Integration Along the Abuja Road Map:
A Progress Report

Abstract

This progress report of regional integration in Africa emphasizes three aspects of affecting the design and outcomes of regional integration initiatives: (i) the role of ‘depth’ versus ‘breadth’ and its implications for the provision of public goods;(ii); sources of conflict and dis-integration, and (iii) patterns of trade as revealed by simple before-after integration trade patterns and what these may imply for trade costs and for the development of new manufactures . Rather than emphasize progress at reducing trade barriers which have been surveyed elsewhere regularly, the narrative is built around ‘new’ literatures on the ‘roots’ of development and on ‘institutions and trade’. The literature on roots emphasizes the intergenerational transmission of development (biological and cultural). The literature on trade and institutions emphasizes that current-day trade, especially for manufactures, is determined as much by institutions as by the traditional technology and factor endowments. This perspective is relevant for the low-income African economies that have integrated along the ‘old regionalism’ paradigm built around an exchange of market access where the objective is to promote vertical integration.

The paper is organized around an evaluation of the two phases of integration that have taken place across the Regional Economic Communities (RECs) set up by the OAU. Comparisons are made with other integration initiatives across the continent (WAEMU and CEMAC) and three comparator groups: ANDEAN, ASEAN and MERCOSUR. Geographic and cultural (biological and cultural) characteristics at the REC level are built from country-level data and their dispersion contrasted at the REC level across RECs. Then the trade-off between ‘breadth’ and ‘depth ’ is evaluated in light of these characteristics. Evidence on the political dimension of African regional agreements are then reviewed, arguing that lowering the probability of conflict may have been the greatest achievement of African regional integration initiatives so far. A final section explores trade patterns before and after (5 years and 10 years) after the start of removing trade barriers and engaging in behind-the-border reduction in trade costs. These comparisons confirm previous findings of small trade effects with some reduction in the average distance-of-trade across most RECS, a suggestion that trade costs may have fallen. Comparisons of the average distance of trade for new manufactures relative to established ones also confirm a regionalization of trade for new products.
Acronyms and abbreviations

ADOT: Average Distance of Trade
ADR: Average Distance Ratio
AGOA: Africa Growth Opportunity Act
AMU: Arab Maghreb Union
AU: African Union
CEMAC: Economic and Monetary Community of Central African States
CET: Common External Tariff
CGE: Computable General Equilibrium
COMESA: Common Market for Eastern and Southern Africa
CU: Customs Union
DB: Doing Business (World Bank)
DOTS: Direction of Trade Statistics
EAC: East African Community
EBA: Everything But Arms
ECCAS: Economic Community for Central African States
ECOWAS: Economic Community of West African States
ESCC: European Steel and Coal Community
EU: European Union
FDI: Foreign Direct Investment
FTA: Free Trade Area
GCC: Gulf Cooperation Council
GDP: Gross Domestic Product
GSP: Generalized System of Preferences
LDCs: Least Developed Countries
MFN: Most-Favoured-Nation
NEPAD: New Partnership for Africa's Development
NTB: Non-Tariff Barriers
OECD: Organisation for Economic Co-operation and Development
PAFTA: Pan Arab Free Trade Area
PTAs: Preferential Trade Agreements
RECs: Regional Economic Communities
RoO: Rules of Origin
RTAs: Regional Trade Agreements
SACU: Southern African Customs Union
SADC: Southern African Development Community
SSA: Sub-Saharan Africa
TC: Trade Creation
TCI: Trade Complementarity Index
TD: Trade Diversion
TP: Trade Propensity
UEMOA: (WAEMU West African Economic and Monetary Union)
WDI: World Development Indicators
WTO: World Trade Organization
1. Preliminaries

This introductory chapter gives a bird’s eye view of the progress at regional integration in Africa over the last forty years focusing on progress since the second wave of integration agreements starting in the 1990s. It starts from the premise that the fragmentation of Africa into many States that are extraordinarily heterogeneous along several characteristics leaves the continent caught in a dilemma between ‘breadth’ of integration among many members by exploiting economies of scale and ‘depth’ or deep integration among fewer members, the former route overcoming the curse of small markets, the latter arguably conducive to greater provision of regional public goods. Most integration initiatives were (and continue to be) built around reciprocal preferential market access (i.e. Regional Trade Agreements (RTAs) or Preferential Trade Agreements (PTAs)).

Regional integration in Sub-Saharan Africa has its roots in the political forces determined by the colonial legacy which resulted in a configuration of States that exacerbated an already highly heterogeneous landscape, a great challenge for countries wishing to integrate regionally. These disparities also point to an implementation conundrum. On the one hand, potential gains from closer economic integration are large. On the other hand, realizing these gains requires policy coordination and scarce financial resources necessary for compensation among countries with large differences in per capita income. The establishment of supranational entities to carry out this integration requires a delegation of authority which in turn requires trust. This is difficult to obtain under any circumstance, but particularly so in Africa’s landscape of great diversity among neighboring countries (many ethnic groups and languages, resource-rich and resource-poor, coastal and landlocked).

