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Transformative Regionalism, Trade and the Challenge of Poverty Reduction in Africa

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Transformative Regionalism, Trade and the Challenge of Poverty Reduction in Africa

Patrick N. Osakwe*
Head, Trade and Poverty Branch
ALDC/UNCTAD

Abstract

Regionalism has played a vital role in fostering peace and security in Africa over the past few decades. However, fully exploiting its potential for economic development remains a challenge as evidenced, for example, by the prevalence of weak production and export structures in African countries, the increase in the number of poor people on the continent, and the low shares of regional trade in Africa's total trade. This paper argues that regionalism can be made to work for Africa but that it would require a shift in emphasis from the current trade reform-centered integration approach to an approach based on Transformative Regionalism. Against this backdrop, the paper provides a framework for Transformative Regionalism, examines how it differs from the integration frameworks and strategies of African regional economic communities, and then discusses how to foster it in Africa.

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Note

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Acronyms

AEC	African Economic Community
AfDB	African Development Bank
AIDA	Accelerated Industrial Development of Africa
AMU	Arab Maghreb Union
AU	African Union
CEMAC	Central African Economic and Monetary Community
CEN-SAD	Community of Sahel-Saharan States
CEPGL	Economic Community of Great Lakes Countries
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EU	European Union
GDP	Gross Domestic Product
ICA	Infrastructure Consortium for Africa
IDDA	Industrial Development Decade for Africa
IGAD	Inter-Governmental Authority on Development
IOC	Indian Ocean Commission
MRU	Mano River Union
PIDA	Programme for Infrastructure Development in Africa
RECs	Regional Economic Communities
RISDP	Regional Indicative Strategic Development Plan
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organization
WAEMU	West African Economic and Monetary Union

1. Introduction

Fostering development through regional integration has been a major objective of African governments since most countries on the continent became independent in the 1960s. Regional integration can promote peace and security, contribute to infrastructure development, foster trade and investment, reduce vulnerability to global shocks, and enhance the quality of economic policy-making through serving as an external restraint on domestic policies. In the first two decades of the post-independence era, the focus of regional integration in Africa was, understandably, more on political cooperation rather than economic integration, as African leaders strived to rid the continent of the vestiges of colonialism. Since the 1980s efforts have been made to shift the focus of regional integration from political cooperation to economic integration as evidenced by the emphasis on economic issues in the 1980 Lagos Plan of Action and the Abuja Treaty signed in 1991.

African governments have made significant progress in using regional integration to promote peace and security. Military intervention and mediation by the Economic Community of West African States (ECOWAS) played a pivotal role in ending the civil wars in Liberia, Sierra Leone and Côte d'Ivoire. ECOWAS diplomacy also played an important role in de-escalating conflicts in Togo, Guinea and Guinea-Bissau (Omeje, 2013: 8). Despite the progress that has been made on peace and security issues, there is the recognition that not much has been achieved in terms of diversifying the structure of African economies, boosting intra-African trade and investment, building supply capacities, and achieving sustained poverty reduction. African leaders are aware of this reality and are increasingly taking bold actions to promote economic integration. For example, in January 2012, they renewed their political commitment to boosting intra-African trade and also decided to fast-track the establishment of a continental free trade area as envisaged in the Abuja Treaty. In addition, at the 21st Ordinary Session of the Assembly of Heads of State and Government of the African Union held in Addis Ababa, Ethiopia, from 19-27 May 2013, African leaders rededicated themselves to the integration agenda and to achieve the African Union's vision of an integrated, prosperous and peaceful Africa. But this is not the first time that they have renewed efforts to promote regionalism. A crucial question therefore is what should they do differently to ensure that they use regional integration effectively in support of economic development?

This paper argues that making regional integration work for Africa requires that African governments change their approach to economic integration and in particular shift emphasis from the current model of integration, which focuses mostly on trade reforms and processes and institutions of integration, to an alternative approach—Transformative Regionalism—in which regional integration promotes and also ensures progress in building productive capacities and achieving structural transformation for sustained development. The paper identifies the key elements of Transformative Regionalism, examines the extent to which the current approach to integration adopted by African regional economic communities (RECs) are consistent with transformative regionalism, and also highlights other critical elements of a credible policy package to promote regional integration in Africa. These include enhancing implementation of existing programmes and action plans, refocusing the role of the RECs on the goal of economic integration, doing away with false dichotomies that often cloud the debate on development in Africa, and recognising as well as exploiting the vital role of industrial policy and consumer behaviour in promoting regional integration.

2. Trade and Transformation in Africa: The Record

The main focus of regional integration in Africa so far has been on promoting regional trade and investments through liberalisation. It derives from the idea that trade has great potential for poverty reduction and so should be facilitated and promoted. In this section, some facts on the importance of trade in African economies and the contribution of intra-regional trade to Africa's total trade are presented. Also included are some facts on the structure of production in Africa with a view to highlighting one of the key challenges as well as opportunities facing Africa in the integration process, which is how to diversify the structure of production to promote regional trade.

Trade has and will continue to play a crucial role in African economies. It provides access to new technology and also foreign exchange needed for the import of goods not produced domestically. It also allows a country to be more efficient in production through specializing in goods in which it has comparative advantages. Over the period 1995-1999 the share of trade in Africa's gross domestic product (GDP) was 43 percent, which is comparable to the average for developing countries over the same period (table 1). More recently, there has been a significant increase in the role of trade in African economies and in other developing countries as evidenced by the fact that the trade-GDP ratio in Africa and in other developing countries was 60.3 percent and 60.9 percent respectively over the period 2008-2012. Rapid improvements in information and communication technology, which reduced transactions cost significantly, coupled with trade reforms in Africa and other developing countries are some factors that contributed to the big increase in trade ratios observed over the past two decades. In other developing countries, the increase in trade ratios went hand in hand with an increase in the growth rate of real output while in Africa, there was no significant change in the growth rate of real output due largely to the negative impact of the recent political crisis in North Africa and the fact that the financial crisis had a more significant negative impact on Africa compared to other developing country groups.

