# TIPS FORUM 2024

## SMALL BUSINESS, INCLUSIVE GROWTH AND INDUSTRIAL POLICY IN SOUTH AFRICA

## TITLE; Africa Continental Free Trade Agreement (AfCFTA) and Global trade

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# Abstract

At the 18th Ordinary sessions of the Africa Union (AU) in Addis Ababa Ethiopia, 2012, with the theme'' Boasting Intra-Africa Trade'' heads of State and government of Africa Countries agreed to establish the Africa Continental Free trade Agreement (AfCFTA). These agreements aimed at leveraging existing multilateral arrangements of the regional economic communities (RECs The AfCFTA mandated to harmonies trade rules and empower African countries to trade by providing a platform negotiating trade agreements and addressing matters of concern to member states.

The AfCFTA further lays a strong foundation for promoting Africa's trade competitiveness in the global market by promoting industrial development through diversification and regional value chain development. 'African economies and trade became structured aimed of serving as suppliers of cheap labor and non-value-added raw materials to the colonial economies and as markets for manufactured and value- added products. This has resulted to African marginalization and impoverishment with a one-sided dependency. The domestic policy environment has significant role to play in prompting AfCFTA.

This paper explores AfCFTA and Global trade. It assesses the economic sustainability of ACFTA in promoting and strengthening regional interstate trade among African member states. To be specific, a brief history and Quest for the AfCFTA and reviewed of literature of AfCFTA, trade policies in Africa and Global trade. History of the formation of sub- regional RECs with political dynamics in global power relations; Firstly, anti-colonialist fervour registered in the formative principles and rhetoric of African Unity (AU), or Pan- Africanism of continental alignment and registration of intent. Secondly a remarkable shift from continental geopolitical strategy to sub-regional economic zone of market- driven intra-state or international cooperation (Ansah, 2013)'

This paper also explores stages of Regional integration in Africa, their political formation and reasons for failure. It also explores potential impacts and linkages between AfCFTA and Global trade. It examine challenges and opportunities in strengthen regional and global integration in Africa. In addition the paper determines the economic and political implications of the intervention in relation to the rest of other economic blocs.It assesses institutional framework set to compliance to intra-trade facilitation measures and local industrial growth and protections. Finally, it examines expected benefits participating in AfCFTA, presents potential solutions and policy recommendations.

One significance contribution is that its drives Africa industrialization and economic diversification, creating jobs, reducing poverty, and enhancing resilience. This paper contribute creating new opportunities for firms to access larger markets, benefit from economies of scale, and participate in regional value chains . It stimulates domestic production and value added in agriculture, manufacturing, and services sector, where Africa has comparative advantages and innovation potential. This paper further boosting Intra-African Trade by eliminating tariffs and non-tariff trade barriers support industrialization and structural and facilitating the establishment of Special Economic Zone. Finally, it foster inclusive growth and sustainable development and advancing implementation of the 2030 Agenda for Sustainable Development and the African Union Agenda 2063.' Part of the methodology approach include desktop base research design and case study Secondary data sources include; published journal articles and opinion- from google- scholar using key words. World Bank data base was used to maintain authenticity and reliability of arguments. One key finding was Africa's contribution to world trade has not significantly improved.

A review progress made by RECs shows a less than average performance on continental level. Intra-African trade has not increased considerably when contrasted with intra-continental trade in Asia, EU, North and Latin America. The solution to Africa integration requires sound economic policies, strong political will focusing on local market, encouraging local production and consumption for flourishing local industrial development.  The low level of African integration require formulating and implementing sound economic policy instrument, demanding strong political will and understanding the dynamism of establishing a FTAs

**Key words;** Regional integration, Global Integration, REC, Intra trade, Trade liberalisation,

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Charles Turay a PhD candidate in Management and Innovation (USC) . A graduate in Development Economics, International Business and Development, Natural Resource Economist From The University of Parma, Bologna and catholic University of Sacref Heary Milan Italy

My research experience is in the area of Sustainable economic Development; resource governance , macroeconomic policy analysis; and industrial policy trade. I also have experience in econometric modelling and institutional development

My research profile enables me to lead and direct any social science and statistics related institution. i have research skills in macroeconomic modelling and survey research. I have successfully conducted research on the impact of the Global financial crisis on Microfinance Institution in Sierra Leone funded by Planet Finance Germany. I have successfully conducted research on Resource valuation and Decision finance by UNIBO. I have served the capacity Lecturer, Senir Lecture in the Department of Economics University of Makeni and Acting Dean of Academic Affairs

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I have done done series of publication, with Technical University of Munich (TUM), Land portal on climate change and land governance issues; I have contributed to a joint published report on the socio-economic impact of the Ebola Virus Outbreak in Sierra Leone. Current research interest on economic Growth, trade and industrial , Resource governance , Macroeconomic Policy Analysis and Circular Economy

Professional training includes; Nelga advance training on research communication , Aporde; training for development economists in collaboration with trade and industrial policy strategies (TIPS), plaas training on the political economy of land governance in Africa , training on urban resilience and environmental sustainability with un- habitant, public health improvement and trade access by IUTC, embedded entrepreneurship in africa management education; to name a few.

international conferences includes; APORDE Alumni Conference, international Youth land Governance conference for peace and security in Africa (CIGOFA3) ,Yilaa Foundation E-Learning conference on land governance; Economics Association of Sie, 16th Conference of the European Association for Education and Research in Commercial Distribution (EAERCD), PlaNet Finance Germany International conference on microfinance andsustainable development.PlaNet Finance, Globalization, Sectoral redistribution, growth and development to name afew.

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## 1.0 Background to the Study;

The introductory clearly show historical background of the AFcFTA, what the paper investigates, it contributions, methodological approach, key findings, recommendation and conclusion.

