	28792	47445	24053	-15562	13170	30463	-15796	10459

Source: World DataBank, African Development Indicators, http://databank.worldbank.org, extracted February 2013; WTO Statistics Database, http://stat.wto.org, extracted February 2013; own calculations.

The CFA Zone includes 15 countries[8] from both Western and Central Africa. In it two operate different but essentially equivalent currencies that are guaranteed by the French Treasury.

The Central African Franc is at the heart of the Central African Monetary and Economic Community (CEMAC) with 6 member states.[9] Its objectives are promotion of trade, the creation of an effective single market, greater solidarity among peoples and to disadvantaged countries and regions.

In the Economic Community of Central African States (ECCAS) compromises of 10 countries.[10] In this region are four fifths of all African forests as well as many mineral resources and oil. Conflicts, however, prevent the community to realize his potential .

The Economic Community of the Great Lakes (CEPGL) was established by 3 countries[11] mainly to ensure peace and security in the region where there are frequent conflicts.

The Common Market for Eastern and Central Africa (COMESA) is a community of 19 countries.[12] The mandate of the community is to create a fully integrated and internationally competitive REC, which has a high standard of living, peace, political and social stability, as well as free movement of goods, persons, services and capital.

The East African Community (EAC) has 5 member countries[13] and is the only REC, with which the EU has a signed (although not yet enforced) Economic Partnership Agreement. Its aim is to build a prosperous, competitive, secure and politically united East Africa. In the com-

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[8] Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Congo, Côte d'Ivoire, Equatorial Guinea, Guinea-Bissau, Liberia, Mali, Niger, Senegal, Togo.

[9] Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea.

[10] Angola, Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of Congo, Equatorial Guinea, Gabon, Republic of Congo, São Tomé and Príncipe.

[11] Burundi, Democratic Republics of Congo, Rwanda.

[12] Burundi, Comoros, DR Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe.

[13] Burundi, Kenya, Rwanda, Tanzania, Uganda.

munity functions a CU, the adoption of a common currency is envisaged to take place in 2013.

The Intergovernmental Authority on Development (IGAD) has 7 member states.[14] Its activity is aimed at maintaining peace and security, as well as at addressing issues of development and economic integration. When it was created the expectations were it to become the northern sector of COMESA, and SADC – the southern one.

The Indian Ocean Commission (IOC) is an intergovernmental organization that was created in 1982. It has 5 member states.[15] IOC's principal mission is to strengthen the ties of friendship between the countries and be a platform of solidarity for the entire population of the Indianoceanic region. Being an organization regrouping only island states, the IOC has usually championed the cause of small island states in regional and international forums.

The South African Development Community (SADC) itself was established as a conference to coordinate development in 1980 and transformed into a development community in 1992. It has 15 member countries,[16] and the main economy is the Republic of South Africa. FTA is in force since 2008, specific steps are made towards the creation of an EMU.

The South African Customs Union (SACU) is the oldest in the world, founded in 1910. It includes 5 countries.[17] A FTA and a common currency area operate on its territory. The aim of the alliance is to maintain the free movement of goods between member states.

The Maghreb Union (UMA) is a community of five North African countries.[18] The objectives are to protect the economic interests of the region, promoting economic and cultural cooperation and to promote

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[14] Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, Uganda.

[15] Comoros, France/Reunion Island, Madagascar, Mauritius and Seychelles.

