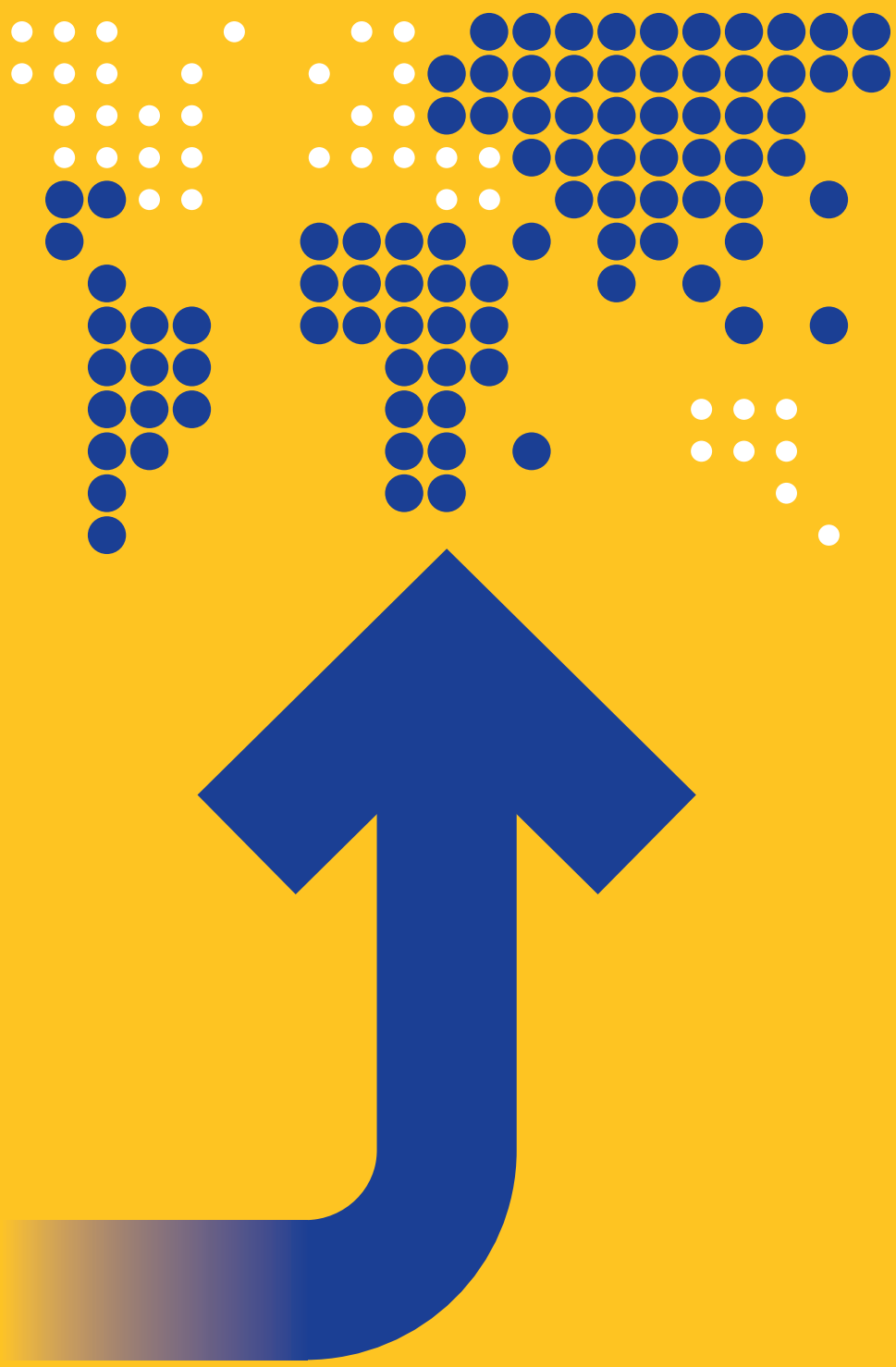

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JAPAN INTERNATIONAL COOPERATION AGENCY

JICA TICAD VI
Policy Papers

Regional economic integration in Africa

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Preface

The global economic environment at the time of TICAD VI (2016) is much less favorable than that prevailing at TICAD V (2013) when JICA presented a long-term vision—*Africa 2050: Realizing the Continent's Full Potential*—based on Africa's increasing convergence with the rest of the world. These changed circumstances have major implications for African policy makers.

This paper is one of six commissioned by JICA for TICAD VI to draw out these implications and suggest ways to move forward. The other five are:

- *Africa 2050 update*
- *The impact of commodity terms of trade in Africa: Curse, blessing, or manageable reality*
- *Africa's inclusive growth challenge: Reducing deprivation and creating jobs*
- *Infrastructure in Africa*
- *Economic diversification of African economies*

We are confident that the papers will contribute to a fruitful dialogue among the Heads of State at TICAD VI. In addition, we hope that they will foster the concerted action by African policy makers needed to assure that Africa continues to converge with the rest of the world and, in doing so, meets the aspirations of its people.

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Vice President
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Table of contents

This paper was prepared by Hasan Tuluy with research assistance from Alden LeClair and Ieva Vilkelyte.

Executive summay

Regional economic cooperation and integration can be an effective means for countries to overcome constraints of size and fragmentation, and to allow small landlocked countries to more efficiently connect to larger, deeper regional and global markets. The need for scale and market consolidation is particularly relevant for the 54 African countries, many of which are small, landlocked economies with small populations. In the early years of independence, African leaders enshrined this principle as a cornerstone of the Organization of African Unity (OAU) and subsequently the African Union (AU). Founding leaders envisaged a linear sequential path, progressing from free trade areas in goods organized around Regional Economic Communities (RECs) toward common markets with free movement of goods, services and finance, ultimately to a continental economic and political union.

Notwithstanding frequent and strong reaffirmation of political commitment to integration by African leaders, progress on the ground has been slow and challenging. Many of the potential economic benefits from integration have yet to be realized. Today, intra-African trade remains around only 11-15 percent of total.

While there is great diversity among sub-regions, three sets of constraints typically impede progress toward greater regional integration in Africa. First, the dearth, high cost and poor quality of "hard" (physical) infrastructure that imposes higher costs on production, transport and trade thus hurting competitiveness. Second, a considerable "soft" infrastructure of the formal, informal and corrupt border and behind-the-border policies, regulatory measures and their implementation that not only drives up costs but also introduces a considerable measure of unpredictability and unreliability; and third, the challenge of delivering a top-down political approach in a complex institutional architecture without a strong, economically motivated coalition to promote greater cooperation and integration.

The Asian experience of economic cooperation suggests another approach that could advance the regional integration agenda in parallel to the traditional political stream/process. Such an approach would: (a) favor flexible, bottom-up, "variable geometry" platforms of few like-minded early-mover countries over the sequential, consensual and more top-down approach; (b) emphasize substantial improvements of physical infrastructure and soft constraints along a few large trade corridors and perhaps a more limited range of sectors and issues over the comprehensive, systemic reform approach involving large numbers of countries, actors and issues; (c) build strong coalitions with private producers, investors, traders and consumers with an economic interest in regional integration outcomes over (or in parallel to) primarily political drivers; (d) continue to deepen trade, facilitation and logistics reforms to significantly reduce the cost and time needed to produce and trade and build a more predictable, reliable economic governance environment that would encourage production of tradables for deeper regional markets; and (e) strengthen key national and regional institutions to provide more compelling analytics of platforms and evaluate their feasibility, funding and risk management, to address head-on dispute resolution and credible compensation of losers and to monitor and report on progress.

A number of encouraging initiatives that incorporate some of these features are underway in Africa today, and hold the promise of becoming building blocks of an increasingly integrated African economic space.

Regional economic integration in Africa

Hasan Tuluy

Introduction

There is significant evidence that countries benefit from openness and participation in the global economy. Trade, whether in goods, services or finance, and increasingly through participation in global value chains--contributes to growth through access to deeper markets, enhanced competition and new technology, all driving productivity and efficiency. In the same manner, greater intra-regional trade and economic integration overcomes market fragmentation to achieve greater economies of scale, allowing for more efficient resource allocation from higher-cost to lower-cost producers, thereby increasing overall efficiency.[1] Larger, lower-cost markets tend to crowd in more foreign and domestic investment and thus bring knowledge and technology to the regional markets. This has been found to be true for both large and for smaller economies.[2]

In the last two decades (1995-2014) global trade grew faster than global GDP as the world became increasingly integrated. Trade in constant prices (US$2005) grew by 4.2 percent compared to 3.8 percent growth of global GDP from 1995 to 2004 and then by 4.4 percent compared to 3.8 percent for GDP from 2005 to 2014.[3]

By way of comparison, Africa's[4] share in global trade over the period also grew, albeit more slowly, from 2.3 percent (1995) to 3.2 percent (2014). Moreover, when extractive

1. In addition to static, one-time gains from reallocation, there is considerable evidence of dynamic gains generated by greater competition, acquisition of technology and managerial know-how from operating in deeper competitive markets.

2. Kathuria S. & Shahid, S., (2015) "Opening up markets to Neighbors: Gains for Smaller Countries in South Asia," World Bank, South Asia Region

3. Growth rates are given as constant annual growth rates.

4. This paper takes a view of the African continent covering both North Africa and Sub-Saharan countries.

Figure 1: Growth of global GDP and trade

Source: IMF WEO (2016) and UNCTADSTAT (2016)

Trade in finished manufacturing goods has tended to decline, as producers in open economies have increasingly linked into the global economy through trade in intermediate goods, services and components that form regional segments of global value chains (GVC).