To effectively take advantage of the opportunities offered by trade in an open global market, developing countries has faced two major challenges. Firstly, is at the trade negotiation of ensuring issues pertinent to them make it onto the Agenda and favourable arrangements are secured. Secondly, the challenges of putting in place corresponding domestic policy environment and support systems to develop economy efficiency and market competitiveness necessary to effectively exploit the trade opportunities negotiated. The expansion of trade within the Africa geographical space has been avenue of growing and developing the economies of Africa countries.

At the 18th Ordinary sessions of the Africa AU in Addis Ababa Ethiopia, in 2012 with the theme'' Boasting Intra-Africa Trade' heads of State and governments of Africa agreed to establish Africa Continental Free trade Agreement ( AfCFTA) to alter the pattern of trade flow to boost intra-African trade, defend domestic markets from harmful liberalization, defend producers and promoting regional integration.

These agreements aimed leveraging existing multilateral arrangements of the regional economic communities (RECs); to provide a framework for trade liberalization in Africa, and to create more latitude for economic growth and development of Africa. The AfCFTA is mandated to harmonies trade rules and empower African countries to trade easily by providing a platform for negotiating trade agreements and addressing matters of concern to Member States. It also creates a single market for goods, and services, facilitated by the movement of persons to deepen the economic integration of the African continent. The AfCFTA has put in place mechanisms such as Adjustment Funds, to cushion State Parties as they navigate the complexity of opening up their markets.

The AfCFTA further lays a strong foundation for promoting Africa's trade competitiveness in the global market by promoting industrial development through diversification and regional value chain development. AfCFTA is linked to the hope of promoting trade in industrial goods, agriculture and services within Africa thus, improving opportunities for exports to the rest of the world. The AfCFTA expectation will help to accelerate the realization of the Abuja Treaty towards the creation of African economic community. In addition, correct the African anomalities in continental trade, and the current African trade patterns to reinforce the continent's reliance on the economies of developed markets.

Prior its establishment, African traders and rulers had established trading relationships with the Indian Ocean region, western Asia, and the Mediterranean world. African economies and trade has become structured serving as suppliers of cheap labor and non-value-added raw materials to the colonial economies and as markets for manufactured and added value products. This has resulted to marginalization and impoverishment of African nations, with one-sided dependency that remained unto date. In reality, it could also spurred fears of further marginalization of Africa and provides new entry points for more active markets integration.

However, Domestic policy environment plays significant role in promoting the AfCFTA. These policies, strategies, initiatives, and regulations include; Industrial Policy, Special Economic Zones (SEZs) revised policy, Strategy for Sustainable Growth, National Export Strategy, and Investment

Strategy for member State etc. These policies, strategies and regulations, seek to create conducive business environment for all investors.

This paper explore: the AfCFTA and Global trade with an emphasis on Africa's regional or global integration efforts and experiences. The history of the formation of sub-regional RECs with political dynamics in global power relations, This paper also explore the stages of Regional integration in Africa, their political formation and reasons for failure. The paper also explores potential impacts of AfCFTA and critically analyse linkages between AfCFTA and global trade opportunity for renewed interest into the GVCs and at multilateral and bilateral agreement. In addition, it examines expected benefits participating in AfCFTA, presents potential solutions and policy recommendations.

This paper further examines challenges and opportunities strengthening regional and global integration in Africa. It assesses institutional framework set to compliance to intra-trade facilitation measures and local industrial growth and protections. Finally, It's examine domestic policy environment, strategies and initiatives, that includes; Industrial Policy, Special Economic Zones (SEZs), Export Strategy, Investment Strategy in prompting AfCFTA.

One significance contribution of this study is that; its drives Africa industrialization and economic diversification, creating jobs, reducing poverty, and enhancing resilience. This study is creating new opportunities for firms to access larger markets, benefit from economies of scale, and participate in regional value chains. This study also Stimulate domestic production and value added, in agriculture, manufacturing, and services sector, where Africa has comparative advantages and innovation potential. The paper further contributes in boosting Intra-African Trade by eliminating tariffs and non-tariff barriers. It support industrialization and structural transformation, thus facilitating the establishment of Special Economic Zone,(SEZ) . Finally this study will foster inclusive growth and sustainable development thereby creating more jobs for youths, reducing poverty, inequality, and advancing the implementation of the 2030 Agenda for Sustainable Development and the African Union Agenda 2063.

The methodology approaches include; desktop research design and case study. Secondary data sources include; published journal articles and opinion- from google-scholar using key words. Additionally, World Bank data base on Global trade statistics used to maintain authenticity and reliability of arguments. One of the key finding was that Africa's contribution to world trade has not significantly improved. A review of the progress by RECs shows a less than average performance on continental level. Intra-African trade has not increased considerably when contrasted with intra-continental trade in Asia, EU, North and Latin America.

The solution to Africa integration requires not just sound economic policies, but also strong political will focusing on local market, encouraging local production and consumption for flourishing local industrial development. The low level of African integration require formulating and implementing sound economic policy, strong political will and understanding the dynamism of establishing Free trade Areas ( FTAs).

# 2.0 THEORETICAL CONTEXT;

On March, 2018, 44 African heads of state and government dignitaries signed a historic (AfCFTA) at the 10th Ordinary Session of African Union (AU) Heads of State Summit in Kigali, Rwanda (Asiedu, 2018). Since the establishment of the WTO in 1995, the AfCFTA is the largest fr**ee trade areas** (FTA), encompassing 1.2 billion people with over $4 trillion. The theme session; "Creating One African Market, falls under AU's Agenda 2063 Initiative (Asiedu, 2018). 11 AU member countries join the Agreement (Signe, 2018).