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

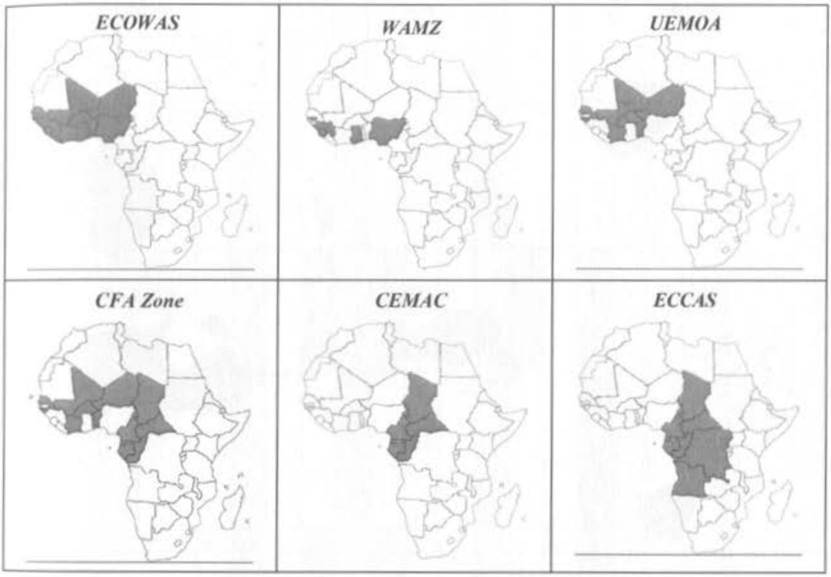
[17] Botswana, Lesotho, Namibia, South Africa, Swaziland.

[18] Algeria, Libya, Mauritania, Morocco, Tunisia.

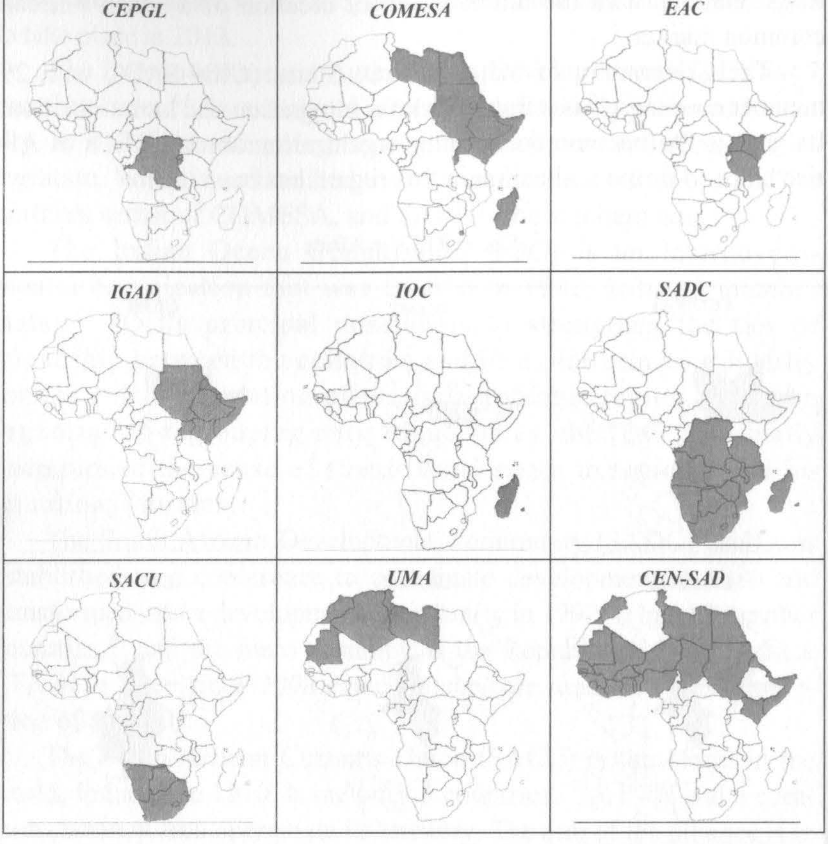
trade relations with the ultimate aim of creation of a North African common market.

The Community of Sahel-Saharan States (CEN-SAD), with 29 member countries,[19] is a framework for integration and harmonization. Its goal is "to become the leading organization among RECs in Africa", but so far no real action in this regard has been taken.

Fig. 1. RECs in Africa



[19] 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.