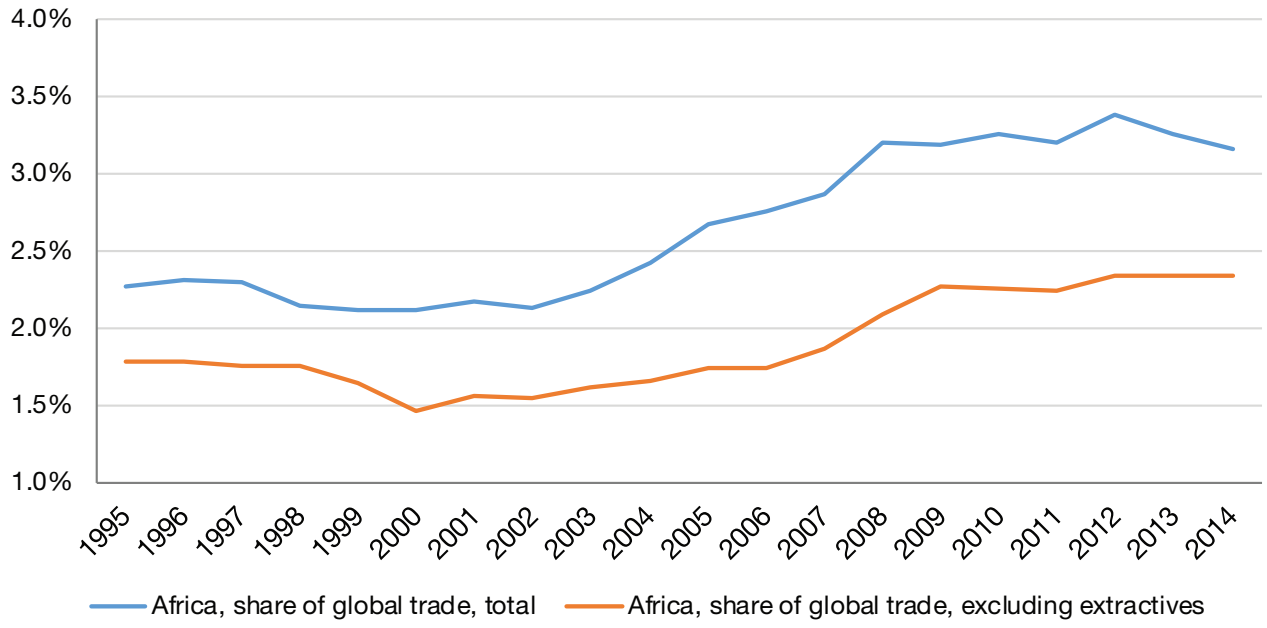
commodities[5] are excluded, the share has grown only marginally from 1.8 percent to around 2.3 percent. Typically, a few countries have tended to dominate the trade flows; the 10 largest countries represented 73 percent of Africa's total trade and 71 percent of the non-extractives trade in 2014.[6]

A second noteworthy feature is that global trade patterns have shifted over time: Trade in finished manufacturing goods has tended to decline, as producers in open economies have increasingly linked into the global economy through trade in intermediate goods, services and components that form regional segments of global value chains (GVC).[7] An important implication of this shift is the diminished importance of labor costs, but the growing importance of non-labor costs and of speed to market in competitiveness.[8] The continued shortening of GVC timelines points to the importance of efficient low-cost transport, communications and services.

The share of emerging economies[9] in global trade has also grown from 28.2 percent to 43.4 percent of total global trade in the past two decades. Even when extractive commodity trade is excluded, the share of emerging economies in global trade has grown from 27.1 percent to 41.4 percent over the period. Emerging economies increasingly participated in global trade through contributions to regional segments of global value chains; while systematic regional data are uneven, it is clear that most Eastern European

5. Ores and metals, fuels, pearls, precious stones, and non-monetary gold.
6. For all goods trade in 2014 top three accounted for 40.7 percent: South Africa 17.7 percent, Nigeria 12.8 percent, followed by Algeria 10.1 percent. [UNCTADSTAT]
7. OECD and World Bank Group, (2015) "Inclusive Global Value Chains", Report prepared for submission to the G20 Trade Ministers Meeting, Istanbul Turkey.
8. See McKinsey Global Institute (2016) "Digital Globalization: The new era of global flows".
9. UNCTAD Developing Economies group of countries.

Figure 2: Africa's share in global trade (total & net of extractives)



Source: UNCTADSTAT (2016)

Unlike other regions that have open regional and global trade arrangements, Africa's trade flows have tended to be predominantly with the industrialized northern countries of Europe, North America and more recently China, often under preferential trade agreements, such as ACP and AGOA.

countries, newly industrializing nations of Asia and some Latin American countries such as Mexico have deepened their participation by increasing their production into segments of larger value chains. In Africa on the other hand, only Mauritius, Morocco and South Africa have recently had a major presence in GVCs.

A third important feature of global trade over the past decades is the strengthening of regional trade and economic agreements to boost growth and create jobs. Integration through lower tariffs and reduced trade costs has allowed for scale economies and productivity gains around larger markets.

Unlike other regions that have open regional and global trade arrangements, Africa's trade flows have tended to be predominantly with the industrialized northern countries of Europe, North America and more recently China, often under preferential trade agreements, such as ACP and AGOA. In the period 2005-2014 intra-African trade was only around 11-15 percent of total trade flows compared to 45-50 percent in the European Union, 45-50 percent in the NAFTA area and 59-62 percent in Asia.[10] Further, when extractive commodity trade is excluded, intra-African trade has been largely flat, representing only 6-9 percent of trade flows.

The challenge for Africa – Constraint of initial conditions should favor economic integration

Many of the countries and economies of the African continent are small and fragmented, the enduring legacy of the continent's colonial past. Of the 53 countries for which data are available[11] 25 had GDP of less than $10 billion in 2015, and only 6 had GDP greater than $100 billion. Were Africa a single country it would have a GDP of $2,262 billion, about 3.1 percent of global GDP, and equivalent only to France[12]; 22 have population of less than 10 million, and only 6 have a population greater than 50 million; 16 (or nearly 30 percent) of the continent's countries are landlocked and 6 (11 percent) are island economies. While this represents a relatively large number of countries, in terms of GDP and population they account for only 10 percent and 26 percent.[13]

African countries also tend to be more rural – even with a growing trend toward urbanization – affecting density of infrastructure and services. On average, 40 percent of Africa is urban, ranging from 87 percent in Gabon to 12 percent in Burundi.

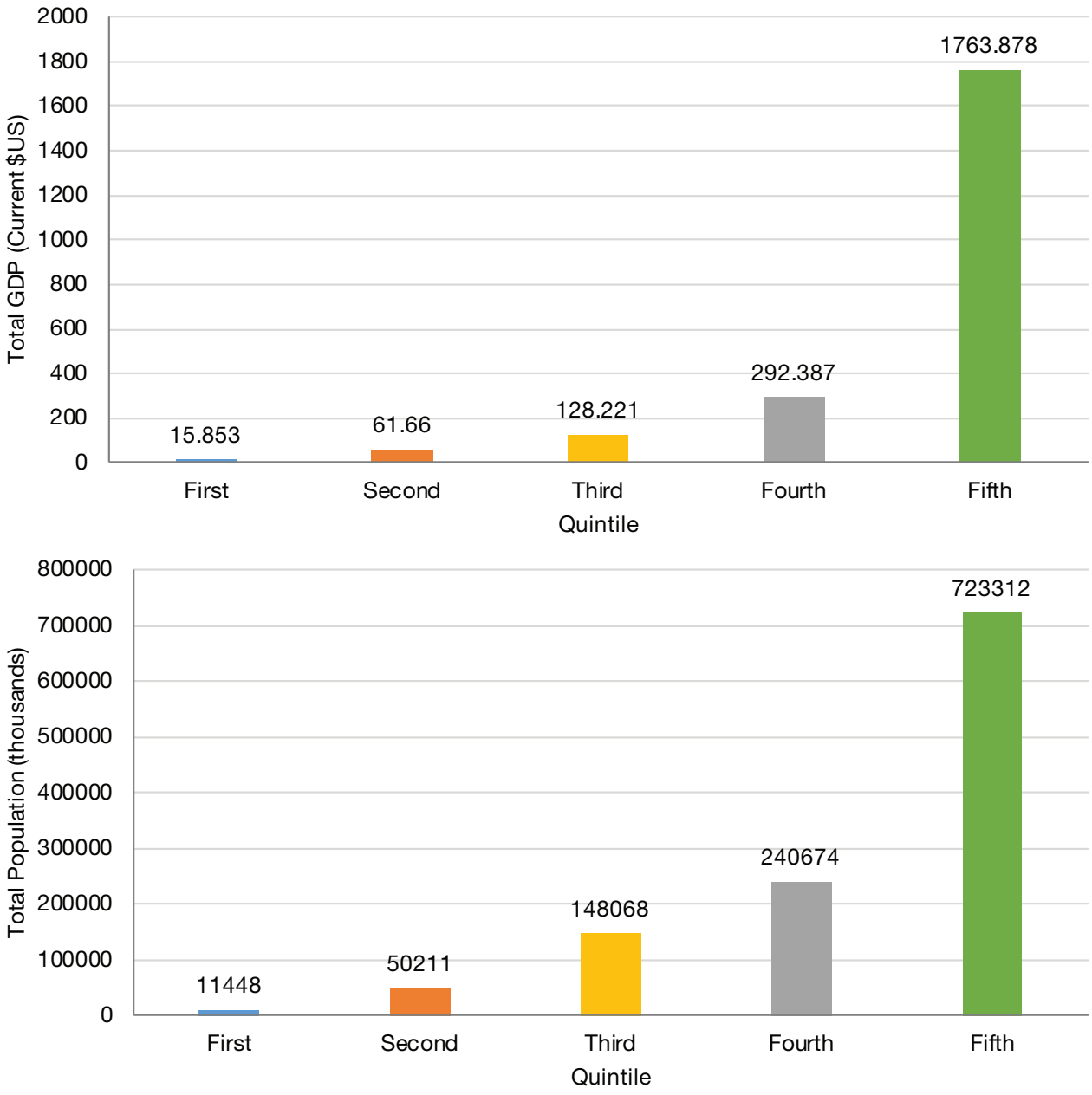
Furthermore, African economies on the whole have not been able to materially diversify their economic structures. Colonial production and trade patterns tended to favor production and export of raw, primary goods in exchange for imports of finished goods. Official trade patterns (and indeed the layout of infrastructure) favored South-North flows over intra-continental flows. While African economies began to transition away from rural activity in the past two decades, the move toward greater share of services has occurred without having built a substantial manufacturing base.[14] The continued heavy dependence on commodities has made African economies particularly subject to the risks of "Dutch disease" and to significant terms of trade shocks.[15]

Countries have sought to overcome the constraint of fragmentation, small size and land-locked settings by participating in the global economy and, often, by joining regional

10. Source: UNCTADSTAT
11. Does not include Somalia, for which data are not available.
12. Of the total regional GDP of $2,262 billion, six countries: Nigeria, Egypt, South Africa, Algeria, Morocco, and Angola, represent roughly two-thirds (66.9 percent) of the total.
13. Nevertheless, the large number of landlocked countries and island nations becomes an issue where regional arrangements require consensus decisions
14. See also Rodrik, D. (2015) *Premature de-industrialization*. Also see Dutt, P. & Traça, D. (2009). "Corruption and its impact on trade: Extortion or evasion?". Similarity in economic structure and low Trade Complementarity Index tend to constrain intra-African trade (see de Melo, J. & Tsikata, Y. 2104 Regional Integration in Africa: Challenges and Prospects, UN University Working paper 1204/137)
15. See Loser, C. (2016). The impact of commodity yerms of trade in Africa: Curse, blessing or manageable reality?. *TICAD VI Policy Papers*. Centennial Group.