The AfCFTA become effective subsequent to ratification by the legislative houses of at least 22 African countries. The AfCFTA is now a trade agreement among 54 Africa Union nations. It main objectives to create a single market for goods and services, facilitate movement of persons, promote industrial development inclusive socio-economic growth, and resolve the challenges of multiple and overlapping memberships in RECs. The AfCFTA is expected to boost regional integration and intra-African trade, which currently low compared to other regions of the world

## 2.1 Critical Analysis; Trade Prior the establishment of the AfCFTA

Before the establishment of AfCFTA in 2019, Africans had been engaged with inter- and intra-Africa trade. Also prior the explorations African traders and rulers had established trading relationships with the Indian Ocean region, western Asia, and Mediterranean world. In pre-colonial Africa, local manufacturers already made items of comparable quality to goods from pre-industrial Europe.

European explorers hijacked trade to expand on the gains they made from the industrial revolution. [African economies and trade became structured serving as suppliers of cheap labor and non-value-added materials to the colonial economies and as markets for their manufactured and value-added products. Trade benefited the metropolitan nations while marginalizing and impoverishing African nations. African economies were fully integrated into colonial ones, resulting in a one-sided dependency that has largely remained unto date. The establishment of the AfCFTA is to alter the pattern of trade flow to boost intra-African trade; defend African domestic markets from harmful liberalization; defend our producers, and promoting regional integration. The Current African trade patterns reinforce the continent's reliance on developed markets;

This pattern of trade has made African exports have little or no value added as these exports come back to Africa as imports with high value added and with higher prices.

### 2.1.1 Why Africa need to integrate?

Africa continent is vulnerable and do not have the capability or market size industry is small. This underscored that to become competitive one need to increase the volume of production. I realty the market size determines our competition. Therefore countries come together to create larger market size to become competitive. After decolonisation, Africa liberators like Quami N'Kruma, Julius Nerereh, and Mohammed Gaddaffi had the vision for the unification of Africa, rebuilding economy and society. However, this vision was very difficult to achieve due to different colonial powers. According to (UNECA,2021), intra-African trade accounts for only 17% of Africa's total exports, compared to 69% for Europe, 59% for Asia, and 55% for North America.

The UNECA estimates that the AfCFTA could increase intra-African trade by 52% by 2022, and by more than double by 2035.

The AfCFTA can also drive Africa's industrialization and economic diversification, which are crucial for creating jobs, reducing poverty, and enhancing resilience. The ECA argues that AfCFTA can create new opportunities for African firms to access larger markets, benefit from economies of scale, and participate in regional value chains. It can also stimulate domestic production and value addition, in agriculture, manufacturing, and the services sector, where Africa has comparative advantages and potential for innovation.

On the other hand, AfCFTA also faces several challenges and risk, such as the need for supportive policy reforms, adequate infrastructure, effective institutions, and inclusive participation. To mitigate these challenges requires coordination and harmonization of trade policies and regulations across different countries and regions.

The AfCFTA also depends on the availability and quality of transport, energy, and communication infrastructure, which are often inadequate or unevenly distributed in Africa. Moreover, AfCFTA needs to ensure that the benefits and costs of trade liberalization are fairly shared among different groups and stakeholders. The AfCFTA is not a panacea, but a tool that can be used to advance Africa's development agenda, if implemented effectively and strategically. It can be a platform for dialogue and cooperation, if accompanied by a strong political commitment and a shared vision for Africa's future. The AfCFTA is a landmark agreement that aims to create a single market for goods and services, and customs union, among 55 African countries.

On the context of the agreement, According to Abrego et al.(2020), by the end of January 2020, 54 member countries of the (AU) had signed the agreement. Once fully implemented, the AfCFTA is expected to cover all 55 African countries, with an estimated combined GDP of US$2.5 trillion and a population of over 1.2 billion(IMF, 2020). The AfCFTA can support the realization of the continent's economic promise and has the potential to raise Africa's low productivity, promote higher investment, increase income levels and reduce poverty. The AfCFTA builds on negotiations of the Tripartite Free Trade Area that composed of the Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), and EAC.

One strategic objective, According to (Abrego et al, 2020 )is to create a continental customs union; expanding intra-African trade; promoting sustainable and inclusive economic development; It envisage creation of institutional structures for the elimination of non tariff trade barriers (NTBs), and facilitation of resolution of identified NTBs (Abrego et al, 2020).

### 2.1.2 **The impact of AfCFTA**

Some of The Positive Impact of the AfCFTA includes; boosting intra-African trade by eliminating tariffs and non-tariff barriers, a harmonizing standards and regulations. According to the IMF, the AfCFTA could increase intra-African trade by 33%, and Africa's total trade by 15%. The AfCFTA support industrialization and structural transformation by promoting the competitiveness of African firms, facilitating the integration into regional and global value chains. AfCFTA, foster inclusive growth and sustainable development by creating more jobs, and advancing the implementation of the 2030

On the contrary, some negative impact, include; tariffs as a source of income, or those that face strong competition from more efficient producers. Compensatory measures and reforms to mitigate the negative effects to ensure effective implementation and enforcement of the AfCFTA rules and obligations, and the resolution of any dispute that may arise.

The AfCFTA will also face challenges from existing RECs which may have different levels of integration and overlapping memberships. The AfCFTA will address the impact of external shocks and uncertainties; Covid-19 pandemic climate change, and geopolitical tensions, on the trade and development prospects of Africa. It is assumed that African nations with large manufacturing bases such as South Africa, Nigeria, Kenya, Egypt etc. would receive the most immediate improved benefits (Mangeni, 2018).