Table 1: Trade and growth across regional groups (1995-2012)

	Merchandise trade (% of GDP)		Real GDP growth rate (%)	
	1995-1999	2008-2012	1995-1999	2008-2012
Africa	43.4	60.3	3.5	3.3
Other developing economies	49.1	60.9	4.3	5.8
Central African Economic and Monetary Community (CEMAC)	53.0	74.7	4.1	4.5
Common Market for Eastern and Southern Africa (COMESA)	32.9	49.2	3.6	1.3
East African Community (EAC)	30.7	49.0	4.0	5.7
Economic Community of Central African States (ECCAS)	57.8	78.2	3.8	4.5
Economic Community of West African States (ECOWAS)	54.4	62.5	3.7	6.3
Southern African Development Community (SADC)	46.7	65.0	2.8	3.1
Arab Maghreb Union (AMU)	47.6	69.1	3.3	0.5

Source: computed by author based on data from UNCTAD database.

Although the role of trade in African economies has increased significantly in recent years, the share of intra-regional trade in Africa's total trade has been flat over the past few decades. Table 2 shows that the share of intra-regional exports in Africa's total exports fell marginally from 12.2 percent in the period 1995-1999 to 11.4 percent in the period 2008-2012. Regarding imports, the share of intra-regional imports in Africa's total imports rose marginally from 12.2 percent to 14 percent over the same period. These numbers are quite low compared to what is observed in other regions of the world. In Europe, Asia and Latin America for example the average share of intra-regional exports in total exports was 68.9, 51.3 and 20.5 percent respectively in the period 2008-2012.

Table 2: Intra-regional trade shares

	Intra-Regional exports (% of total exports)		Intra-Regional imports (% of total imports)	
	1995-1999	2008-2012	1995-1999	2008-2012
Developing economies	41.3	54.7	39.5	57.5
Africa	12.2	11.4	12.2	14.0
Other developing economies	40.6	52.7	38.5	54.9
CEMAC	2.0	2.1	4.2	4.4
COMESA	6.1	7.4	4.4	6.3
EAC	17.0	19.4	11.5	8.5
ECCAS	1.3	1.2	2.6	2.8
ECOWAS	10.2	8.0	10.2	10.1
SADC	14.9	11.9	17.2	17.7
AMU	3.0	2.8	3.1	3.2

Source: computed by author based on data from UNCTAD database.

Lack of diversification, particularly the limited role of manufacturing in output, coupled with weak infrastructure, poor access to finance, and tariff and non-tariff barriers are some of the factors that have contributed to the weak intra-regional trade performance of Africa. Table 3 presents information on the structure of production in Africa and developing economies for the period 2005-2012. It shows that mining and utilities account for a very large share of total value added in Africa. In the period 2005-2012, the share of mining and utilities in total value added was 23.7 percent in Africa compared to the developing economies' average of 12.1 percent. It is also interesting to note that manufacturing plays a significant role in developing economies but not in Africa. The average share of manufacturing in total value added in Africa is 10 percent compared to about 21 percent for developing economies. Furthermore, the growth rate of manufacturing value-added was 2.9 percent in Africa compared to 7.3 percent for developing economies. Agriculture plays a more important role in output in Africa compared to developing countries. Its share of output was 16 percent in Africa and 9 percent in developing economies. In both groups, the service sector is the most dominant sector accounting for 45 percent of output in Africa and 52 percent of output in developing economies.

Table 3: Structure of production in Africa and developing economies (2005-2012)

	Africa		Developing economies	
	Share of sector in total value added (%)	Growth of value added by sector (%)	Share of sector in total value added (%)	Growth of value added by sector (%)
Agriculture, hunting, forestry, fishing	16.1	4.8	9.3	3.5
Industry	38.7	1.8	39.2	5.9
Manufacturing	10.1	2.9	20.9	7.3
Mining and utilities	23.7	-0.1	12.1	2.6
Construction	4.9	8.1	6.1	7.2
Services	45.2	5.5	51.5	6.2
Wholesale, retail trade, restaurants and hotels	13.6	6.3	14.3	6.5
Transport, storage and communications	7.5	6.9	7.3	6.7
Other activities	24.1	4.7	29.9	5.9

Source: computed by author based on data from UNCTAD database

Table 4: The importance of manufacturing in African regional groups

	Share of manufacturing in total value added (%)		Growth of manufacturing value added (%)	
	1990-1995	2005-2012	1990-1995	2005-2012
CEMAC	13.3	7.6	-2.0	3.3
COMESA	12.6	11.4	1.6	3.8
EAC	11.1	9.6	1.8	5.8
ECCAS	10.0	6.5	-6.8	6.6
ECOWAS	9.6	5.0	-2.2	2.9
SADC	19.2	13.2	-0.3	2.4
AMU	12.1	8.4	1.3	1.7
Africa	14.5	10.1	0.3	2.9
Developing economies	17.4	20.9	4.3	7.3

Source: computed by author based on data from UNCTAD database

Among the RECs, the importance of manufacturing in output is also very low but varies across sub-regions (table 4). For example, in the period 2005-2012, ECOWAS had the lowest share of manufacturing in output (5 percent) while SADC had the highest (13 percent). However, in terms of the growth of manufacturing value added, ECCAS had the highest growth rate (6.6 percent) followed by EAC (5.8 percent). The lowest growth rate was observed in AMU (1.7 percent). A key message from the facts presented in this section is that the structure of production in Africa is a major factor inhibiting progress in promoting regional trade in Africa and that addressing the deficit in Africa's production structure requires fostering manufacturing development.