Progress made

„Progress in African integration is mixed across sectors, regional economic communities, and member states. There have been some strides in trade, communications, macroeconomic policy, and transport. Some regional economic communities have made significant progress in trade liberalization and facilitation (The West African Economic and Monetary Union, or UEMOA, and the Common Market for Eastern and Southern Africa, or COMESA), in free move-

Table 2. RECs integration progress

	FTA	Economic and monetary union			Freedom of moveement		Political union	Military union
		CU	Single market	MU	Visa-free	Border-free		
CEN-SAD								
COMESA								
EAC								
CEPGL								
CEMAC								
ECCAS								
UEMOA								
WAMZ								
IOC								
ECOWAS								
CFA								
IGAD								
SACU								
SADC								
UMA								

Legend: – in force; – proposed with date to be applied; – proposed; – never proposed ments of people (the Economic Community of West African States, or ECOWAS), in infrastructure (the Southern African Development Community, or SADC, and the East African Community, or EAC), and in peace and security (ECOWAS and SADC).Overall, however, there are substantial gaps between the goals and achievements of most regional economic communities, particularly in greater internal trade, macroeconomic convergence, production, and physical connectivity." (ECA 2004; p.1).

Some of the communities still are not active despite their stated goals – there are no signed agreements both between the member-states, as well as with the AEC.

RECs are registering significant progress the area of trade liberalization, but progress towards harmonized and integrated sub regional markets is slow with formal intra-community trade recorded at a low of about 10.5%17. "This is mainly attributed to lack of complementarity and diversification of production structures, high production costs and the domination of export trading by a few countries." (Ndomo 2009; p.19). Although some RECs have made strides towards free trade and a customs union, full market integration remains an aspiration.

Elimination of tariffs in different RECs is at a different stage of completion. However, in all existing RECs it is achieved at least for some merchandise groups. In ECOWAS the efforts to eliminate tariffs have begun and all members except Liberia have eliminated tariffs on unprocessed products. In UEMOA, all member states committed themselves to the progressive creation of a free trade area from 1994 to 2000. All members of CEMAC had eliminated tariffs, fulfilling the requirements for a customs union by 1994. COMESA began reducing tariffs in 1994 and sought to have eliminated all of them by 2000, when it declared a free trade area as per the terms of the trade protocol. Some countries have fully liberalized inter-regional trade, others only partially. EAC members are still implementing tariff reductions. The Customs Union Protocol was signed in 2004 and came into force in 2005. SADC's tariff reduction scheme allowed countries to choose the products on which to reduce duties as long as the overall goal was attained.

Progress on removal of non-tariff barriers is harder to assess, as data on such barriers are inadequate and by their very nature, they are not directly measurable. Such barriers include: stalling customs clearance papers through rent-seeking behavior of customs officials; roadblocks that harass cross-border traders and cumbersome customs formalities. Such impediments to intra-regional trade provide an incentive for traders to resort to bypassing the formal bureaucracy and engage in informal trading. Poor and non-existent infrastructure is the other barrier to intra-regional trade. (Ndomo 2009; p.20).

Three RECs – CEMAC, ECOWAS and EAC have made considerable progress in enhancing the movement of people across regional borders. Indeed, the latter two have instituted regional passports. In practice, however, the movement of people is less free than it is supposed to be, with reported instances of harassment of travelers at border crossings and along interstate roads. There is reported progress in implementing the protocols on the right of residence, however, the labor market and business environment in some member countries pose greater difficulties for immigrants than nationals. The ECA 2006 survey states that 90% of countries had abolished entry visas for all or some of the REC members whereas only 65% of countries favor the right of establishment (ECA 2006; p. xix).

All RECs have introduced a form of instrument to promote transit, reduce cost and enhance efficiency. In the West and East African sub regions, railway interconnection projects have been conceived. Yet transport costs in Africa remain the highest in the world, with many road, air and rail networks remaining unconnected. This leads to unsustainably high costs of conducting business.

Challenges to regional integration in Africa

Because of its complicity and confusion Alves, Draper and Halleson characterize regional integration in Africa as "a 'spaghetti bowl' that hinders regional integration by creating a complex entanglement of political commitments and institutional requirements adding significantly to the costs of conducting intraregional business" (Alves, Drapes, Halleson 2007; p.2).