# 2.2 GLOBAL TRADE

## 2.2.1 Africa's share of global trade; and Global trade statistics

In the wake of open global trading, competitiveness is an indispensable requirement for market success. In the domestic economy, It is a critical factor in the growth of income level and poverty reduction. Despite the efforts made to improve the region's share of global trade, statistics from Africa Trade Report (ATR) shows that Africa's share of global trade has remained at less than 3 per cent for the last few decades (World Trade Statistical Review 2019). Africa's share of total world trade remained very low. Looking at their share in both export and import, Africa's share of export is the least among the major continental regions of the world. A Similar trend the import trade, making Africa's share of world trade the least among the rest of the regions. The worrisome aspect is that exports are largely primary products while imports are largely industrial and manufactured goods with high level of value added.

Trade liberalization within the past three decades has left Africa marginalized. The global trade statistics review 2019; show that Africa's contribution to world export trade was 2.5% in 2018 while its share of world import 3 % . Some of the reasons attributed to low performance includes; lack of industrialization, low manufacturing and value addition with most African countries having more than 80% commodity export dependence whereas the bulk of imports are industrial products and manufactured goods. The emphasis on global trade liberalization by WTO was to enhanced overall welfare [15] not favorable to African economies as trade liberalization benefits stronger economies more and leaves weaker economies at great disadvantage with removal of trade barriers.

Statistics from World Development Indicator 2001 show that tariffs form a substantial source of government revenue for low- and middle-income countries. It is widely believed trade is significant in fostering economic development. Free trade is hypothesized to stimulate competition, leads to improvement in output quality, boast production efficiency, and deliver favorable prices for final consumers among other things. It can create linkages in the production chain that can positively impact household income levels and poverty at grass roots. It has become increasingly clear that the benefits of trade are always guaranteed by policy measures and production condition in country. It is also important to note that free international trade can stifle promising firms and industries in attaining international competitiveness, thus constraining economic development in the countries concerned (Lall 1996, Amsden 1989). The need to balance effects of competition and demise domestic industry and associated economic impact underscore the need for careful trade policy analysis, formulation and implementation.

In an attempt to take advantage of opportunities by increased global market integration, many countries are part of various multilateral and bilateral trade negotiations aimed at securing favourable trade arrangement to boost economic growth and development in their countries. For developing economies to be able to exploit the opportunities offered by the global market, it's imperative that they develop economic efficiency and global competitive. Competitiveness emerged out of comparative advantage theory in recognition of the fact market competition is a dynamic process that depends on many production, marketing and management factors, which continually change and may be influenced through policy.

Competiveness is seen as the ability of firms, nations, or regions to produce and offer products in such a way as to generate rising factor incomes (OECD 1994), and as Scott and Lodge (1985) add, "on a sustainable basis" There is growing evidence developing economies are missing on numerous market opportunities due to domestic economic inefficiencies, low product quality and supply constraints. The establishment of AfCFTA can be driver for regional integration and industrialization, if complemented by other policies measures that address the structural and institutional constraints that hinder Africa's trade potential.

## 2.3 INTERNATIONAL TRADE POLICIES

1. restriction policy;
2. promotion policy;

The trade restriction policies are unfavorable or unsupportive trade instrument to importers. It main Objective is to protect local or domestic industries which affected by imported goods. On the other hand, promotion policies are favorable trade instrument to exporter's with the aim to promote domestic industries to export more to foreign countries. The two main trade restrictions policies have been the tariffs and non- Tariffs trade barriers. The most important types have been a tariff (tax levied) on the traded commodities as it crosses national boundaries.

One of several trade policies a country can enact. All nations impose some restriction on the free flow of international trade. The importance of the imposition of tariffs is importance for: Protecting Domestic Employment, Protecting Consumers, Infant Industries, National Security and Retaliation. Non-tariff trade barriers are restrictions to import not in the form of tariff. They are non-tax measures to restrict imports from foreign countries. They are restrictions that lead to prohibition, making the import of goods difficult and decrease market opportunities for foreign items. It can be in the form of laws, policies, practices, conditions, requirements, etc., specified by the government to restrict import.

The most common; import quotas; voluntarily export restraints, technical, administrative and other regulation In recent year NTTB have become more important than tariffs to the world trading system since end of WW2(Salvatore,1998:p260). Other examples includes; dumping, countervailing duties and safe guide measures. To be realistic, they have deprived underdeveloped countries due to the way they have been used.

- **Import and export quotas**

a direct quantitative restriction on the amount of commodities allowed to be imported or exported, they are mostly used by industrialized countries to protect their domestic agriculture and BOP. They are used to limit import to specified level with certainty involving the distribution of import licenses and also increase domestic production through increase demand which will increased the domestic price.. Export quotas are in the form of voluntarily economic restraints.

- **voluntarily export restraint**

This refers to the case where importing country induces another nation to reduce its export commodity voluntarily under the threat of a high trade restriction, when these exports threaten the domestic industry. They have been negotiated since 1950s by US, EU and other industrial nations to curtail export of textile, steel, economic Products from Japan, Korea and other nation (Salvatore, 1998)

- **dumping**

Dumping is the export of commodity at low cost. Japan has been sued for dumping computer commodities in the 80s. Japan was banned in the US and around the world (Salvatore 1998).

The question is where can japans and other developed country dump their product? Africa remains the only answer. Second hand clothes from Europe and US, precondition cars from Japan and developed industries are dumped in some Africa countries at cheap price. This has retarded the textile industries, hampering car making industries and endangering the environment from emission of pre-conditions cars and waste. In fact the problem of dumping is cited as one of the causes of increased global warming.

- **export subsidies**

this are direct payments of the granting of tax relief and subsidized loans to the nation exporters or potential exporter and low interest loans to foreign buyers to stimulate nation export. Though illegal, many nation provides in disguised. One most crucial subsides in economist publication is the one used to subsidies farmers in the first world. Most charity organization often criticized the high subsidies as it , destroying opportunity for farmers in poor Africa countries. [13] Posit that trade policy measures are typically targeted at the tradable goods and services sector In the 1960s and 1970s when most African countries had their independence, African economies focused on interventionist and protectionist trade policy regimes.