3. Rethinking Regionalism in Africa

Regional integration is not an end in and of itself. It is only useful to the extent that it enables African countries to address the development challenges they face, the most serious of which is how to achieve sustained growth and poverty reduction. Recent research indicates that a necessary condition for sustained poverty reduction in Africa is the successful transformation of the structure of African economies. UNCTAD and UNIDO (2011) argues that no country has achieved significant and sustained poverty reduction without going through a process of structural change involving a shift from low to high productivity activities both within and across the three main sectors of an economy namely agriculture, industry and services. Such transformation will have a significant positive impact on growth as well as income distribution, which are the two main sources of changes in poverty. In this regard, fostering structural transformation is a major development challenge facing African policymakers that have to be addressed as a matter of necessity for the continent to achieve sustained growth, reduce poverty and be a pole of global growth in the 21st century.

The necessity for structural transformation in Africa is evident when one considers the fact that African countries have grown at a relatively rapid rate over the past decade and yet this growth has not created enough jobs to absorb the rapidly growing new entrants into the labour force. Recent growth has also been associated with an increase in the absolute number of poor people even though the poverty rate declined significantly in the last decade relative to the 1990s. As shown in table 5, Africa is the only group where there was an increase in the number of poor people between 1999 and 2010 and it is not surprising that it is also the region with very low levels of manufacturing development.

One of the reasons why recent growth in Africa has not had the expected impact on employment creation and poverty is that it has been driven by low productivity activities and also by sectors (such as informal services) that have very limited potential for employment creation. Inducing structural transformation from low to high productivity activities is therefore necessary to create employment and reduce poverty in Africa. Against this background, one of the main goals of development policy and regional integration in Africa should be to transform the structure of African economies to lay the foundation for sustained growth, job creation and poverty reduction. Therefore, if regional integration is to work for Africa it must be geared directly towards inducing structural transformation in the continent and this requires the adoption of a more pragmatic and strategic approach to integration.

Table 5: Poverty incidence across regions

	Poverty rate (%)		Number of poor (millions)	
	1999	2010	1999	2010
Sub-Saharan Africa	58	48.5	376.8	413.8
East Asia and the Pacific	35.6	12.5	655.6	250.9
Europe and Central Asia	3.8	0.07	17.8	3.1
Latin America and Caribbean	11.9	5.5	60.1	32.3
Middle East and North Africa	5.0	2.4	13.6	8.0
South Asia	45.1	31.0	619.5	506.8
Total	34.1	20.6	1743.4	1214.9

Source: UNECA, AfDB and UNDP (2013).

Trade reform-centered regionalism

The framework guiding regionalism in Africa has been the linear model of integration found in international trade textbooks, which involves a progressive move from a free trade area to a customs union, common market, monetary union and political union. It is based on the premise that trade reforms will have a positive impact on trade and growth and that the benefits will eventually "trickle down" to poor segments of society thereby reducing poverty. The formation of trade blocs and the elimination of trade barriers have been the principal mechanism or instrument through which regional economic integration has been promoted in Africa over the past decades. The Abuja Treaty envisaged the division of the continent into five regional trade blocs (East, West, Central, South and North Africa) to serve as pillars of the proposed African Economic Community (AEC). Since then there has been a mushrooming of regional trade groups within the continent and, as shown in table 6, Africa currently has 14 regional trade blocs which cannot be easily mapped into the five trade blocs proposed in the Abuja Treaty. The African Union recognises only eight out of the fourteen regional groups. These are AMU, COMESA, CEN-SAD, EAC, ECCAS, ECOWAS, IGAD, and SADC.

Table 6: Regional economic groups in Africa

		Members	Year established	Status of integration
1	Arab Maghreb Union (AMU)	Algeria, Libya, Mauritania, Morocco and Tunisia	1989	Draft agreement on establishing a free trade area signed in 2010
2	Central African Economic and Monetary Community (CEMAC)	Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon, and Congo	1994	Customs and monetary union
3	Common Market for Eastern and Southern Africa (COMESA)	Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.	1994	Launched customs union in 2009
4	Community of Sahel-Saharan States (CEN-SAD)	Benin, Burkina Faso, Central African Republic, Chad, Côte d'Ivoire, Djibouti, Egypt, Eritrea, Gambia, Ghana, Guinea Bissau, Liberia, Libya, Mali, Morocco, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Togo, and Tunisia.	1998	No clear timeframe or plan to move towards a free trade area
5	East African Community (EAC)	Burundi, Kenya, Rwanda, United Republic of Tanzania, and Uganda	2000	Launched common market in 2010
6	Economic Community of Central African States (ECCAS)	Angola, Burundi, Cameroon, Congo, Democratic Republic of Congo, Gabon, Equatorial Guinea, Chad, and Sao Tome and Principe.	1983	Launched Free trade area in 2004
7	Economic Community of Great Lakes Countries (CEPGL)	Burundi, Congo and Rwanda	1976	No clear timeframe or plan to move towards a free trade area
8	Economic Community of West African States (ECOWAS)	Benin, Burkina Faso, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo and Cape Verde	1975	Achieved free trade area status in 2000. Members agreed to implement a common external tariff in January 2015.
9	Indian Ocean Commission (IOC)	Comoros, Madagascar, Mauritius, Réunion, and Seychelles	1984	No clear timeframe or plan to move towards a free trade area
10	Inter-Governmental Authority on Development (IGAD)	Djibouti, Ethiopia, Eritrea, Kenya, Somalia, South Sudan, Sudan, and Uganda	1996	No clear timeframe or plan to move towards a free trade area
11	Mano River Union (MRU)	Côte d'Ivoire, Guinea, Liberia, Sierra Leone	1973	No clear timeframe or plan to move towards a free trade area
12	Southern African Customs Union (SACU)	Botswana, Lesotho, Namibia, South Africa and Swaziland	1910	Customs union and common monetary area
13	Southern African Development Community (SADC)	Angola, Botswana, Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe	1992	Free trade area achieved in 2008
14	West African Economic and Monetary Union (WAEMU)	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo	1994	Monetary union

Source: computed by author based on information from the websites of African regional organisations.