In Africa, regional integration also holds the promise of increasing the size and depth of markets to achieve critical mass, to enable greater diversification of the economy, to expand business opportunities and create jobs, and to stimulate greater competition to spur productivity increases.

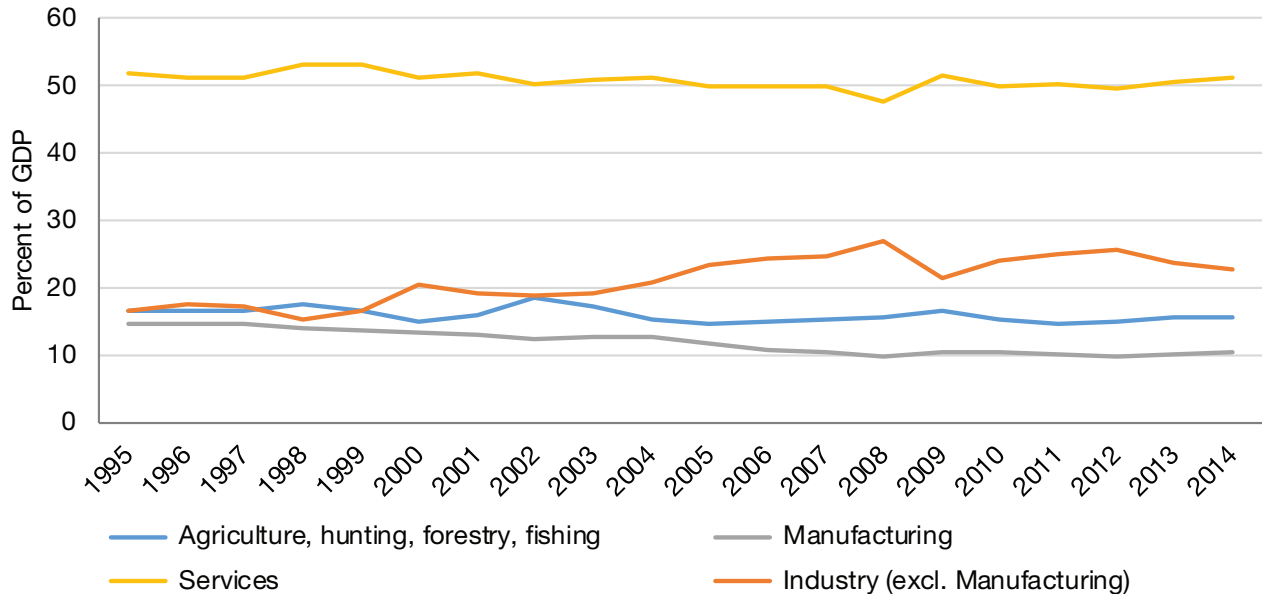
Figure 3: Africa GDP and population quintile totals



Source: IMF WEO (2016) and UN Population Division (2015)

Regional integration has indeed been a founding principle of the African Union since its establishment in 1963 (OAU until 2001).

Figure 4: GDP sector composition, 1995-2015



Note: Manufacturing is a sub-category of industry [UNCTADSTAT].
Source: UNCTADSTAT (2016)

economic integration arrangements. In Africa, regional integration also holds the promise of increasing the size and depth of markets to achieve critical mass, to enable greater diversification of the economy, to expand business opportunities and create jobs, and to stimulate greater competition to spur productivity increases.

Regional integration is a founding principle of African Union

Regional integration has indeed been a founding principle of the African Union since its establishment in 1963 (OAU until 2001). It is a cornerstone of policies designed to overcome a legacy of fragmentation and conflict, to promote peace, security, stability and cooperation, and to spur economic and social development toward a political union of the continent. Not surprisingly, these efforts to integrate the African markets and economies toward a political union have been essentially driven by the political leadership.

In its early stages, when central planning was still favored, regional integration was seen as a means to enable import-substituting industrialization.[16] From the 1980s a more outward-oriented approach to regional integration received added push with the adoption of the Lagos Plan of Action (LPA) in 1980 followed by the Abuja Treaty in 1991. These undertakings called for "solidarity, self-reliance and endogenous development through industrialization" as a

16. Only a stylized summary of the evolution of African regional integration arrangements can be presented here. For a more thorough discussion see Fouroutan (1992), Aryeetey & Oduro (1996) "Regional Integration Efforts in Africa: An Overview" in Regionalism and the Global Economy: The case of Africa, FONDAD, The Hague; Hartzenberg, T., *Regional Integration in Africa*, WTO, Economic Research and Statistics Division Staff Working paper ESRD-2011-14, October 2011; and De Melo & Tsikata (ibid).

It is worth recalling that over the centuries African traders have successfully and reliably operated complex trade routes in integrated cross-border markets.

stepping-stone to the African economic community.[17] AU (OAU)'s political leadership received active operational support from the United Nations Economic Commission for Africa (UNECA). UNECA promoted organization of the continent into geographic building blocs, referred to as "Regional Economic Communities" (REC). The goal of the RECs was to advance in a sequential progression from free trade areas (FTA), to customs unions and to a single market, finally converging toward a continent-wide economic and monetary union (the African Economic Community) by 2025. The eight UNECA promoted and supported RECs were[18]: ECOWAS (for West Africa); ECCAS (for Central Africa); AMU (for North Africa); COMESA (for South and Eastern Africa); EAC (for East Africa); SADC (for Southern Africa); IGAD (Intergovernmental Authority on Development for countries of the Horn of Africa, Nile Valley and the Great Lakes); and CEN-SAD (the community for Sahel-Saharan states).

In addition, states formed or revived other arrangements through parallel initiatives, resulting in frequent overlaps of countries in multiple regional integration arrangements. For instance, in West and Central Africa WAEMU and CEMAC became active alongside ECOWAS, while EAC, partly overlapping membership with COMESA, was revived. An inter-governmental Indian Ocean Commission (IOC) formed in 1984 regroups the five island communities of Mauritius, Seychelles, Comoros, Madagascar and Reunion.

In 2001, African leaders established New Partnership for African Development (NEPAD) to further facilitate the design, funding and implementation of significant intra-country programs and investment projects in support of regional integration. In 2008, the 26 member states of COMESA, EAC and SADC, representing a population of about 620 million and total GDP of $1.3 trillion, committed to establish a grand Tripartite-FTA. Finally, heads of state at their meeting in Kigali in 2010 set an ambitious new goal to form a Continental Free Trade Agreement (C-FTA) by 2017, and a Continental Customs Union (C-CU) by 2019.

Successful examples of cooperation and collaboration

It is worth recalling that over the centuries African traders have successfully and reliably operated complex trade routes in integrated cross-border markets. Even today--in parallel to the officially and politically driven integration efforts, and in spite of multiple obstacles--a substantial amount of unofficial and unrecorded trade in agricultural commodities and in artisanal mining takes place across the continent. Examples include the substantial cross-border trade in grain, tubers, fruits and vegetables, an active livestock trade from the Sahel to coastal consumer markets (and even from Somalia, a quasi-failed state, to the Middle East), and much of artisanal mining output that is moved and marketed across multiple borders. Other examples of unofficial cross-border supply chains--the kola-nut trade in West Africa or the khat trade from the horn of Africa to Yemen--are remarkable in the sophisticated, time-sensitive distribution and payments chains across multiple borders and jurisdictions that these trade channels require. These integrated markets and dynamic trade circuits, with their sophisticated production, storage, handling, shipping and distribution, credit and payment systems, remain essentially informal and are often not captured in official trade statistics.

There have also been successful larger scale official cooperation and collaboration experiences in Africa around regional public goods where joint and coordinated action

17. Hartzenberg, T., (ibid).
18. It is important to note that the number and configuration of these arrangements evolved over time. For instance, EAC was initially organized in 1967, became EAC II in 1999. In Southern and Eastern Africa, SACU - the Southern Africa Customs and Monetary Union - became SADCC 1975 and formed a Preferential Trade Area (PTA) in 1981; in 1992 after the end of Apartheid South Africa, SADCC transformed itself into SADC, and COMESA replaced the PTA in 1994. IGADD formed in 1986 (Intergovernmental authority on drought and development) became IGAD in 1996. The region also has a large number of functional groupings. See UNECA website for a more detailed historical treatment.

In parallel to the more top-down process of RECs, a number of promising initiatives are underway that advance regional economic integration in a pragmatic way in the Horn of Africa, in East and South Africa.

has yielded benefits to all participants. Regional cooperation in sectoral areas on such issues as communicable diseases (Onchocerciasis, Guinea worm, Ebola); natural resources management (river basin management); agricultural and livestock research; and the fight against terrorism have functioned relatively successfully because solutions are sub-regional in nature and benefits visibly accrue to all members of the region, irrespective of their size.