From1980s, the focus of trade policy focus on trade liberalization. African countries galvanized to spur growth and seize trade opportunities to develop the continent. The Lagos Plan of Action 1980 and the Final Act of Lagos (FAL) 1985, was the first major blueprint for Africa's development (Mzukisi, 2007). 1991 Abuja Treaty of creating an African Economic Community (AEC), in strengthening and creating RECs; stabilization of tariff and other barriers to trade; establishment of a free trade area; harmonization of tariff and non-tariff systems; establishment of common market and the adoption of common policies; and integration of all sectors,

## 2.4 THE EUROPEAN UNION (EU) NEW TRADE POLICIES TOWARDS AFRICA: GSP+. EPA, EBA & CONOTNOU AGREEMENT

These new trade polices directed to Africa countries served as a source of anti-development that mere serve to perpetuate our dependency syndrome. They include generalize system of preference scheme (GPS+) , everything but arm (EBA), economic partnership agreement (EPA) and Cotonu agreement . GPS+ a System of trade preference with most Developing countries.

It involves reduction in tariff and Covers number of non sensitive products that do not compete with EU goods. It involves Free trade liberalization (non sensitive goods. In the GPS+ >700 products enter EU duty free based on the application of 27 key international convention (SD & Good governance).
In other words incentive given to LDC's to pay fewer tariffs; apply environmental and labor law.
Here Sensitive goods to EU producers are protected (ex. textile, iron & steel.
Everything But Arm (EBA) apply to Least Developing countries. It involves duty free from all products exceptions of arms, ammunition and drugs. Cotonu agreement is an agreement of EU with Africa, Caribbean and pacific (ACP).
This Agreement based on the Political dimension, new framework, Participatory approach, Poverty reduction and Reforms of financial cooperation. The priority was on Agriculture. 80% trade liberalization for over 15 years which could have led to Vulnerability of developing countries infant industry. After the agreement has expired many negotiations did not concluded. Interim agreement signed. The economic partnership agreement is a new trade agreement.
One formal aspect of the agreement was development should be reciprocal. However, the EU never asks for reciprocal but always for concession because of the level of development.

## 2.5 ECONOMIC REGIONAL INTEGRATION IN AFRICA

The AfCFTA can be driver for regional integration and industrialization, if complemented by other policies and measures that address structural and institutional constraints that hinder Africa's trade potential After World War II, the process of economic globalization has been characterized by global and regional integration especially regional trade agreements**.**

Regional economic integration is concessional agreement among politically sovereign to ease interstate trade in goods, services and capital among members state through reduction of tariffs and non-tariff barriers among each other (Onyekwena and Oloko, 2016). It is a commercial policy to eliminate trade barriers only among nations joining together. It is sometimes referred to as regional integration among neighbouring nations (Kenton, 2023). Regional integration enhancing cooperation and coordination among countries share geographical proximity, historical ties, cultural similarities, or common interests. It can also be regarded as preferential agreement that reduces barriers to economic and non-economic transactions. It fosters trade, investment, infrastructure, security, and political stability. When regional economies integrate, trade barriers fall and economic and political coordination increases. However, economic integration exhibit range of degree that depends on the level of integration by member countries (Hailu, 2019).

The biggest question why Africa counties want to integrate? What are the reasons for the failure of economic integration in Africa?

### 2.5.1 STAGES OF REGIONAL INTEGRATION

Professor Bela Balassa(19610 formulated different stages of integration. its ranges from preferential trade agreement(PTA) to custom Unions . **Free trade** in political economy emanated from the influence of the 18th century writings of Adam Smith. Smith clearly advocated for free trade and popularized concept of Laissez-faire (a doctrine opposing governmental interference in economic affairs) in economics. Smith stated that "no regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain" (Hailu, 2014). "a policy by which a government does not discriminate against imports or interfere with exports by applying tariffs (to imports) or subsidies (to exports)". **In a free trade arrangement, tariffs** are significantly reduced, and some are abolished altogether. Each member keeps its tariffs regarding third countries, including its economic policy. The general goal of free trade agreements is to develop economies of scale and comparative advantages, promoting economic efficiency (Hailu, 2014).

**ii. Customs union.** The second stage of integration requires common external tariff maintained by its members. This stage **sets common external tariffs** among member countries, implying that the same tariffs applied to third countries. Custom unions are useful to level the competitiveness and address the problem of re-exports where importers can be using preferential tariffs in one country to enter (re-export) another country with preferential tariffs

**iii. Common market**. At the third stage of economic integration common market is formed, Here trade restrictions and factor movements like labor and capital are abolished (Hailu, 2014). The pursuits of economic integration can further lead to economic union, as distinct from a common market which combines the suppression of restrictions on commodity and factor policies, to remove discrimination due to disparities in these policies. Services and capital are free to move within member countries, expanding scale economies and comparative advantages.

**iv. Economic union (single market).** All tariffs are removed for member countries, creating a uniform market. There are also free movements of labor, enabling workers to move and work in another member country. Monetary and fiscal policies between member countries are harmonized, which implies a level of political integration. A more robust monetary union leads to a situation where a common currency is used, European Union (Euro).

**V. Political union.** This is the most advanced form of integration with a common government and where the sovereignty of a member country is significantly reduced. found within nation-states, such as federations where a central government and have autonomy over well-defined matters such as education, defence. As the level of economic integration increases, so does the complexity of its regulations. For political union to work, a set of numerous regulations, enforcement, and arbitration mechanisms needed to ensure importers and exporters comply rigorously pursued. The devolution of economic integration could occur if the complexity and restrictions it creates, including the loss of sovereignty, are no longer judged to be acceptable by its members. Example of states operating a political union includes the United States of America, Nigeria, Canada, etc.