There are several limitations of the linear model of integration (or trade reform-centered regionalism) that has been pursued in Africa so far. First, it has not worked for the continent as evidenced by Africa's weak regional trade performance and poverty statistics compared to those of other developing country groups. Second, it associates trade mostly with trade liberalisation as if it is the most important aspect of trade and development policy. Third, it assumes that trade barriers represent the main obstacle to the inability of African countries to foster regional trade and effectively exploit the potential of trade for poverty reduction. UNCTAD (2013) suggests that infrastructure bottlenecks, particularly those related to energy and transport, are more binding constraints to boosting regional trade in Africa than tariff and non-tariff barriers. The experience of the Southern African Customs Union (SACU) is a very good illustration of the fact that the elimination of trade barriers is not the most binding constraint to boosting regional trade in Africa. SACU is the oldest customs union in Africa. Yet, the share of intra-SACU exports in SACU's total exports was only 7.5 percent in 1995-1999 and 5.8 percent in 2008-2012.

Another limitation of the trade reform-centered regionalism is that it assumes the relationship between trade and poverty is one-directional. In particular, there is the presumption that causality runs from trade to poverty reduction. This ignores the equally important fact that poverty limits the ability of poor countries to produce and trade. In other words, being poor affects a country's ability to produce and trade and so structural issues have to be addressed. A more realistic approach is to recognise the effect of poverty on Africa's ability to trade by making the development of productive capacities a key issue in the trade-poverty discussion. Such a holistic approach recognises the fact that the relationship is bi-directional and so the focus of policy should be on how to exploit linkages between both variables rather than focusing on one aspect of the trade-poverty nexus. Admittedly, over the past decade African governments have acknowledged the need to pay more attention to the development of productive capacities in promoting regional integration. For example, Agenda 2063 of the African Union underscores the important role of building supply capacities and transformation for inclusive growth and sustainable development in Africa (African Union Commission, 2014: pp. 1-100). Nevertheless, it is still the case that productive capacity development issues have not received as much attention as trade and factor market liberalization in the discourse on integration on the continent.[1]

Understandably, the form of economic integration that has been promoted in Africa follows closely the European model of integration which places emphasis on trade reforms. While this approach made sense in Europe given the high productive capacities and level of infrastructure development of the continent, it is not the appropriate approach to integration in Africa given the weak productive capacities and infrastructure deficits of African economies. Furthermore, as indicated earlier infrastructural bottlenecks, particularly those related to energy and transport, represent more obstacles to intra-African trade than trade barriers indicating that more attention should be paid by African governments to lifting these infrastructure constraints to trade. Another reason why the European model of integration may not be appropriate for Africa is that the institutions and structural foundations of the European Union (EU) make it possible to align its strategies with the national strategies of its member states (Patterson, 2012: p. 15). For example, the EU has well-developed institutions, has the capacity to enforce its decisions, and does not have sub-regional groupings (or RECs). By contrast, the African Union (AU) lacks capacity, relies on the RECs as pillars of integration, and there is often very weak links between these regional organisations and national governments. In summary, the EU experience provides useful lessons for Africa, for example it underscores the importance of fair sharing of the benefits of integration and of having quality infrastructure and capacity to respond to trade opportunities. Nevertheless, it is not the appropriate model of integration for the continent given its structure and stage of development.

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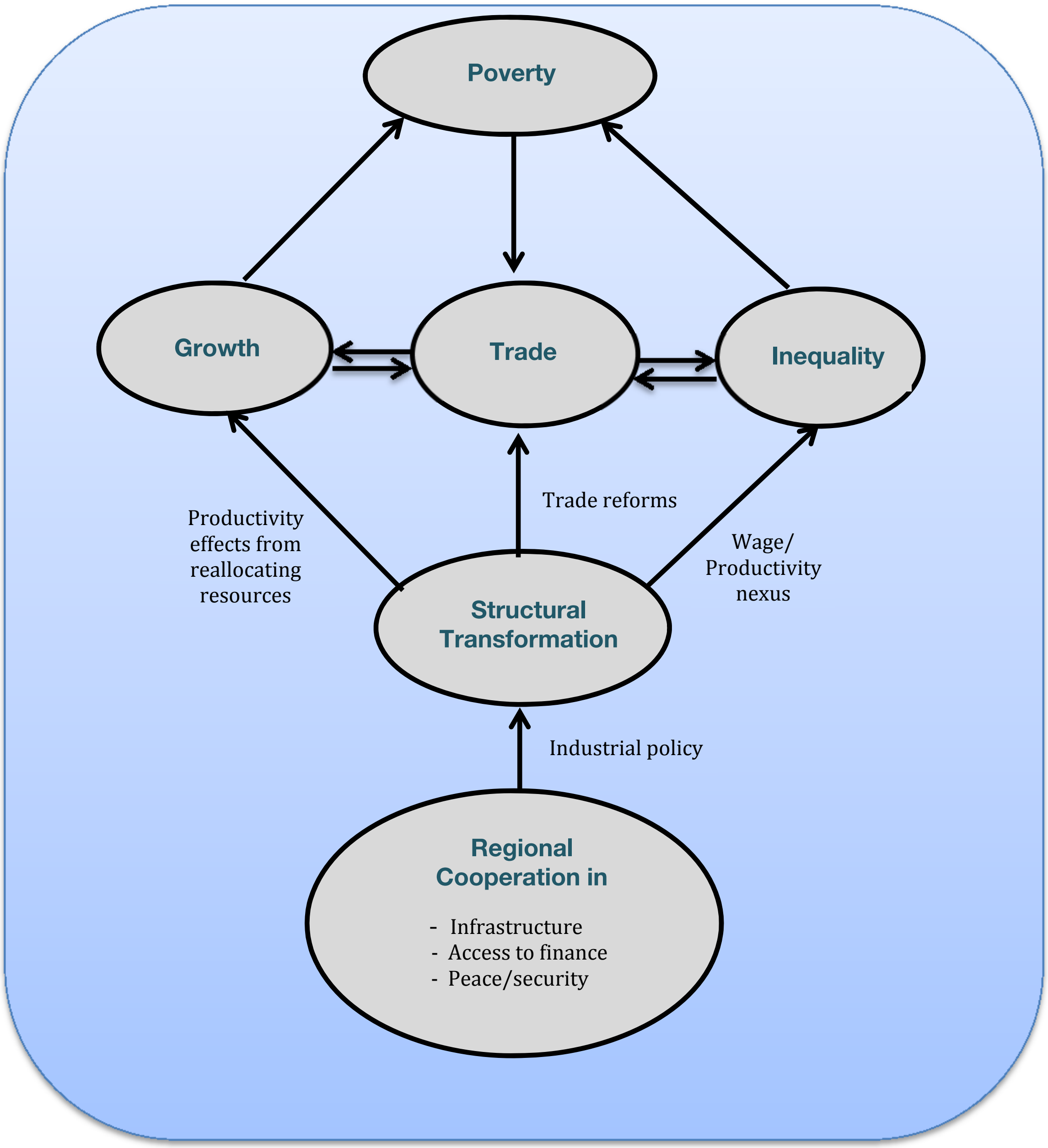
[1] The United Nations Economic Commission for Africa, the African Union and the African Development Bank produce an annual report on regional integration subtitled "Assessing Regional Integration in Africa" (see, for example, UNECA, AU and AfDB, 2013 and 2012). These reports provide very useful information on the status of integration in Africa. They also monitor progress by African RECs in achieving targets on trade and factor market liberalization and the achievement of economic and monetary union as proposed in the Abuja treaty. While these reports highlight the importance of diversification and building supply capacities, the analysis is conducted within the framework of the linear model of integration in which countries move from a free trade area to a common market and eventually to economic and monetary union. In this context, the approach adopted in these reports differs fundamentally from the framework of Transformative Regionalism discussed in this paper.