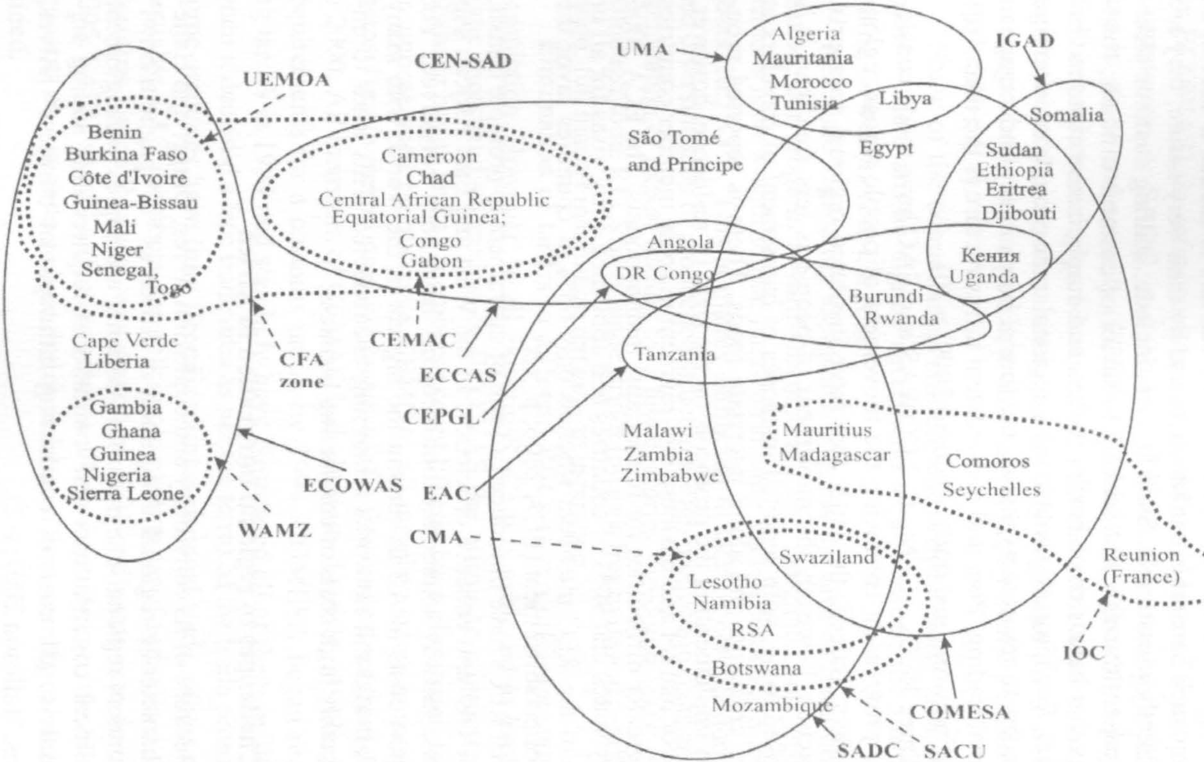


Fig. 2. The African spaghetti-bowl

Of the 54 countries on the continent, 26 retain dual membership; 20 are members of three RECs; the Democratic republic of Congo belongs to four RECs; and only 6 countries maintain singular membership. Multiple and overlapping memberships in RECs have created a complicated web of competing commitments which, combined with different rules, result in high costs of trade between African countries, in effect undermining integration. Multiple and overlapping memberships occasion resource and effort wastage due to duplication/multiplication of effort. It complicates harmonization and coordination among member states and according to the ECA: "tends to muddy the goals of integration leading to counterproductive competition among countries and institutions" (ECA 2004; p.41). Political and strategic reasons are cited as the overriding motivation for this multiplicity of memberships in RECs. The use of coordination mechanisms including the AEC/RECs protocol, memorandum of understanding, regular exchange of information and joint programming is still limited. This complicates Africa's trade and economic relations – both within the continent, as well as with the rest of the world. Countries would deliberately seek membership to several groupings with the hope of maximizing the benefits of integration and minimizing losses by spreading risks. (Ndomo 2009; p.12).