Similarly, groups of African countries have worked out joint negotiation positions to gain greater voice in matters ranging from ODA, trade and climate change. Further, some sub-regions such as WAEMU have pursued policy harmonization with regard to fiscal and monetary policy[19], on harmonizing business law and practice (OHADA).

Proponents of integration have rightly argued that the regional integration agenda would be significantly advanced with the achievement of intra-regional projects and harmonization efforts that reduce costs and bind markets closer together. The creation of NEPAD (2001), the AU's Minimum Integration Program (MIP)[20] of May 2009, and other similar institutional arrangements reflect this desire. There have been a few notable examples of such intra-regional projects, particularly in East Africa, including the Mombasa-Nairobi-Addis Ababa Corridor and the Kenya-Uganda Railway Concession, as well as some capacity building projects, including the East Africa Centers of Excellence and the Africa Economic Research Consortium, though there are some questions as to their sustainability.

Recent developments in regional integration

In parallel to the more top-down process of RECs, a number of promising initiatives are underway that advance regional economic integration in a pragmatic way in the Horn of Africa, in East and South Africa. The Southern Africa Power Pool (SAPP), which aims to develop a common power grid and common electricity market for SADC countries, has seen relative success with major connections established between nine SADC members,[21] and others currently in development (e.g. Zambia-Tanzania, Mozambique-Malawi, etc.). Another major project is the West Africa Gas Pipeline (WAGP), the first regional natural gas transmission system in sub-Saharan Africa. The 678 km pipeline runs through four countries, from Lagos to Takoradi. While both projects have had setbacks and much progress remains, they still stand out as some of the better examples among Africa regional projects.

Two features emerge from these initiatives. First, the larger sub-regional economies are playing the lead role with a few like-minded countries that share a common interest in pressing for changes: South Africa leading the SAPP and Nigeria leading the WAGP. Other examples are being developed currently across the continent: Ethiopia is in discussion with Djibouti for the construction of a railway, linking Ethiopia's growing export industries to the port of Djibouti. Kenya is leading the inter-governmental discussions with East African Community partners (Uganda, Burundi, Rwanda and Ethiopia) with a view to expanding the capacity of Mombasa port and replacing the Northern corridors multiple gauge railway with a standard gauge (SGR).[22] South Africa has invested substantially in the Maputo corridor, which is an important

19. These examples of close economic and monetary integration and policy coordination are built on history and colonial administrative legacy of the CFAF countries.
20. MIP is not an incremental planning or financing mechanism. Rather, it consists of those investment plans that RECs commit to implement on an accelerated basis.
21. Botswana, Mozambique, South Africa, Lesotho, Namibia, D.R. Congo, Swaziland, Zambia, and Zimbabwe.
22. Brenton, P. et al., *Political Economy of Regional Integration in Sub-Saharan Africa*, World Bank, 2016 (p 12). There is some recent uncertainty on project design with possibility that Uganda may prefer upgrading the Southern corridor to Dar es Salaam. Ethiopia is also evaluating a possible Northern link with the SGR in addition or as an alternative to the rail line from Djibouti to Addis.

Despite the promise of significant potential gains that regional economic integration holds for Africa, and the high-level declarations of commitment to further the regional integration agenda over multiple decades, Africa clearly has not made as much progress toward integration as it wished and as it could.

element of the country's bilateral trade with and foreign direct investment to Mozambique. The port-railway corridor has been a major channel for the trade of the sub-region as well with sub-regional exports to the global markets. A second important feature is the active role of the private sector is playing lobbying the governments for investments, changes in policies and regulations to lower costs and barriers to sub-regional trade. On the WAGP, Chevron and Royal Dutch Shell were two of the key partners in initiating the project and collectively own more than 50% of the pipeline. Kenya's private banking, telecoms, retail and wholesale traders, and air transport operators [23] have expanded their operations into neighboring countries and are actively partnering with and lobbying authorities for *inter alia* improvement in efficiency in Mombasa Port, to eliminate road blocks, reduce red-tape and to ensure One-Stop Border Posts (OSBP)[24] are fully functioning.

However, by and large, regional, multi-country projects have not shown much success in the past. There have been a large number of programs and plans put forth, but with few tangible results to show to date. Finance has not necessarily been the binding constraint. The challenge has been that even multi-country projects that have demonstrable joint benefits are implemented locally by national administrations. For instance, even the WAGP, as well as the West Africa Power Pool, potentially important instruments designed to reduce costs along a more efficient energy mix, are not functioning to their projected capacity due to a combination of divergent national sector policies, distortions in domestic price, and continued concerns about sovereignty and source reliability.

23. Safaricom, Kenya Commerce Bank and Equity Bank, Nakumatt, Tusky's, and Uchumi (retailers) and Kenya Airways are actively expanding their market presence in the sub-region [Brenton, P., p 7]
24. JICA is supporting investments into the establishment of 80 operational OSBPs across Africa. The challenge is not only improving the hardware of such OSBPs but also in simplifying and harmonizing policy, procedure and functioning of such posts [NEPAD, MoveAfrica 2016].

Constraints to deeper economic integration

Despite the promise of significant potential gains that regional economic integration holds for Africa, and the high-level declarations of commitment to further the regional integration agenda over multiple decades, Africa clearly has not made as much progress toward integration as it wished and as it could. Three sets of constraints impede realization of potential gains from deeper[25] regional economic integration: (a) the density and quality of "hard" physical infrastructure; (b) the burdensome "soft" infrastructure; and (c) the complexity of historical regional integration arrangements.

Dearth of physical infrastructure[26]

Africa is not well connected.[27] The continent suffers from poor physical infrastructure in both density and quality, contributing to high cost structure of the economies and loss of competitiveness. According to the World Bank's Logistic Performance Index 2014, the vast majority of African countries rank towards the bottom on trade logistics, with only South Africa (3.43) ranking in the top quartile. African countries (including North African) account for a little more than half (23 out of 40) of the bottom quartile, with D.R. Congo (1.88) and Somalia (1.77) ranked last.[28]

Transport costs are the highest in the world--twice level of other developing countries--and significantly limit Africa's ability to trade regionally and globally.[29] Costs vary significantly by sub-region and depend on whether the country is landlocked

25. "Depth" in regional integration generally refers to moving from a Free Trade Area to closer integration of markets (Customs Union, Common Market) and institutions (Political Union), and inclusion of behind-the-border issues such as services, investment and competition policy in the regional integration agenda (Hartzenberg, T., p2).
26. See Bond, J., (2016). Infrastructure in Africa, *TICAD VI Policy Papers*. Centennial Group International.
27. There are various global indices of connectivity that generally track each other. In general, African economies tend to rank low on these indices. See of instance McKinsey Global Institute's Global Connectivity Index.
28. World Bank (2014), Logistic Performance Index, 2014
29. Aspen Institute, (March 2005) "Trade Facilitation to Promote Intra-African Trade, Committee on Regional Cooperation and Integration", Addis Ababa, Ethiopia,

The African continent has many small ports that serve shallow local markets and compete for regional trans-shipment trade, yet these facilities are unable to reach scale to be internationally competitive.

or has port access: landlocked countries' transport costs are up to four times as high as those of developing countries.[30] Perkins and Robbins further estimate that the cost of transporting goods in East Africa is 30 percent higher than in South Asia, and up to 60-70 percent higher than in the USA, thereby reducing annual GDP growth by 1 percent.[31] Average road density is low. Among the RECs, road density ranges from 214 km/1000 km^2 in SADC to 105 km/1000 km2 in the EAC.[32] This is compared to an average road density of 306 km/1000 km2 in South Asia, 237 km/1000 km^2 for East Asia and Pacific, and 740 km/1000 km^2 for Latin America and the Caribbean. Paved all-weather road density is even lower, ranging from 92 km/1000 km^2 in SADC to only 8 km/1000 km^2 in the EAC,[33] compared to an average paved road density of 14 9km/1000 km^2 in South Asia and 419 km/1000 km^2 in Latin America and the Caribbean. Moreover, routine and periodic maintenance has been a challenge for most African roads; in 2008, while roughly half of the main road network in sub-Saharan Africa was rated in good condition and one-third in fair condition, the situation was dramatically worse in rural road networks (where 50 percent were rated in poor condition, with only 25 percent rated each in good and fair condition).[34] The adverse effect on cost and time of Africa's low density, poor road conditions and inadequate maintenance is further aggravated by the frequent lack of compliance of transport norms (load standards) that in turn further degrades the network.[35]

The African continent has many small ports that serve shallow local markets and compete for regional trans-shipment trade, yet these facilities are unable to reach scale to be internationally competitive. Only Durban (RSA) and Damietta and Port Said (Egypt) have the annual capacity of around 4-5 million TEU (twenty-foot equivalent unit). These plus Port Elizabeth and Cape Town (SA), Port Louis in Mauritius, Tangiers in Morocco are the only ports able to accommodate Post and Super Panamax vessels today. A handful of others, notably Dakar (Senegal), Abidjan (RCI), Mombasa (Kenya) and Djibouti have capacity of around 500-900,000 TEU per year. Many of the continent's ports operate at below capacity due to low berth/docking facilities, weak terminal freight and handling management, and inadequate maintenance and dredging capacity. As a result, port services are costly and shipments are often delayed leading to physical and financial losses. The Port of Durban, widely considered one of the more efficient ports in Africa, has turnaround time of more than two days (51 hours), compared to less than 24 hours for ports such as Shanghai and Klang (Malaysia) and less than 48 hours for ports such as Singapore and Rotterdam, all of which also have significant higher volumes than Durban.[36] The continent also is poorly served by inter-country rail networks.[37] Major inter-country rail corridors are limited in reach (coverage/extent) and service is considered generally unreliable due to lack of maintenance and new investment. The colonial legacy also left to the continent a fragmented network. For instance, in East Africa, the Northern corridor linking Uganda, Rwanda and Burundi to the coast, still carries three separate rail gauges.[38] Air travel and