Transformative regionalism

As indicated in the previous section, a key development challenge facing Africa today is how to develop productive capacity and induce structural transformation to create employment and reduce poverty. Therefore regional integration should be specifically geared toward overcoming this development challenge and not to promote trade reform per se. To the extent that trade reform contributes to confronting the challenge it should be promoted but it should not be the focus of integration. In this context, what Africa needs is Transformative Regionalism rather than the Trade reform-centered Regionalism that has been adopted on the continent. Transformative regionalism refers to an integration approach that promotes and also ensures progress in building productive capacities and achieving structural transformation for sustained development. It differs from the trade reform-centered approach to integration in the sense that it begins with an identification of the most binding constraints to development in Africa and asks how integration can contribute to lifting or relaxing these constraints. In contrast, the trade reform-centered approach to integration assumes that trade barriers represent the main obstacle to promoting regional trade in Africa and that trade is the key to poverty reduction. Furthermore, in this framework the emphasis is on boosting the volume of trade and the implicit assumption is that the structure of production and exports does not matter as countries produce goods in which they have current comparative advantage. This contrasts with Transformative Regionalism which takes the lack of development of productive capacities and structural transformation as the key obstacle to promoting regional trade.

Figure 1 provides a framework to illustrate how Transformative Regionalism can contribute to achieving the ultimate development objective of African countries, which is to reduce poverty. Regional cooperation, for example in infrastructure, finance, and peace and security, can foster the development of supply capacities in an economy. When this is complemented with industrial policy it can induce structural transformation. Structural transformation coupled with trade reforms enhances trade, and this has an impact on growth and inequality which are two important sources of changes in poverty. Through promoting structural transformation, integration can also affect growth and inequality directly thereby contributing to poverty reduction. In particular, when regional integration induces structural transformation, resources move from low to high productivity activities thereby stimulating growth. If the increase in productivity is reflected in higher real wages it also contributes to a reduction in inequality and hence poverty. It should be noted that in this framework, poverty also has a direct impact on trade through reducing the capacity to produce and hence trade. Furthermore, in this framework trade reforms complement policies to build supply capacities and transform economies and are not the main focus of integration.

Figure 1: Framework for Transformative Regionalism



Source: author

For transformative regionalism to work in Africa it has to be strategic, coherent and pragmatic. It has to be strategic in the sense that it begins with an informed vision, specifies how to get to the vision, and provides clear indicators on how to monitor progress in achieving the vision. It has to be pragmatic in the sense that it focuses on what works and sets realistic targets and deadlines. It also has to be coherent in the sense that national and regional policies are consistent with the overall objective of integration. Another essential ingredient for success of transformative regionalism in Africa is that Governments have to lead the integration process but ensure that other stakeholders are active in the process. The active participation of other stakeholders will ensure that integration is not simply an intergovernmental affair. A recent study on private sector involvement in African regional economic integration indicates that although there is some evidence of participation, the RECs need to strengthen the role of the private sector in the integration process (Palm, 2011: p. 1). The RECs have established Business Councils but most of them do not have a private sector strategy and clear procedures for private sector participation. While getting the private sector more active in the integration process is desirable, it is important that Governments lead the process because most of the areas where there are challenges in integration (cross-border infrastructure, peace and security, access to long-term finance, and trade barriers) are areas where the private sector cannot provide effective leadership and direction in the integration process. In infrastructure for example, it has been very difficult to get enough private sector investments in energy and transport which are key obstacles to regional trade and investment (ICA, 2012). Without government leadership and intervention, these neglected infrastructure areas will not get required investments.

4. African Regional Trade Blocs and Transformative Regionalism

This section examines the extent to which existing frameworks and programmes on economic integration in African regional trade organisations are consistent with transformative regionalism. It focuses on three Regional Economic Communities namely ECOWAS, EAC and SADC (table 7). The three groups are among the eight RECs recognised by the AU and their experiences and challenges in the integration process are similar to those of other regional groups on the continent.