Achieving significant progress in economic integration is hampered by the unwillingness and inability to prevent or resolve many existing conflicts in Africa, some of which are particularly violent. The effect of these is the significant number of victims, the destruction of social and political order, the mass looting of economic resources, reducing confidence in the state, weakening of border controls , the growth of private armies and guerrilla and others. Number of RECs created for the pursuit of economic development, are too busy with peacekeeping operations.

Among the main problems hindering and delaying the integration processes in Africa, can be mentioned also the more systemic problems that impede the economic development of individual countries and the reluctance to participate fully in the integration of some countries due to the expected cost and the uneven benefits. Insufficient administrative capacity, in turn, limits the performance of specific tasks and the implementation of certain integration tools, such as trade liberalization. Moreover, the national macro-economic policies of African countries are unstable and inconsistent. There is a lack of compatibility of the objectives of individual RECs, which should boost the integration of the continent.

Legitimacy of RECs is also limited by some failures in the equitable distribution of integration costs and benefits. On the other hand, RECs acquire their rights from poorly delineated mandates and regulatory frameworks – thus the legitimacy and power of some of them are associated with specific individuals, which in turn causes a crisis of confidence and legitimacy. It is worth highlighting some problems caused by the old colonial dependencies, which sometimes lead to rivalry within the governing bodies of some RECs. A typical example is the rivalry between Francophone and Anglophone countries in various commissions and committees.

RECs should ensure consistency of the integration process on the continent through the obligations that individual countries have to their external partners. External partners play an important role of great importance for the rationalization of the RECs in Africa, particularly the ongoing negotiations for the signing of the Economic Partnership Agreements (EPAs) with the EU. The reason for this is that the EU is the main trading partner of most African countries as well as the main donor of Official development aid. It is strange that the EPA negotiations do not overlap with existing RECs. This complicates the already delicate existing situation in which the capacity is too scattered, thereby threatening to further enhance the separation of the regions. Another result is the difficulty of achieving consensus EPA from different countries. "Although EPA aim to promote regional integration, the immediate impact is even greater fragmentation of existing regional economic blocs in Africa with the exception of the East African Community." (Nkululeko Khumalo 2008; p 4).

EU impact on African regional integration

The influence of the European Union on integration processes in Africa is multidirectional: on one hand, as the most developed integration community, it serves as a model which is used in different degree in the creation of frameworks for the integration processes, blocks and institutions; on the other hand, the EU is the biggest trade partner for most of Africa's countries and regional economic communities (RECs), as well as the biggest donor, providing more than the half of the Official development aid (ODA) for Africa; and thirdly, the EU aims to support the development of regional economic integration processes through the measures of the Common development policy and more specifically through the Economic partnership agreements (EPAs).

The development and dynamics of regional integration in Africa are severely influenced by the transformation of the trade relations imposed by the Cotonou agreement. Economic relations now based on unilateral trade preferences provided by the EU are envisaged to be based on Economic partnership agreements that should regulate trade and cooperation establishing new trade regimes between the EU and ACP regions selected by clear criteria. They also promote regional integration efforts and impose measures to support developing partner regions. A decade after the start of the negotiations for the EPAs, the impact on regional integration is still unclear. Although EPAs aim at the promotion of regional integration their immediate impact is even greater fragmentation of existing RECs.

The EU is a vitally important destination for African exports and a source of foreign investment, and generally an important player with regard to the integration of the continent in the global economy. (Mbeki 2011; p.8). The EU remains the biggest trade partner of Africa (see Table 3) although the share of the EU both in exports and import declines mainly on the account of Developing Asia and more specifically P.R. China. There are also significant regional differences regarding the share of the trade with the EU between the different RECs depending on the trade relations with the EU (see Table 4).