30. US International Trade Commission (2009) "Land Transport for Exports: The Effect of Cost, Time and Uncertainty in Sub-Saharan Africa"
31. Perkins, D. & Robbins, G., (March 2011) "The Contribution to Local Enterprise Development of Infrastructure for Commodity Extraction Projects: Tanzania's Central Corridor and Mozambique's Zambezi Valley", *Making Most of Commodities Programme Discussion Paper* (9).
32. See Yepes, Pierce, and Foster (2008) "Making Sense of Africa's Infrastructure Endowment: A Benchmarking Approach," *African Infrastructure Country Diagnostic Working Paper* (1).
33. Ibid.
34. Gwilliam, Foster, Archondo-Callao, Briceno-Garmendia, Nogales, and Sethi (2008), *Africa Infrastructure Country Diagnostic: Roads in Sub-Saharan Africa*.
35. In addition, transport services are fragmented by country, frequently organized in cartels with many small providers that have no incentives to consolidate and make efficiency gains.
36. Port Regulators of South Africa, Port Benchmarking Report: SA Terminals 2015/2016, http://www.portsregulator.org/images/documents/SA-port-benchmarking-report-2015-16.pdf.
37. Note that many African countries also have limited local/domestic rail service and some have specialized (e.g. for ore) rail transport networks.
38. Aspen, p. 9

The constraints of low density and quality of physical infrastructure on global competiveness and regional integration are amplified by significant border and behind-the-border constraints in policy, regulations, procedures, norms, standards and certification, often collectively referred to as "soft" infrastructure.

air freight is similarly underdeveloped, costly and generally lacking in capacity and connections. Notwithstanding recent improvements, few of the continent's airports have adequate connections and capacity to make regional passenger and freight traffic convenient. A simple connection between two major West African cities--Dakar and Lagos--lacks a single nonstop flight, requiring passengers to change planes in Lomé or stop to refuel Abidjan. Air cargo levels for all Africa were 1.73 million tons in 2013,[39] comparable to the air cargo traffic for just Los Angeles International Airport, which fails to rank in even the top 10 airports in the world for cargo traffic. The top performers, Hong Kong International Airport and Memphis International Airport (FedEx), each handle more than 4 million tons per year.[40] Other infrastructure essential to competitive economies--electricity and telephone and broadband connectivity--are also relatively underdeveloped in Africa. Electricity generation capacity across the continent is only 37 MW/million population, or 11 percent of comparable low-income countries, which have a generating capacity of 326 MW/million population. Further, only 11 percent of the population has access to electricity, which is highly concentrated in urban centers, as compared with 41 percent in comparable low-income countries. In addition, electric power is expensive and highly unreliable. African mobile telephone penetration increased dramatically, such that today mobile density is at 55 lines per 1,000 population, compared to 76 lines in low-income countries. Yet importantly, in Internet density Africa still lags significantly behind other regions[41].

Major trade corridors are intermodal networks of ports, roads and railways that connect hubs of economic activity and move the bulk of trade within and between countries. Most effective corridors go beyond integrating intermodal infrastructure only, to also harmonizing and aligning the entire logistics chain along the corridor. Thus, well-functioning corridors contribute to competitiveness and integration through smooth, efficient, low cost, timely and reliable services. Africa has a number of potentially significant trade corridors that link the landlocked countries and the coast (including Durban and Maputo to Harare, Gaborone and Lusaka, Mombasa to Kampala and Kigali, Douala and Central Africa, Lagos, Cotonou, Abidjan and Dakar to the Sahelian states) and others that link a number of coastal countries (Douala to Abidjan, or Tangiers to Algiers).[42] Yet many of these corridors operate at below their potential, and remain much costlier than comparable data from competitor countries.[43] These high costs do not serve Africa well. They act as a real deterrent to global competitiveness and closer regional integration, yet present an opportunity to make significant gains, if reforms are brought to priority corridors.

Africa still faces significant "soft" infrastructure constraints

The constraints of low density and quality of physical infrastructure on global competiveness and regional integration are amplified by significant border and behind-the-border constraints in policy, regulations, procedures, norms,

39. Boeing, *World Air Cargo Forecast 2014-2015,* http://www.boeing.com/resources/boeingdotcom/commercial/about-our-market/cargo-market-detail-wacf/download-report/assets/pdfs/wacf.pdf.
40. Airports Council International, *Preliminary World Airport Traffic and Rankings 2013*
41. African Development Bank, (2015), *African Competitiveness Report* (xiv) notes that, "Only one-fifth of the region's population is using the Internet, compared with 30 percent in Southeast Asia, 40 percent in Latin America and the Caribbean, and 80 percent in…OECD economies."
42. See for instance African Development Bank (2011), P*rogramme for Infrastructure Development in Africa (PIDA)*. PIDA is a joint initiative of the AU, NEPAD and ADB multi sector program covering transport, energy, water and ICT, and is dedicated to facilitating continental integration in Africa through improved regional infrastructure.
43. For instance, according to Doing Business 2015, the cost to import a container in Africa was as high as $9,285 (South Sudan) with an average for Sub-Saharan Africa of $2,930/container and an average for North Africa of $1,307 as compared to $1,100 for OECD high income countries and the lowest cost of $440 in Singapore.

In contrast to the attention formal trade regimes have received, other critical "soft" infrastructure barriers, non-tariff measures (NTMs), those measures that collectively represent the cost of getting to the border, have typically received much less attention.

standards and certification, often collectively referred to as "soft" infrastructure.

While governments and international agencies have devoted attention to upgrading physical infrastructure, "soft" infrastructure has not received the same degree of attention. Policy reforms have tended to emphasize the "at the border regimes," the formal thickness of the border. These include lowering relatively high tariff levels, reducing their complexity (number of bands) as well as minimizing recourse to exemptions regimes for allegedly "sensitive sectors."

African economies have been relatively less open to international trade. Africa's openness has been around 65 percent in past decade (2005-2014), compared to Asian Developing Economies (at 80 percent) and Europe (at 77 percent). Only Latin America at 43 percent (on account of Brazil) and rapidly opening Southern Asia at 48 percent (on account of India, Pakistan and Bangladesh) have had less open economies over the past decade.[44] Over this period Africa's tariff structures have been simplified and average tariffs have come down from 13.9 percent to 12.8 percent. While this represents good progress three observations are in order: (a) There are still wide tariff variations between African countries (from a simple average MFN tariff of 21.2 percent in Sudan to 1.0 percent in Mauritius);[45] (b) The average tariff levels still remain above those in other parts of the world (see chart below); and (c) Exemptions lists remain long and broad.[46]

In contrast to the attention formal trade regimes have received, other critical "soft" infrastructure barriers, non-tariff measures (NTMs), those measures that collectively represent the cost of getting to the border, have typically received much less attention. These include the number and complexity of procedural requirements, administrative processes, the recourse to different technical regulations, norms and product standards and certification.

As an example of the complexity and multiplicity of documentation, it takes 11 documents to export goods from Cameroon, DR Congo, and Malawi, whereas Mauritius, Morocco and Tunisia require only 4 documents to export. By comparison, the best in class, Ireland, requires only 2 documents.[47] It takes 17 documents to import goods into CAR, but only 5 to Djibouti and Mauritius. The global best in class Ireland requires only 2 documents to import.[48] Similarly, whereas 31 African countries use UNCTAD's Automated System for Customs Data (ASYCUDA), in principle laying the foundation for expedited transactions, it is notable that most major economies (e.g. Nigeria, South Africa, Egypt, etc.) do not use the system. Even minor differences between countries of such items create impediments and the need – or the opportunity – for low value compliance controls at borders,[49] which raise the elapsed time and cost of transactions. For instance, in the absence of regional/multi-country agreement on transport guarantee bonds, shippers are obliged to obtain guarantee bonds for each country traded goods are transited through at added cost and lost time.

While some of these NTMs legitimately protect national interests of health and safety, many needlessly introduce

44. Source: UNCTADSTAT

45. Trade taxes remain a significant share of total revenue for many African countries representing 11 percent of Sub-Saharan countries' total revenue in 2010, compared to 4.8 percent in North Africa, 4.4 percent each in East Asia and Latin America (and 0.6 in Europe and 1.7 in North America). World Bank, WDI

46. For example, the ECOWAS Common External Tariff (CET) signed in January 2015 includes an "exceptions list" of about 300 products eligible for exemption from the new tariffs that includes 200 products from the former Nigerian Import Ban list. (De Melo, J., in *Regional integration arrangements in Africa: Is large membership the way forward?* Brookings Africa in Focus Blog August 26, 2015)