## 2.6 REGIONAL ECONOMIC COMMUNITY AND POLITICAL FORMATIONS

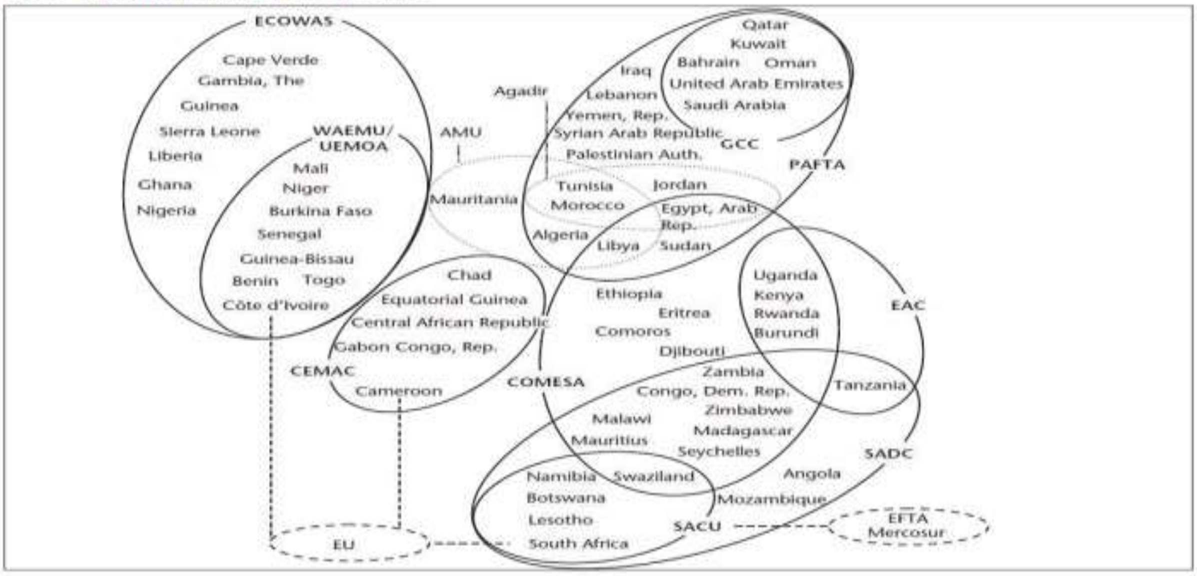
Ansah (2013) argued that the history of the formation of sub-regional RECs was largely influenced by two waves of political dynamics in global power relations. The first anti-colonialist fervour registered in formative principles and rhetoric of the African Unity (AU), African Fraternity or Pan-Africanism. Second being a remarkable shift from continental geopolitical strategy to sub-regional economic zone of market-driven intra-state or international cooperation (Ansah, 2013).

In the last thirty years of political economics have seen the rise of Regional Integration Agreements called Regional Trade Agreements or, Preferential Trade Agreement (PTAs**),** across continents and subcontinents, including Africa where they have been branded as Regional Economic Communities (Melo and Tsikata, February, 2014). Overtime, major changes in their structural formation has been observed. The North-South PTAs were remarkably prominent in the 1970s representing almost 60% of every PTA while the South-South PTAs accounted for only 20% . In 2010, over 60% of PTAs were South-South with North-North accounting for only one-quarter (Melo and Tsikata, February, 2014).

But more remarkable is the fact that in 2010, 58 African countries were participants in 55 PTAs, 43 were South-South and 12 were North-South. 31 of those 55 PTAs were cross-regional.

Figure 1 below depicts the **Regional arrangements of RECs in Africa** with geopolitical and cultural sensitivities:

Figure 1: Regional arrangements in Africa




Source: Acharya et al. (2011, Figure 2.18); WTO Secretariat.

The above depicted political and economic integration; Arab Maghreb Union (AMU); Economic and Monetary Community Central Africa (CEMAC), Common Market for Eastern and Southern Africa; (COMESA,}; East African Community (EAC); Economic Community of West African State (ECOWAS) ; European Free Trade Association (EFTA); European Union (EU), Gulf Cooperation Council (GCC); Pan-Arab Free Trade Area( PAFTA); Southern African Customs Union (SACU,), Southern African Development Community (SADC), WAEMU/ West African Economic and Monetary Union/ ( Melo and Tsikata, February, 2014, p. 3).

### 2.6 .1 2019 Status report of RECS

Leaders of African countries realized that integrated Africa is the hope of African development. African RECs( 8) are at different levels of economic integration . [12] Indicate that EAC members have a common market for labour, capital and goods. Some SADC partner states formed a custom union trade freely among themselves exception of Botswana that belong to monetary union. Some ECOWAS nations formed West African Economic and Monetary Union (WAEMU). The Central African Economic and Monetary Community (CAEMC) IS a custom union formed by some ECCAS members (Chad, Gabon, Republic of Congo, Equatorial Guinea and Cameroun).

### 2.6 .2 2019 African regional integration report;

The 2019 African regional integration report shows that some of the RECs have made significant progress while others are far from achieving their visions and goals, as specified in their founding treaties [7]. The 2019 index report shows that the overall integration level on the African continent is low with an average rank of 0.327 (on a scale of 0 – 1) with the highest integrated country (South Africa) scoring 0.625.

A review of integration performance of the RECs on trade integration, productive integration, macroeconomic integration, infrastructural integration and free movement of people , shows that the best of RECs (ECA) is a mere average performance.

Trade integration captures the openness of the economy in view of intra region exports and imports and determines the share of intra-regional trade. The poor level of industrialization, manufacturing and low value addition reflects the low trade integration of the RECs.