Table 3. Africa-EU imports and exports (share of total trade)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exports	47,8	43,0	42,9	40,4	39,2	39,1	38,6	33,3	32,2	34,4
Imports	47,4	44,4	43,3	38,4	38,6	37,5	38,2	34,1	32,9	31,4

Source: Calculations based on DOTS (IMF), accessed August 2013

Table 4. African RECs trade with the EU (share of total trade)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CEN-SAD	51,3	46,8	46,0	42,7	42,7	41,8	41,4	37,7	35,3	37,4
COMESA	47,5	45,5	44,3	42,3	42,6	41,5	38,2	34,8	27,8	32,4
EAC	28,5	27,4	25,4	24,3	23,9	22,2	22,5	18,1	18,5	16,0
ECCAS	36,4	27,4	26,6	22,7	26,4	25,7	27,8	22,2	24,6	23,5
ECOWAS	37,7	30,6	30,3	29,5	28,6	30,0	30,8	26,6	29,8	31,5
IGAD	24,2	22,1	20,9	16,4	18,4	16,5	17,5	14,3	14,9	14,3
SADC	40,2	37,4	36,9	32,9	32,4	30,3	31,0	25,8	25,1	22,8

Source: Calculations based on DOTS (IMF), accessed August 2013

EPAs are trade and cooperation agreements establishing a new trade regime between the EU and the ACP countries. They are designed to create WTO-compatible, development oriented reciprocal trading arrangements between Europe and its traditional developing country trading partners, while encouraging regional integration and drawing improved trade capacity building and other aid interventions into the developing partner regions. The agreements aim at covering not only trade in goods but also in services and other trade-related areas.

EPA is an ambitious and innovative policy heading towards growth and development in ACP regions. The European Commission stated that regional integration should become a fundamental tenet of EU development policy and EU-ACP relations (EC 2008; p.10). For the ACP signatories, it combines immediate gains (market access, some relaxation of rules of origin, financial assistance targeted to EPAs needs), significant commitments (liberalization towards EU goods and services within EPA regions, transparency and predictability of business rules) and medium-to-long term opportunities (in exports, investments and regional trade, enhanced cooperation) (Morissey, Milner, Zgovu 2010; p.23). It is also associated with risks (business closures, budget restrictions). The EPA strategy is global and its various pillars – trade, services, regional integration, cooperation, aid – are mutually supportive. Therefore the partial African agreements which address trade in goods and some technical cooperation cannot achieve the development benefits attached to the overall strategy.

Despite the stated goal to promote regional integration, in Africa the impact of EPAs on regional integration is disappointing. The poor results are particularly striking in Western and Central Africa, where negotiations did not create the hoped-for group dynamic. It is obvious that the opportunities offered by the EPAs are not sufficient to motivate further regional integration (IFATPC 2011; p. 6). In fact, the forces that oppose African integration seem to have spilled over into the EPA negotiations, rather than bringing about an integration impetus. The main criticism concerns the ability of EPAs to deliver their development benefits. Aside from the EAC and SADC, the agreements lack the ability to generate regional impetus. More than half of the sub-Saharan African countries remain outside any form of concluded EPAs, which limits the geographical scope of possible integration dynamics that might come from EPAs.

Conclusion

The economic rationale for regional cooperation is particularly strong given the small size of many African countries in economic terms. However, virtually all regional integration efforts on the continent so far have failed or have dubious results. Harmonization and coordination of RECs in Africa is vital, because it would lead to better management and control of both internal and external forces influencing the integration process on the continent.

The Importance of RECs as pillars for achieving continental integration is recognized at the African Union meetings of ministers responsible for regional integration. They stress the need to harmonize and streamline the policies, programs and activities to promote the deepening of integration processes. The main factor for the success of the process of rationalization of the RECs in Africa is the political will and commitment of all involved countries.

A positive signal towards the deepening of the integration process is the tripartite initiative for harmonization and the establishment of a free trade area between COMESA, EAC and SADC, as well as the caused by it stated commitment of the leaders of African countries to accelerate the process of establishing the African Economic Community.

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