ECOWAS has 15 members and was established in 1975 to promote economic integration in the West African region. Over the past two decades, the region has experienced a significant increase in economic performance with real GDP growth rate increasing from 3.7 percent in 1995-1999 to 6.3 percent in 2008-2012. In addition, ECOWAS has made some progress in facilitating the free movement of people in West Africa (UNECA, 2012: p. 22). It has also made progress in the area of political governance as evidenced by the fact that, unlike in the 1970s, all member states today have democratically elected governments. Furthermore, it has a good track-record in promoting peace and security as alluded to in the previous sections of the paper. Despite these advances on political governance and security issues, performance in the area of economic integration has been weak at best as evidenced, for example, by the declining share of regional trade in the global trade of ECOWAS over the past two decades (table 2).

In recent years, ECOWAS has increasingly adopted measures that are consistent with some aspects of Transformative Regionalism. First, promoting economic transformation is now a priority issue for ECOWAS and several actions have been taken by the sub-region recently to promote transformation. For example, ECOWAS published the West African Common Industrial Policy in 2010 with a view to diversifying the production structure of economies in the region (ECOWAS, 2010a: pp. 1-68). In particular, the sub-region expects to: (a) increase the local raw material processing rate currently at an average of 15-20 percent to an average of 30 percent by 2030; (b) raise the share of manufacturing in GDP from 6-7 percent to 20 percent by 2030; (c) increase intra-ECOWAS trade from 12 percent to 40 percent by 2030; and (d) increase the sub-region's share of global exports from 0.1 percent to 1 percent by 2030. Second, relative to the 1970s/1980s ECOWAS now has a more strategic approach to promoting regional integration with a vision, an action plan to achieve the vision, and a mechanism for monitoring and evaluation. The broad vision as expressed in ECOWAS Vision 2020 adopted in June 2007 is "to create a borderless, peaceful, prosperous and cohesive region, built on good governance and where people have the capacity to access and harness its enormous resources through the creation of opportunities for sustainable development and environmental preservation" (ECOWAS, 2010b: p. 2). Third, ECOWAS is strengthening efforts to develop infrastructure and human resources with a view to enhancing supply capacities for trade and development. The ECOWAS strategic plan for 2011-2015 accords priority to the development of energy, transport and information and communications technology infrastructure. Furthermore, the Programme for Infrastructure Development in Africa (PIDA), developed by African regional organisations in 2010, has been adopted by African Heads of State and Government in 2012 as the framework for development of infrastructure on the continent signalling renewed commitment by the continent to improve infrastructure for development of productive capacities.

These measures indicate that ECOWAS is, in principle, promoting the development of productive capacities and structural transformation. But they do not mean that its regional integration approach has been transformative because Transformative Regionalism is not simply about establishing initiatives to promote productive capacity development and economic transformation. It also requires implementation of action plans associated with these initiatives and this is one of the areas where ECOWAS is facing challenges in the integration process. Transformative regionalism also requires progress in achieving established goals on structural transformation and as shown in table 4, ECOWAS has not had much success in transforming its production structure from dependence on traditional agriculture to dependence on manufacturing and/or modern services. While the growth of manufacturing value added in the sub-region rose from -2.2 in the period 1990-1995 to 2.9 in the period 2005-2012, the share of manufacturing in GDP fell from 9.6 percent to 5 percent over the same period. Another reason why the current integration approach in ECOWAS is not transformative is that it relies heavily on the linear model of integration which involves a progressive move from free trade area status to a custom union, a common market, and monetary and economic union. Consequently, the current approach has been geared more towards removal of trade barriers than the development of production capacities and structural transformation.

The EAC is a relatively small regional economic group with five members. It was first established in 1967 by Kenya, the United Republic of Tanzania and Uganda, and dissolved in 1977 due largely to ideological differences between its members and concerns about the unequal sharing of the benefits of integration. It was re-established in 2000 with the goal of widening and deepening economic, political and social cooperation among its members for mutual benefits. Its vision is to "attain a prosperous, competitive, secure and politically united East Africa" (EAC, 2011: p. 12). The EAC experienced an increase in growth from 4 percent in 1995-1999 to 5.7 percent in 2008-2012. Intra-EAC exports as a percentage of total exports also increased from 17 percent to 19 percent over the same period. It is one of the few RECs that have made significant progress in achieving targets in the integration process, particularly those on liberalization of trade and factor markets. For example, it established a customs union in 2005, a common market in 2010, and in November 2013, the leaders signed a protocol for the establishment of a monetary union. It is also one of the few RECs with a well-defined and comprehensive strategic framework for deepening and accelerating integration. Since its inception, it has had four development strategies outlining its goals, targets as well as how to achieve them, and indicators for monitoring performance. To support the integration process, the EAC fourth development strategy, covering the period 2011-2016, stresses the need to expand productive capacities to facilitate diversification and to develop infrastructure networks.

The EAC has also developed a long-term industrialisation strategy for the period 2012-2032. It identifies six strategic sectors that have to be supported to promote industrialisation, namely: iron-ore and other mineral processing; fertilisers and agrochemicals; pharmaceuticals; petro-chemicals and gas processing; agro-processing; and energy and biofuels. With regard to the building of productive capacities, the EAC has also elaborated plans for infrastructure development and financing. These facts suggest that the EAC seeks to promote the development of productive capacities and structural transformation. The challenge as with ECOWAS is that these initiatives are poorly funded and for the most part rarely fully implemented. It is therefore not surprising that regional integration initiatives have not had a transformative effect in the region. Although there was an increase in the growth of manufacturing value-added from 1.8 percent in 1990-1995 to 5.8 percent in 2005-2012, the share of manufacturing in output actually fell from 11 percent to 10 percent over the same period. If the EAC intends to achieve better results on economic transformation through regional integration, it has to strengthen efforts and devote more resources to implementation of the industrialisation agenda. So far, the focus as stressed in the EAC fourth development strategy has been on consolidating the customs union, implementation of the common market, and establishing a monetary and political union (EAC, 2011: p. 55).