Furthermore, the highest performing REC in terms of trade integration is AMU with a score of 0.481 while SADC least performance with 0.340 as against the continental average of 0.383 [7]. Productive integration the least performance as the continental average is 0.201 and the regional best performance from AMU (0.449) while the worst from ECOWAS with 0.220. The poor performance of RECs on productive integration shows low regional networks of production and trade to enhance the productive, distributive and marketing capacities of individual countries to complement each other [7]. [1] argues that the conditions for industrialization have to intersect with the defensive interest where the key constraining factor for industrialization is demand. The argument is in favor of encouraging local production and consumption so as to create the economic space for a flourishing and bourgeoning local industrial development.

## 2.7 BENIFITS AND CHALLENGES OF REGIONAL INTEGRATION IN AFRICA

Regional integration benefits countries that are small and represent small markets. It enables the member countries to integrate markets, firms to expand and markets to be more competitive. An integrated market encourages competition among producers, provides benefits in production and more opportunities for specialization (McCarty. 2011). This will attract foreign investment to the region. A further benefit of Regional integration is increases bargaining power in multilateral negotiations. Building a collective bargaining capacity to negotiate effectively on multilateral trade negotiation fora is an incentive for participating in regional integration mechanisms.

Regional integration naturally increases market size and growth, influences the direction of foreign direct investment and encourages foreign investors to engage in member countries to trade freely and expand investment. Regional integration promotes peace and security among member countries. It evidence regional integration arrangements can promote regional peace and ultimately lead to political union. This is evident in the formation of the EU after the Second World War. Policy harmonization on important economic points requires discussion and common understanding, which is possible when there is good relationship between the member countries in the region.

Despite these benefits, there have been numerous challenges to Economic Integration in Africa. Firstly, the multiplicity of RECs leads to overlapping and often conflicting integration arrangements with the same region (Oppong, 2010). Economic disparities between different African countries make it difficult to engage in equal level of openness, and it cause delay in the adoption of decisions towards further integration. In addition, the lack of sufficient energy infrastructure impedes the development of trade and sustainable industries with poor road infrastructure, limits trade across member countries. Furthermore, there is lack of public participation discussing integration initiatives as decisions at continental and regional level largely adopted with limited participation and discussion at national levels.

## 2.8 REASONS FOR FAILURE OF ECONOMIC INTEGRATION IN AFRICA

Some of the reason for failure of economic integration in Africa ranges from Uneven distribution of nation wealth among member state, Countries unwilling relinquishing part of their sovereignty, the lack of transparency , communication, Complementary nature of economies and competiveness for world market for agricultural export. Lastly, Political instability

However, some of the conditions favourable for economic integration and the creation of custom union includes; Geographical proximity; Countries should closer to minimize transportation cost.

In addition, the Size of the countries forming the union should be greater in size to prevent trade diversion. Higher pre-union Trade Barriers of member countries for greater possibility that it will create trade among union members. Finally the Economies of member nation should be competitive

# 2.9 INDUSTRIALISATION IN AFRICA AND SPECIAL ECONOMIC ZONES (SEZs)

**Afri**ca industrialisation is central to Africa's development prospects. Africa has the potential to become the next global frontier for industrial development. Some of the documents fostering industrial developments of Africa include; SDGs, Agenda 2063, and the African Union's 2011 Action Plan for Industrial Development of Africa.

These documents identify industrial development as a foundation for inclusive growth, and the creation of decent jobs and many other development goals. For a decade, many African countries have enjoyed high levels of sustained growth, with industrial output doubling, in several cases. However, little research focused on the drivers of sustained growth and industrialisation. In addition, there has been little comprehensive analysis of industrial sectors in Ethiopia, Ghana, Tanzania, Zambia and Mozambique.

The biggest question is what are the challenges for Africa industrialisation? How can we address the problem of Africa industrialisation? Prof. John Sutton, in his publication highlighted the importance to improve effectiveness of multinational manufacturers and strengthening national investment agencies

### 2.9 1 THE STATE OF INDUSTRIAL DEVELOPMENT IN AFRICA:

Looking at the state of industrial development in Africa, African countries have demonstrated renewed commitment to industrialization as part of broader agenda to diversify economies, build resilience to shocks, develop productive capacity for high and sustained economic growth, create employment opportunities and reduce poverty. This renewed commitment is timely. The Hikes in food prices, energy prices Global financial and economic crisis, in Africa have been quite substantial. These crises have refocused attention on Africa's high vulnerability to external shocks

The Is urgent need for policymakers to diversify their production and export structure to build resilience to shocks.

AFRICA is currently least diversified and has made relatively slow progress. the export diversification index shows Africa; improved slightly from 0.61 in 1995 to 0.58 in 2009.Asia; it fell from 0.32 to 0.26 . Developing/Latin America fell from 0.36 to 0.33. Recent research has suggested economic development requires structural change from low- to high-productivity activities and that industrial sector is a key engine of growth in the development process. The high, rapid and sustained economic growth has been associated with industrialization, particularly growth in manufacturing production.

The current state of industrial development in Africa is weak and has not been improving with time. the share of African manufacturing in GDP rose from 6.3% 1970 to a peak of 15.3 % in 1990, and thereafter fell to 12.8% in 2000 and 10.5 % in 2008. The decline in contribution of manufacturing to GDP since 1990 has been observed in all sub regions of the continent.

In Eastern Africa, the share of manufacturing in GDP fell from 13.4% in 1990 to 9.7 % in 2008. In Western Africa it fell from 13.1% to 5% over the same period. Southern Africa, it fell from 22.9% to 18.2% and Northern Africa from 13.4% to 10.7 %.

## 2.9. 2 SPECIAL ECONOMIC ZONES (SEZs)

SEZs/ Industrial Free Zones allow governments to quickly build infrastructure (roads, reliable power supply, sewage and water treatment systems in one small delineated area. SEZs if properly implemented will lead to new technology, skills transfer, improve industrial productivity and competitiveness and open up international trade, thus, improved economic growth, , enhance market access, provide better services and overcome BOP problem.