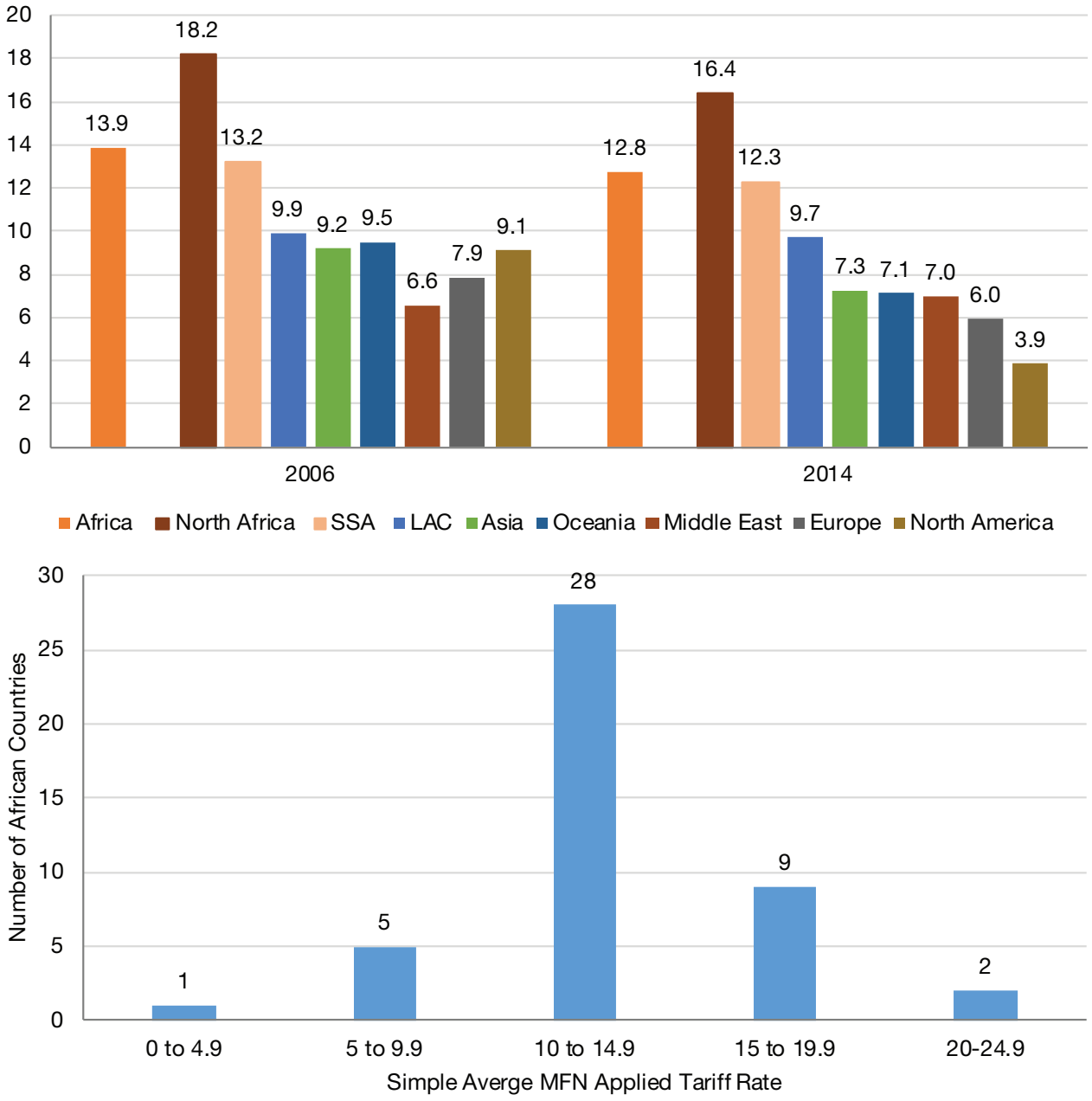
47. The Sub-Saharan average for export documents is 8, Middle East and East Asia required 6, and OECD 4 documents to export. Source: *Doing Business 2015*

48. The Sub-Saharan average number of import documents is 9, while Middle East required 8 import documents, East Asia 7, and OECD 4. Source: *Doing Business 2015*

49. The multiplicity of regulatory and control agencies set up to manage quality and control fraud have come to serve in good part a non-tariff barrier.

While some of these NTMs legitimately protect national interests of health and safety, many needlessly introduce discretion and increase the time and cost to trade.

Figure 5: Simple average MFN applied tariffs and frequency of tariff rates



Source: WTO (2016)

Today in Africa, services and intermediary professions so critical for trade tend to be protected (by nationality requirements) leaving the activity fragmented into many small and higher-cost domestic markets.

discretion and increase the time and cost to trade. Multiple checkpoints along highways add hours of delay and often lead to bribes exceeding the official highway toll charges.[50] By some estimates, as much as 75 percent of delays on major transport corridors are due to these types of soft "behind-the-border" shortcomings, rather than the constraints due to physical infrastructure.[51]

There is strong global evidence that service productivity is important for increasing manufacturing productivity. Yet today in Africa, services and intermediary professions so critical for trade tend to be protected (by nationality requirements) leaving the activity fragmented into many small and higher-cost domestic markets. Integrated, cross-border services markets present a missed opportunity to boost productivity for greater competitiveness – a must if Africa is to participate more actively in regional and global value chains. Lack of competition and low levels of integration results in higher costs of critical intermediary services (such as brokers and agents); professional services (such as legal and accounting, banking, insurance); communications (fixed, mobile and Internet); transport services (road, air, rail, maritime); and retail and wholesale commercial services.

In addition, the quality of the basic overall economic governance environment in Africa, from contract enforcement to the ease of starting up a new business, remains a major contributor (or hindrance) to the effectiveness of the "behind-the-border" environment. Investors, producers, shippers and traders require predictability of policy and its enforcement, and reliability in the supply and availability of tradable goods and services. In this regard, while overall performance has improved since 1995-2005, African countries' average Doing Business ranking in 2016 was 142, compared with 96 in East Asia & Pacific, 104 in Latin America and 25 in OECD high-income countries.[52] In 2016, 64% of African countries ranked in the bottom quartile, and only one country in the top quartile – best in class Mauritius (32).

Complexity of approach impedes greater progress toward regional integration

A third important impediment to deepening regional economic integration in Africa is undoubtedly related to the complexity and multiplicity of regional integration arrangements. African countries have historically approached regional integration in a formal, relatively rigid, sequential and linear manner: Countries would form regional economic communities (RECs), which would progress from free trade areas (FTA) with free flow of goods followed by free flow of services and labor and then the formation of customs unions, proceeding toward fiscal and monetary unions and culminating in a continental political union.

African leaders have periodically reconfirmed their strong political commitment to the goal of an integrated African economic community and to this linear approach. Their political commitment, however, has not yielded commensurate results in the face of significant practical implementation challenges. Intra-REC trade, on average has been only 8.2 percent of RECs total trade value. This drops to merely 6.7 percent when SADC--the best performer with intra-REC

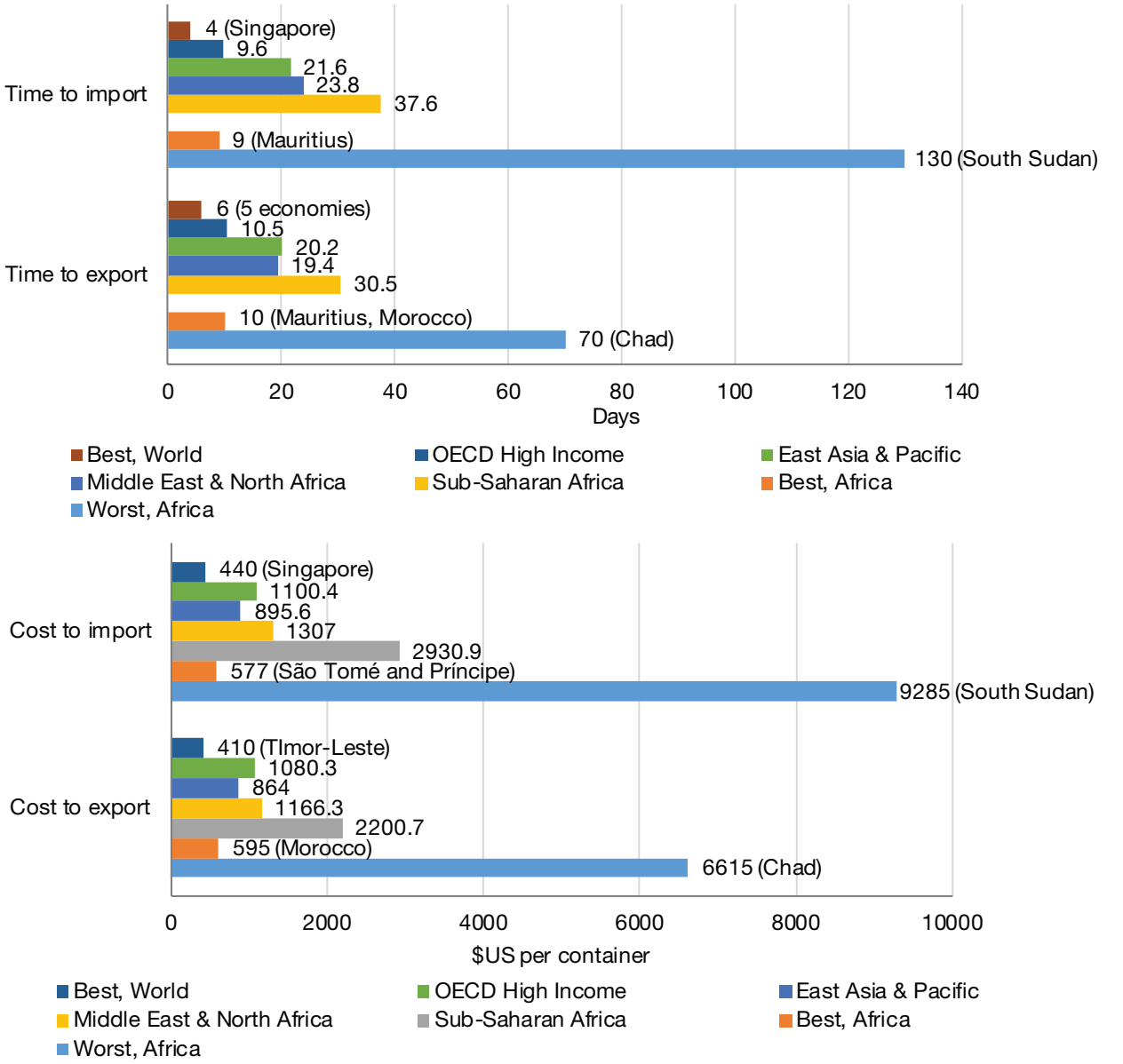
50. Economist Special Report Business in Africa (April 16, 2016): Obstacle Course: Africa's trade suffers from dismal infrastructure, lack of investment and corruption. Checkpoints along the Burkina-RCI corridor had even acquired an acronym: PDG for Police-Douane-Gendarmerie, and bribes could run as much as 10% of product value.

51. Harmon, L. M., Simataa B., & van der Merwe, A., (July 2009) Implementing Facilitation on Trade and Transport Corridors, *Proceedings of the 28th South African Transport Conference*, Pretoria, RSA

52. The Doing Business approach has been criticized as excessively mechanistic, and the system itself is open to gaming by countries to manage their outcomes in order to improve their rankings. However, flawed as it is, this indicator is the best and most widely disseminated measure of the regulatory framework. At the same time Doing Business tracks other similar measures of countries' competitiveness and receptivity to investment. For instance, according to latest WEF Global Competitiveness Index (2015-16) Africa ranked toward the bottom of GCI. No African country placed in the top 50 percent in rankings. The highest ranked African countries in global competitiveness were Mauritius (46:140) and South Africa (49:140), while three-quarters of the lowest quartile were countries of the continent.