Table 7: Regionalism in EAC, ECOWAS, and SADC

	EAC	ECOWAS	SADC
Vision	To attain a prosperous, competitive, secure and politically united East Africa.	To create a borderless, peaceful, prosperous and cohesive region, build on good governance and where people have the capacity to access and harness its enormous resources through the creation of opportunities for sustainable development and environmental preservation.	To build a region in which there will be a high degree of harmonization and rationalization, to enable the pooling of resources to achieve collective self-reliance in order to improve the living standards of the people of the region.
Framework of integration	Linear model of integration	Linear model of integration	Linear model of integration
Is integration approach coherent?	No, largely due to overlapping memberships of RECs. But the ongoing process of establishing the Tripartite FTA with COMESA and SADC is setting the stage for a more coherent integration agenda.	No. Overlapping memberships of RECs has made it difficult to have a coherent approach to integration	No, but the ongoing process of establishing the Tripartite FTA with COMESA and EAC is setting the stage for a more coherent integration agenda.
Is industrial policy used as an instrument?	The EAC has an industrialisation policy for the period 2012-2032	ECOWAS has the West African Common Industrial Policy	SADC has an industrial development policy framework
Is productive capacity development on the agenda?	Yes	Yes	Yes
Is there a strategy for private sector involvement in integration?	Yes	No	No
Progress in implementation of action plans on integration	Slow	Very slow	Very slow
Is regionalism transformative?	No, as evidenced for example by the fact that the share of manufacturing in GDP actually declined from 11 percent in 1990-1995 to 10 percent in 2005-2012.	No. For example, the share of manufacturing in GDP declined from about 10 percent in 1990-1995 to 5 percent in 2005-2012.	No. For example, the share of manufacturing in GDP declined from 19 percent in 1990-1995 to 13 percent in 2005-2012.

Source: author.

SADC is an offshoot of the Southern African Development Coordination Conference (SADCC) launched in 1980 by nine independent states in Southern Africa primarily to reduce economic dependence on South Africa. In 1992, SADCC was transformed into SADC with a view to promoting deeper economic cooperation and integration in the sub-region. It currently has 15 members. Unlike ECOWAS, its economic growth performance over the past two decades has been weak. It had an average growth rate of 2.8 percent in the period 1995-1999 and 3.1 percent in the period 2008-2012. It experienced a decline in the share of intra-regional exports in total exports from 15 percent in 1995-1999 to 12 percent in 2008-2012. As is the case with ECOWAS, promoting peace and security seem to have been a more dominant activity in SADC over the past decade than promoting economic integration in the sub-region.

In 2003 SADC adopted the Regional Indicative Strategic Development Plan (RISDP) as the blueprint for regional integration in the sub-region. It spells out the vision of SADC, its plans on how to get to the vision and how to assess performance. The key priority areas of SADC in the RISDP for 2005-2010 were: trade, industry, finance and investment; infrastructure and services; food, agriculture and natural resources; social and human development and special programmes; and cross-cutting issues. SADC has also unveiled an Industrial Development Policy Framework to guide and facilitate industrial development in the sub-region. Clearly, these initiatives indicate that SADC has made efforts to promote productive capacity development and structural transformation. It is also evident that it has not been successful in inducing structural transformation in the sub-region. For example, the share of manufacturing value added in output fell from 19.2 percent in 1990-1995 to 13.2 percent in 2005-2012. As with ECOWAS and EAC implementation remains a major challenge. A recent assessment of the RISDP for 2005-2010 concluded that its implementation is behind schedule because member states did not set aside resources for implementation at the national level (SADC, 2011).

In summary, over the past decade the RECs have all strengthened efforts to promote the development of supply capacities and structural transformation. But poor, and often lack of, implementation of action plans has made it difficult to achieve economic transformation in these RECs. Furthermore, the RECs tend to "put the cart before the horse" in the sense that trade and factor market liberalization has been the primary focus of integration efforts in these organisations and this diverts attention and resources away from much deeper issues such as the development of productive capacities and structural transformation. In addition, the setting of unrealistic targets coupled with overlapping membership of RECs with different ambitions on integration creates an incoherent integration agenda and makes it even more challenging to achieve transformative regionalism.

5. How can African Countries Promote Transformative Regionalism?

African countries have to adopt a more balanced approach to integration that prioritizes the need for economic transformation and pays as much attention to productive capacity building as with the elimination of trade barriers. The continent has several initiatives to build productive capacities and transform economies. These include the First Industrial Development Decade for Africa (IDDA I) covering the period 1982-1992, the Second Industrial Development Decade for Africa (IDDA II) covering the period 1993-2002, the Alliance for Africa's Industrialisation launched in 1996, the African Productive Capacities Initiative (2003/2004), and the Accelerated Industrial Development of Africa (AIDA) initiative adopted in 2008. There are also industrial development initiatives by RECS such as SADC, ECOWAS, EAC, and COMESA. A common feature of these initiatives is that they have so far not been successful in achieving the stated objective of economic transformation due in part to lack of implementation of the action plans. In this context, there is the need for African countries to move away from the establishment of initiatives and norm-setting to actual implementation. The design and use of a credible mechanism to monitor implementation of these initiatives will go a long way towards ensuring that African governments achieve their transformation objectives. The EAC has developed a useful scorecard to monitor implementation of its common market protocol that could be adapted by the African Union to monitor implementation of existing regional initiatives on productive capacities and industrial development (EAC, 2014: pp. 1-36).

There is a need for African countries to re-examine the role of the RECs in the integration process. Although most of them were set up primarily to promote economic integration, they are increasingly playing a more active role on peace and security issues. For example, over the past two decades conflict prevention, management and resolution have featured prominently in the activities of ECOWAS and SADC. Admittedly, peace and security is a necessary condition for economic integration, but it can be dealt with by other regional bodies (such as the African Union) to give the RECs sufficient space to focus on their main goal of economic integration. The AU developed the

African Peace and Security Architecture in 2001 to deal with peace and security issues. It consists of a Peace and Security Council, a Panel of the Wise, an African Standby Force, a Continental Early Warning System, and a Peace Fund. It also established a framework for post-conflict reconstruction and development in 2006. However, the effective implementation of the framework has been mired by resource constraints and the lack of a clear division of responsibilities between the AU and the RECs.