SEZs have increased from 80 projects in 30 countries (1970s) to over 2000 projects in 120 countries in 2003.[1] Corresponding figures for exports value increase from US$6 billion to US$600 billion, respectively. Employment figures increased from 1 million in the 1970s to over 50 million for China and 30 million for the rest of the world in 2003. These figures are evident of the fact SEZs are widespread and have continued to grow in numbers in spite of increased liberalization of trade in recent years. SEZs have been gaining increased growth recently in Africa**,** as a strong pillar for economic growth. SEZs were recognized and adopted widely in the 1990s, as African governments try to imitate the rapid economic transformation of East Asian economies. SEZs are currently in 38 African countries of which Kenya had the highest zones at 61, followed by Nigeria (38), Ethiopia (18), and Egypt (10).

The Eastern Industry Zone and the Hawassa Industrial Park in Ethiopia, and Kigali Special Economic Zone (KSEZ) have attracted world-class multinationals in sectors ranging from automotive and aeronautics manufacturing to textile, and shoe production (AUC/OECD, 2019). The UNCTAD2014 world investment report highlights Ghana, Kenya and Senegal have ] successfully implemented SEZ. In West Africa, Burkina Faso, Côte d'Ivoire and Mali established cross-border SEZs across regions of Bobo Dioulasso, Korhogo and Sikassoto attract private sector investment in agro-industry, agribusiness and the mining sector.

## 2.9. 3 BENIFITS AND EXTERNAL POLICY FOR PROMOTION OF SEZs

SEZs, attract domestic and foreign direct investment, income generation and poverty reduction, It Promote and develop diversity of exports, generation t revenue and foreign exchange earnings. In developing countries, SEZs act as catalysts for policy reform and use of best practices in the production of goods and services; SEZs linkage local firms for raw materials, and capital equipment, enhance technological transfer, upgrading skills and employment creation; it enhance economic diversification in resource-based economies,

Many developing countries including Sierra Leone have made various trade agreements with multilateral, regional and bilateral trading partners which define external policy space for SEZs. SL SEZ Policy (2011 and 2022):, serve as a catalyst for creating employment, diversifying output and export; and accelerating industrial and economic growth . It provides road map for the development and management of all Special Economic Zones, guidelines, procedures and

[1]UNCTD SEZs

operational details for effective management of these SEZs.[2] On November 2018 Sierra Leone ratified with the AfCFTA agreement for the aimed of promoting trade liberalization in Africa.

## 3.0 RESEARCH METHODOLOGY

This research work is both a case study and a desktop base research design. The scope of the work is the West African region and its fifteen member states. In order to assess the economic viability of the Eco single currency for membership states, the researchers will employ the use of metanalysis for a review of related pieces on the subject matter. Secondary sources from previously published journal articles and opinion-based pieces will be sourced from google-scholar search engine using key words. The use of journal article is paramount in order to maintain authenticity and reliability of arguments. For the economic outlook of the West African region, World Bank data will be sourced for analysis and projections of economic convergence.

## 4.0 THE KEY RESEARCH FINDINGS

Africa's contribution to world trade has not significantly improved. A review of the progress by the RECs shows a less than average performance on the continental level. Intra-African trade has not increased considerably when contrasted with other intra-continental trade in Asia, EU, North and Latin America. It could be said that Africa is lagging behind. However, with the signing of the AfCTA and the commitment of the existing RECs in eliminating tariffs of 90 per cent and promoting free movement of people it is estimated that intra-regional trade will increase up to 20 per cent in the medium term.

The 2019 African regional integration report shows that some of the RECs have made significant progress while others are far from achieving their visions and goals, as specified in their founding treaties [7]. The 2019 index report provides up-to-date data on the status and progress of regional integration in Africa shows that the overall integration level on the African continent is low with an average rank of 0.327 (on a scale of 0 – 1) with the highest integrated country (South Africa) scoring 0.625. No African country can be considered well integrated in its region.

## 5.0 SUMMARY AND CONCLUSION

Regional Integration is seen as a tool for promoting trade and foster economic growth and stability in sub- Saharan Africa. The establishment of the AfCFTA is important for fostering trade among African countries by removing barriers and regulations that deter trade in the continent while at strengthen Africa's collective bargaining power in the world stage. Economic theory has demonstrated that intra-regional trade and economies of scale provide basis for regional infrastructural development, which facilitates integration and promote industrialization.

The process of economic globalization been characterized by global and regional integration (regional trade agreement). The solution to Africa integration requires more than just sound economic policies. it requires strong political will to focus on the local market, encouraging local production and consumption to create the economic space for a flourishing and bourgeoning local industrial development. The solution to the low level of trade integration in Africa does not only require formulating and implementing sound economic policy but demands strong political will and smart understanding of the dynamism of establishing an FTAs for economic and political diplomatic

[2]Sierra Leone's Special Economic Zones Policy (SEZs

manoeuvring . Focus should be made on trade liberalization promoted through the WTO with the mantra of better world welfare with global free trade. Focus on macroeconomic variable of actual inflation as against regional inflation target, and currency convertibility within the region. The free movement of people integration including willingness of countries to relax visa policies and allow free circulation of people. Thus, the following recommendations are proffered.

1. African countries should formulate their economic policies around AfCTA as a veritable means of achieving the benefits of the trade agreement.
2. Concerted efforts to strengthen institutions to ensure accountability and reduce corruptions in the continent should be pursued.
3. Break the stronghold of foreign powers to ensure total independence by reviewing most trade and economic agreements.
4. Sound economic policies and strong political will focusing on local market
5. Strong political will and understanding the dynamism of establishing a FTAs
6. Encouraging local production and consumption for flourishing local industrial development

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