A first challenge is that the politically motivated, relatively rigid, sequential approach covering a wide range of sectors and issues may not be best suited to the African context today.

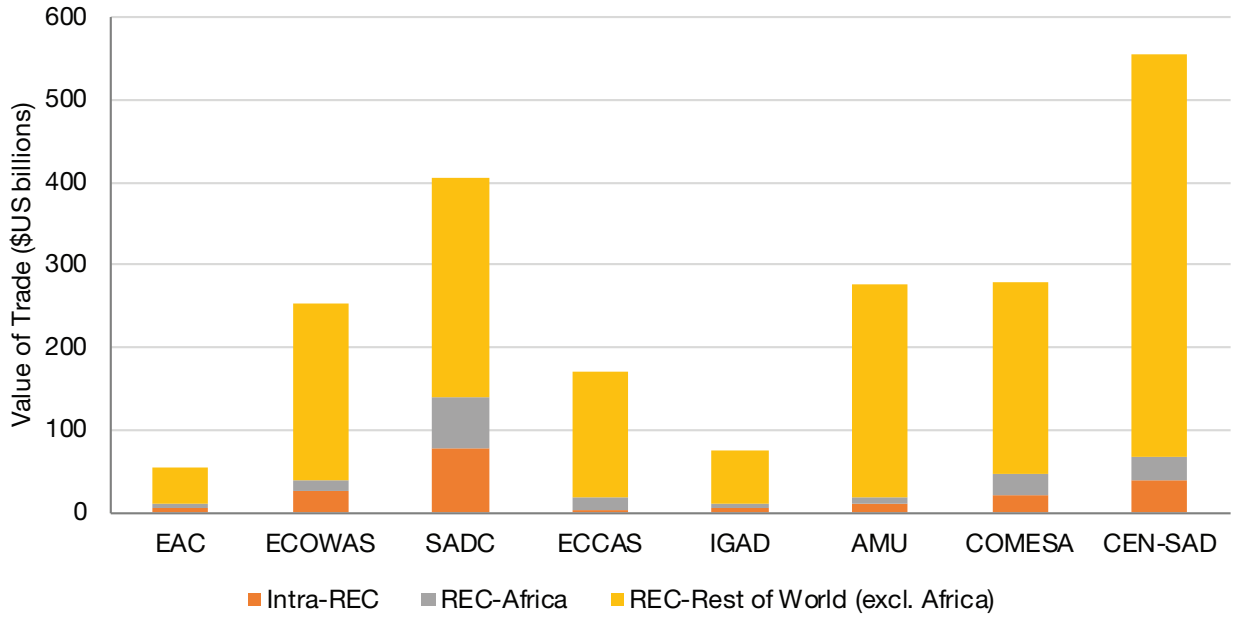
Figure 6: Cost and time to export and import



Source: World Bank (2015)

With few exceptions to date, private sector actors have not been actively brought in to play an active role in the design and implementation of the regional economic integration agendas, thus depriving the process of strong domestic champions.

Figure 7: REC trade values by partner



Source: UNCTADSTAT (2016)

trade at 19.1 percent of total trade value--is removed. A similar story emerges with each REC's trade with the rest of Africa, which is, on average, only 7.9 percent, with SADC again as the best performer at 15.3 percent of total trade value. The vast majority of RECs' trade is with the rest of the world, on average, 83.9 percent of total trade value.

A first challenge is that the politically motivated, relatively rigid, sequential approach covering a wide range of sectors and issues may not be best suited to the African context today.

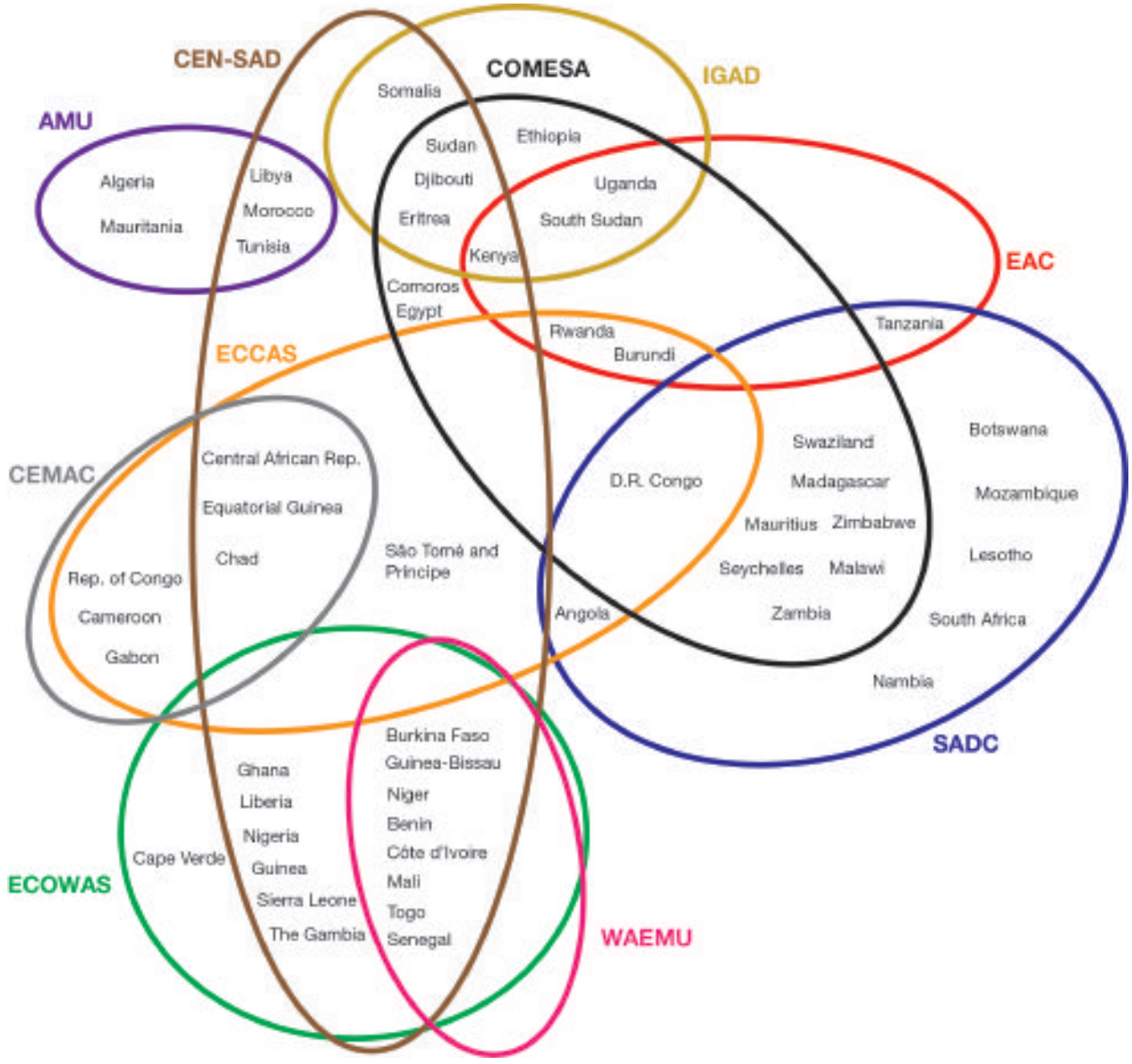
A second challenge is the multiplicity of regional arrangements with significant overlapping membership where members often pursue different economic objectives and may hold divergent views about relinquishing their sovereign rights. Smaller, landlocked countries, for instance--a large share of Africa's countries--tend to have a rather different perception of policy and implementation risk, of being overwhelmed by the larger countries in the regional grouping.

Third, except for a handful of larger, diverse economies (such as Kenya, Morocco, Mauritius, South Africa), African countries tend to have relatively similar economic and cost structures. The larger the number of members, the more divergent the size of membership, the more similar the economic structure, the harder it is to reach consensus on decisions and to take effective action in the absence of credible transition and compensation arrangements for losers from regional economic integration.

Fourth, with few exceptions to date, private sector actors have not been actively brought in to play an active role in the design and implementation of the regional economic integration agendas, thus depriving the process of strong domestic champions.

Institutions tasked with advancing regional integration, whether at the regional or national level, have not always had the requisite institutional, financial and administrative capacity to make a compelling analytical case for integration, or to design, implement and monitor multi-faceted programs to encourage trade and integrate markets.

Figure 8: **Africa REC membership**



African countries can make significant progress toward this goal by adopting a flexible, pragmatic approach, driven by economic imperatives, by focusing on those hard and soft infrastructure reforms that connect African economies and facilitate their participation in global markets and value chains.

And finally, institutions tasked with advancing regional integration, whether at the regional or national level, have not always had the requisite institutional, financial and administrative capacity to make a compelling analytical case for integration, or to design, implement and monitor multi-faceted programs to encourage trade and integrate markets.

These constraints have prevented Africa from realizing its ambitious regional integration plans. African economies have remained relatively fragmented and high cost, cutting into competitiveness, penalizing producers, exporters and consumers. They further hindered firms' ability to operate in lean, just-in-time production mode needed to effectively participate in global value chains.[53]

While these challenges make intra-regional trade and integration a particular challenge, with growing population, rising incomes, increasing demand for foodstuffs, manufactures, and quality services there is significant potential for deeper regional economic integration in trade and investment in regional value chains.[54]

The way forward: Action Agenda

There is little disagreement on the goal for Africa to achieve greater scale and depth, and to promote productivity and competitiveness through greater integration. Yet despite frequent, strong high-level declarations of political commitment, facing diverse impediments, progress toward the goal of deeper economic integration has heretofore proven insufficient and elusive.

African countries can make significant progress toward this goal by adopting a flexible, pragmatic approach, driven by economic imperatives, by focusing on those hard and soft infrastructure reforms that connect African economies and facilitate their participation in global markets and value chains.