Promoting transformative regionalism also calls for rationalization of the RECs in order to have a more coherent integration agenda in Africa. It would also allow the continent to make more effective use of scarce financial and human resources in promoting programmes on integration and make dialogue between the AU and African governments much easier. Furthermore, it would facilitate alignment of the strategies of the African Union with those of national governments. In this regard, the recent effort at rationalization by COMESA, EAC and SADC is welcome and should provide impetus for other RECs to do the same with the ultimate objective of having only one continental organisation.

African countries also have to adopt a more pragmatic approach to regionalism and industrial development than in the past. More specifically, they should set realistic targets and deadlines and also avoid being caught-up in false dichotomies that often cloud the debate on industrial development. For example, the tendency has been for economists to couch the debate on industrial development in terms of a choice between the role of the state versus markets, export-oriented versus import substitution industrialization, agriculture versus industrial development, and resource versus technology based development strategies. Experience has shown that these choices are not mutually exclusive and have to be part of a coherent package to foster industrialisation. In addition, what works in one country at a given epoch may not necessarily work in another and so there is the need for each country to be pragmatic and use the policy combinations appropriate to its circumstances and realities.

Industrial policy plays a key role in achieving transformative regionalism. At the national level, it is necessary to ensure that investment goes to strategic sectors deemed crucial for structural transformation. It is also useful in unlocking private sector potential in an economy. At the regional level, industrial policy can also promote coherence across industrial strategies and policies of member states. But for industrial policy to work in Africa, governments must not only provide support to entrepreneurs but also challenge them to perform through establishment and enforcement of well-defined performance benchmarks. There is also the need for industrial policy to be consistent with other economic policies. For example, the stance of monetary policy must not be such that interest rates are so high that they deter productive investment. For this to happen, however, central banks have to balance the goal of maintaining price stability with the need to foster structural transformation for sustained growth and employment creation. In this regard, it is interesting to note that at a meeting of African Central Bank Governors held in Abuja in March 2014, they called for a review and an expansion of their mandate to include support of industrialisation and other development programmes of governments.

Consumers can also play a crucial role in fostering regional trade and industrialisation in Africa. In the discourse on regional trade and industrialisation in Africa, the tendency has been to focus on government policies and the activities of the private sector. But consumer behaviour is also crucial in achieving goals on regional trade and industrialisation. In particular, the consumption patterns and tastes of African consumers affect the kinds of goods that can be produced and traded profitably by domestic entrepreneurs. Most countries in Africa have a vibrant beer industry because people tend to buy beer produced by local breweries. Similarly, the food (particularly restaurant) industry in Africa thrives in part because there is local demand for the services they provide. It is therefore not surprising that the beer and food industries are the few industries on the continent that have not been severely affected by the deindustrialisation that has taken place in Africa over the past two decades. In this context, if African countries want to develop competitive industries and boost regional trade, consumers have to learn to appreciate and buy goods produced on the continent to create demand for such goods.

Success in promoting transformative regionalism also depends on the extent to which African countries are able to harness existing opportunities for industrial development that are currently not being exploited, particularly in agribusiness. For example, Nigeria produces 1.5 million tons of tomatoes each year and 60 percent of it rots due to lack of storage facilities as well as lack of processing into tomato paste. Yet, it imports $360 million worth of tomato paste per year. Nigeria also imports $200 million worth of juice each year despite the fact that globally it is the second largest grower of citrus fruit (African Business, 2013: p.14). Similar examples can be found in other African countries and they do underscore the need to strengthen efforts to exploit these opportunities. Clearly, this will require boosting investment, particularly in energy infrastructure, and also promoting technological innovation, both of which are important drivers of structural transformation.

History suggests that large economies have been drivers of successful regional integration efforts in other parts of the world (UNECA 2002: p. 4). In this context, the relatively large economies on the continent (Algeria, Egypt, Nigeria and South Africa) have an important role to play in making transformative regionalism work for Africa. They are already active in promoting peace and security. Nigeria was the driving force behind ECOWAS successful interventions in Liberia and Sierra Leone. Similarly, South Africa has been the driving force behind peace and mediation efforts by SADC in Madagascar and Zimbabwe. There is the need for the four large economies to also play a more active role in the provision of finance and cross-border infrastructure on the continent. They should also position their economies as growth poles in the continent and promote the development of regional production networks to catalyse trade and investment for sustained development in Africa.

6. Conclusion

African governments have a unique opportunity to make the 21st century an African century. The continent has had relatively good economic growth performance over the past decade and there has been a significant decline in the poverty rate. Nevertheless, there has also been an increase in the absolute number of poor people on the continent and employment creation remains a major challenge. Against this background, two issues will play a vital role in determining whether or not the 21^{st} century will be an African century. The first is the extent to which African governments can maintain peace and security and the second is the extent to which they can transform the production structure of their economies. Regional integration can contribute to addressing each of these challenges. It can foster peace and security and also catalyse investment in cross-border infrastructure which is crucial to enhance firm competitiveness and stimulate manufacturing development. So far, African countries have made significant progress in promoting peace and security through regional integration. But they have not effectively exploited its potential for economic development as evidenced, for example, by the existence of weak production and export structures in African countries and the low shares of regional trade in Africa's total trade.

This paper argues that regionalism can be made to work for Africa but that it would require a shift in emphasis from the current trade reform-centered integration approach to an approach based on Transformative Regionalism, in which regional integration promotes and also ensures progress in building productive capacities and achieving structural transformation for sustained development. In this context, the paper identified the key elements of Transformative Regionalism, examined the extent to which the current approach to integration adopted by African regional economic communities (RECs) are consistent with transformative regionalism, and also highlighted other critical elements of a credible policy package to promote regional integration in Africa. These include enhancing implementation of programmes and action plans, refocusing the role of the RECs on the goal of economic integration, doing away with false dichotomies that often cloud the debate on development in Africa, and recognising as well as exploiting the vital role of industrial policy and consumer behaviour in promoting regional integration.

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