

Insights

1 Editorial

2 News and publications in brief

36 WTO News

38 WTO Events

39 Calendar and resources

Features

4 Reconsidering the African regional integration paradigm

Colin McCarthy

8 Setting Development Agendas: Strategic Approaches to Regional Integration in Africa

Christoph Neufussler and
Alexandra Sauer

10 Supporting ACP producers and exporters in meeting EU standards for exports of fruit

Henry Hesse

16 An Outlook for all Africa to grow and overcome challenges ahead

David Hesse

18 The implications for Africa of the recent trade agreements between the EU and various non-traditional economic partners

Thomas Hesse

20 The impact of EU Regulation 1005/2008 on ACP countries

Henry Hesse

22 Supporting exporters and importers in trade facilitation

Christoph Neufussler

Reconsidering the African regional integration paradigm

Colin McCarthy

Since independence African governments have embraced regional integration and concluded a large number of regional integration arrangements (RIAs). Yet intra-regional trade remains comparatively low. Although the causes of the failure have been assessed extensively, little attention has been given to whether the basic paradigm that underlies the African approach to integration is appropriate.

The model of market integration pursued by African governments is characterised by a sequence beginning with the establishment of a free trade area, followed by a customs union, a common market, and finally an economic union with a currency union as the highlight. However, it is questionable whether this approach addresses the need for economically integrated countries, many falling in the (African) developed country (ADC) category to overcome the structural and social economic loss in catching up economically with the developed world.

To begin, a serious challenge has been in the very definition of the African continent, that integration is expected to counter the 'fact' that 21 sub-Saharan African (SSA) countries have a gross domestic product (GDP) of less than 20 billion US dollars, including 20 economies with a GDP of less than 10 billion US dollars. The expectation is that the elimination of trade barriers will create new opportunities for economic growth and competitive advantages. But integrating very small economies will not result in a regional and integrated market. Furthermore, imposing small markets will generate scale benefits of scale.

The Inclusion of SMEs

So far, in the form of a free trade agreement between the European Union (EU) by removing border barriers, leaving the customs duty. The truth is, however, an important barrier at the border but it can be questioned whether it is the most important one. While very difficult to analyse objectively, there is abundant empirical evidence that the aggregation represented at borders is perhaps more critical. This might be because of management problems at border crossings



or purely because documentation and procedures are not streamlined. For landlocked African economies, the aggregation is exacerbated by the need to cross multiple borders.

In addition to border barriers, many factors behind border crossings not addressed by formal RIAs exist that inhibit trade. Given the limited availability of cheap transport, no navigable inland waterways, the regional costs of trade are greatly too high. This is exacerbated by poorly developed transport systems that seek to develop a 'rolling' flow in transport, allowing goods to go, resulting in poorly developed cross-country connections and some of the highest transport costs in the world.¹

Furthermore, business contracts, even those as simple as orders to purchase or decisions to sell, require information on comparative prices and depend on fast and low cost access to reliable market information, including information on the creditworthiness of potential clients. Yet most SSA countries lack the skills and capital to establish and operate sophisticated modern communication systems and the limited use that will allow viable business publications to serve as a source of market information.²

Although these barriers also obstruct trade with the rest of the world, their impact on trade in the region is particularly pernicious. Furthermore, information on individualised markets is more readily available than information on business opportunities in the region. The lack of readily available information, high regional transport and communication costs, and poor transport links discourage businesses