1. First, adopt a variable geometry approach whereby a subset of like-minded countries take action on a focused agenda—while remaining flexible and open to inviting other countries that operate at different speeds to join in over time—instead of (or in parallel to) the more politically driven linear and comprehensive approach.
2. Second, move forward around a few key corridors and possibly around a small number of sectors/sub-sectors; an approach that has the advantage of engaging fewer players that need to reach agreement on few critical infrastructure investments, and a more limited range of policy issues.
3. Third, build broader coalitions in favor of integration by engaging private sector representatives (business councils and consumer interest groups) in the design, development and implementation of such corridors. Private participation in the build-out phase, and certainly private expertise in management of the key corridor assets can be envisaged for many of the infrastructure investments.
4. Fourth, continue policy reforms in tariffs and regulations to substantially reduce time and cost.
    i. Continue lowering and simplification of tariff regimes. As we have seen, despite a reduction of the average tariff levels in the past two decades, and a trend to simplify the structure, Africa's tariffs remain higher and more complex than other emerging economies. In addition, extensive recourse to "exemptions" by a number of large economies of the continent that could have been engines of trade and growth have in contrast effectively

53. In addition, cross-border spillovers of insecurity, fragility and unpredictability have significant adverse effects on the scale intra-regional flows of goods, services and persons.
54. Furthermore, deeper integration would benefit the poorer consumers, foodstuff producers and traders and small-scale traders (often women).

The Asian and European experiences differed in regard to the top-down, politically inspired approach of Europe that favored convergence – albeit at flexible speeds - with supra-national policies, regulations and institutions, as compared to the more bottom-up, economically motivated and focused Asian integration which did not call for the dilution of sovereign prerogatives.

Box 1: Asian and European approaches to regional cooperation and integration

East Asia and Europe offer two different models of regional economic cooperation and integration. In East Asia, regional economic cooperation was advanced through bilateral and multi-country negotiations, which took a pragmatic, business-oriented approach of developing key industry and manufacturing segments, and key corridors within and across borders. The state played a supportive and active role through policies that provided macro-financial stability, a competitive exchange rate, and maintained a reliable, predictable policy environment that allowed for significant domestic and foreign investment in manufacturing and industry. The corporate sector benefited substantially from a partnership with the active state, and in turn, acted as an important lobby for continued openness, competitiveness and deepening of trade.

In the earliest stages, a few technically advanced, capital rich countries--initially Japan--and large industrial conglomerates with access to term financing from public institutions were the main drivers of regional economic cooperation with the newly industrialized economies of the region, starting with Korea, Singapore, Taiwan (PoC) and Hong Kong (SAR), followed in the next decade by China, Thailand and Malaysia. Within this context, large industrial enterprises from the technologically more advanced economy shifted production processes to the next tier of regional countries, accompanied by substantial direct investment flows, and even more importantly, by the purposeful transfer of technology. Over time this resulted in the establishment of integrated network-type connections and complementary industrial clusters, giving Asian countries the ability to actively participate in and shape all aspects of global value chains.

In contrast, European integration born in the years after the world war, was heavily motivated by a top-down political desire to balance adverse effects of nationalism by closely binding together European economies and by creating strong supra-national institutions. Today Europe represents an integrated space of 28 members, a population of nearly 500 million, accounting for nearly one-fifth of global GDP.

Critical to the advancement of the European experience has been the willingness of founding countries to cede some of their sovereignty in favor of shared supra-national institutions with authority to set policy, regulate and enforce decisions in a broad range of public policy areas. Equally important to progress toward regional integration has been that France and Germany, the two major economies of Europe (and past combatants) joined forces to drive the European project forward over decades of domestic political cycles. A body of common policies and regulations served to guide new members' convergence (accession) while a generous compensation mechanism allowed new members to integrate with minimal short-term disruption to their economies. Finally, Europe set out a model of "multi-speed" integration whereby enlargement and deepening of the regional model proceeds flexibly with new members able to sign on to different aspects of the integrated European model (for instance common currency, or visa-free zone) at different speeds.

What Asian and European experiences have in common is that they were led by large forerunner states, which maintained supportive public policies, built sound infrastructure and invested in good human capital. The regions offered complementarity in cost structure that allowed for significant direct investment and transfer of technology from the costlier economies to the less advanced, lower cost economies to integrate in GVCs. The paths differed in regard to the top-down, politically inspired approach of Europe that favored convergence – albeit at flexible speeds - with supra-national policies, regulations and institutions, as compared to the more bottom-up, economically motivated and focused Asian integration which did not call for the dilution of sovereign prerogatives. Some of these features provide hints of paths that Africa may also wish to pursue.

Note: There is an extensive literature that analyzes the record and features of East Asian and European cooperation and integration models. See for instance: ADB (2013, 2010), Kasahara (2013), Rana (2006), Cameron (2010), Moghadam (2014), and Spolaore (2013). This high-level summary merely seeks to highlight some of the distinguishing features without attempting to be comprehensive.

African countries must address other impediments that act like non-tariff barriers and influence production and investment choices to enable countries to reap real benefits from improved physical infrastructure and lowered formal trade barriers.

slowed growth of regional trade. Further progress is certainly necessary and possible.

ii. Open markets to tradable services. Services, whether professional services (accounting, brokers, legal, banking, insurance), communications services (fixed, mobile, broadband), or transport services (road, air, rail, maritime) are critical contributors to raise Africa's manufacturing productivity and competitiveness.

iii. Address other impediments that act like non-tariff barriers and influence production and investment choices to enable countries to reap real benefits from improved physical infrastructure[55] and lowered formal trade barriers. These include items such as the number, complexity and differences in or duplication of documentation and processing steps; differences in norms, standards, certification requirements, sanitary and phytosanitary measures, marking, labeling and packaging requirements. Simplifying, harmonizing and automating would yield substantial benefits at relatively little investment cost.

iv. Deal with illegal rent-seeking behaviors especially along the priority trade corridors. Complexity, lack of automation, and differences in rules and regulations increase the chance for interpretation and discretion, and in turn the opportunity for rent seeking. Progress is possible: When Senegal and Mali signed a border cooperation agreement that reduced the number of checkpoints from 25 to 4, transport times quickly declined from 7-10 days to just 1-2 days.[56]

5. Fifth, continue complementary reforms aimed at improving investor protection, predictability, reliability and timeliness--features that are essential for production of tradables (and for participating in global value chains)—to reduce supply side constraints and to encourage production of tradable goods and services. Many of these are reforms along the lines of Doing Business (such as registration, credit, contract enforcement and IPR) and fall within the domain of national decision, and can be undertaken without awaiting agreement at the regional level. Harmonizing as much as possible such business regulations and investment codes, etc., at the sub-regional level would further encourage scale economies;
6. Sixth, regional institutions and development partners must support this process in a coordinated manner by bringing together governments and private sector interests (producers and consumers) to identify impediments to greater scale, competitiveness and economic integration. Regional and national institutions' analytical capacity needs support and strengthening inter alia to (a) set out those minimum threshold conditions that countries would need to meet before coming on board to variable geometry platforms without endangering overall viability/progress; (b) to rigorously assess the dynamic effects of integration on winners and losers; (c) to advise on the establishment of a credible transitional compensation

55. A systematic review of such measures by member country is presented in WTO/Trade Policy Review(s) under the headings of measures affecting Import, Exports, and Production and Trade.

56. *Doing Business in Landlocked Economies*, Washington, DC: World Bank Group, 2009. (Cited in Aspen)

As some of the encouraging recent African initiatives and the successful Asian experiences have shown, Africa can significantly deepen regional economic integration by adopting a flexible, bottom-up approach driven by economic objectives, focusing on a few corridors and clusters.

mechanism; (d) to set out a framework for determining the appropriate scale (dimension) as well as the respective cost, benefit and debt service obligations of intra-regional projects to individual member countries; (e) to explore risk management tools for long-term multi-country project undertakings; and (f) to support a supra-national monitoring and dispute resolution mechanism.

Conclusion

As some of the encouraging recent African initiatives and the successful Asian experiences have shown, Africa can significantly deepen regional economic integration by adopting a flexible, bottom-up approach driven by economic objectives, focusing on a few corridors and clusters. This approach, as recommended by the agenda for action of this report, will increase the scale and depth of regional markets and link Africa more firmly and competitively into global value chains and markets.

Table 1: Basic statistics of RECs

REC; Year founded	# of members	Total GDP (current $US billion)	% of Africa GDP	Largest economy, GDP (current $US billion), and % of REC GDP	Total population (million)	% of Africa pop.	Total trade, goods and services ($US billions)	Volume of intra-REC trade (merchandise, $US billions)	Volume of REC-Africa trade (merchandise, $US millions)	Volume of REC-Rest of World trade (merchandise, $US billions)
EAC; 1967, 2000	6	144.8	6.4	Kenya, $61.4 billion, 42.4 %	173.7	14.7	53.8	5.4	5.2	48.4
ECOWAS; 1975	15	658.3	29	Nigeria, $490.2 billion, 74.5 %	372	31.4	251.9	24.8	15.1	227.1
SADC; 1980, 1992	15	611.7	27	South Africa, $313 billion, 51.2%	248.4	21	406.4	77.8	62.1	328.6
ECCAS; 1983	10	191.8	8.5	Angola, $103 billion, 53.7%	140.3	11.8	171.7	2.7	15.7	169.1
IGAD; 1986	8	246.1	10.9	Sudan, $83.6 billion, 34%	254	21.4	74.1	4.7	5.4	69.5
AMU; 1989	5	362.1	16	Algeria, $172.3 billion, 47.6%	956.4	8.1	277.8	11	6.4	266.7
COMESA; 1994	19	729.4	32.2	Egypt, $330.8 billion, 45.3%	445.1	37.6	278.1	21.7	23.7	256.5
CEN-SAD; 1998	28	1312.5	57.9	Egypt, $330.8 billion, 25.2%	613.4	51.8	556.4	39.6	26.8	516.8

Note: EAC was originally founded in 1967, dissolved in 1977, then reformed in 2000. SADC was originally founded in 1980 as the Southern African Development Coordination Conference (SADCC), then reformed as SADC in 1992.
Source: IMF WEO (2016); UNCTADSTAT (2016); UNECA (2016)

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