The proposed approach towards pan-African unity and continental industrialization was to be by the division of the continent into Regional Economic Communities (RECs) that would, through closer economic and political ties, constitute a united economy, the African Economic Community. In Africa as a whole, but in Sub-Saharan Africa (SSA) in particular, the RECs were to be the ‘building blocs’ of the hoped-for African Union in the immediate post-colonial era and now they are central for implementing the New Partnership for Africa’s Development (NEPAD). In short, the RECs were to be and continue to be the glue that will cement African unity. For this reason, we will usually assess characteristics and progress at the REC level even though there is widespread overlap across RECs (on average each country belongs to two RECs with several countries belonging to three RECs and Kenya to four) and integration did not always take place at the REC level (i.e. members of the francophone WAMU and CEMAC monetary unions are members of RECs but not RECs). (Since all RECs were built around a reciprocal reduction of tariffs and NTBs, PTAs, FTAs, RTAs and RECs will be used interchangeably here.). In addition, integration has also progressed around non-preferential trade arrangements aimed directly at promoting regional cooperation: security, humanitarian issues, agricultural research and other issues.¹

¹ The main groupings are: (a) Economic Community of the Great Lakes Countries (ECGLC) (1976) – DRC, Rwanda and Burundi, with a focus on cooperation on mining, agricultural research and energy; (b) International Conference on the Great Lakes (ICGL) (2000) – Angola, Burundi, Central African
Several annual reports from the Economic Commission for Africa (ECA (2012,2013,2014) and case studies in Brenton and Isisk eds. (2012) have evaluated progress at integration across the continent along different dimensions, some at the country or sector level (e.g. setting regulations for a sector at the REC level)\(^2\), others at the REC level (e.g. UNECA yearly reports) and yet others at the RTA level which do not always correspond to the RECs. In other contributions, Melo and Tsikata (2014) have emphasized how political motives and the uneven distribution of gains have trumped the traditional efficiency gains across Africa’s RECs. Newfarmer (2015) has masterfully shown how these integration efforts have fallen short of their ambitious objectives, yet concludes that provision of regional public goods has the promise to contribute to peace and prosperity across the continent.

This survey covers some of these themes through the lens of ‘depth’ versus ‘breadth’ in regional integration with a narrative built around ‘new’ literatures on the ‘roots’ of development and on institutions and trade. The literature on roots emphasizes the intergenerational transmission of development (biological and cultural). The literature on trade and institutions emphasizes that current-day trade is determined as much by domestic institutions as by the traditional technology and factor endowments. This perspective is particularly important for the low-income African economies that have integrated along the `old regionalism’ paradigm built around an exchange of market access where the objective is to promote vertical integration. This approach does not recognize the importance of services necessary to participate in global value chains (Baldwin (2011)). Neither does it give enough attention to the importance of the domestic and regional institutions needed to solve contract problems to get the economy to diversify towards the production of more sophisticated productivity-raising goods that are needed for Africa’s long-term development.

This progress report emphasizes three aspects of regional integration; (i) the role of ‘depth’ versus ‘breadth’ and its implications for the provision of public goods;(ii); sources of conflict and dis-integration, and (iii) patterns of trade as revealed by simple before-after integration trade patterns and what these may imply for trade costs and for the development of new products.

The paper proceeds as follows. Section 2 gives a brief review of the two phases of integration across the Regional Economic Communities (RECs) set up by the OAU

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\(^2\) See e.g. Jensen and Keyzer’s (2011) cost-benefit analysis of setting a milk standard in the EAC. This progress report will not address the issue of the appropriate level of regulatory standards in RECs nor of the trade-offs of upgrading regulatory standards to Western levels. Disdier et al. (2014) give evidence that the harmonization of technical barriers to trade by the Southern partner to the Northern’s partner’s standards increases its exports to the North and leads to trade deflection with the South.
and how integration along these RECs fits in the landscape of other regional integration initiatives across the continent. Section 3 describes key characteristics (geographic and cultural) of the RECs and PTAs covered later on, comparing these to those of three comparator groups: ANDEAN, ASEAN and MERCOSUR. Section 4 discusses design: the trade-off between ‘breadth’ and ‘depth’ along with a comparison of some legal provisions in African agreements compared with those in other South-South integration agreements noting the possibility of countries being caught in a capability trap. Section 5 covers the political dimension of African regional agreements, arguing that lowering the probability of conflict may have been the greatest achievement of African regional integration initiatives so far. Section 6 explores trade patterns before and after (5 years and 10 years after the start of removing trade barriers and engaging in behind-the-border reduction in trade costs. These comparisons confirm previous findings of small trade effects with some reduction in the average distance-of-trade across most RECs, a suggestion that trade costs may have fallen. Comparisons of the average distance of trade for new manufactures relative to established ones also confirm a regionalization of trade for new products.

2. Progress at integration across the RECs: A first look

An early phase of integration started during the first decades of independence under the Lagos Plan of Action, an initiative of the Organization for African Unity (OAU--now the African Union (AU) since 2002). Adopted by the heads of states in 1980 in response to the 1979 Berg report that advocated an outward-looking development strategy, this inward-looking initiative was built around three RECs: The Economic Community of West African States (ECOWAS); Common Market for Eastern and Southern Africa (COMESA), and the Economic Community for Central African States (ECCAS), and later, the Arab Maghreb Union (AMU).

This early phase of integration largely failed as the leaders of these young independent states, still establishing independence from their former colonial masters were reluctant to encourage the erosion of national sovereignty. As reviewed by Melo and Tsikata (2015, table 1), with the exception of integration of the franc zone in the Central African Economic and Monetary Community (CEMAC) and the West African Economic and Monetary Union (WAMU) under the aegis of their former colonial power which allowed them to share a convertible currency guaranteed by the Banque de France, implementation never reached the Free Trade Area (FTA) status, let alone deeper integration like a common currency. A reason for the lack of effects of preferential access was the lack of compensation funds at the regional level.  

Regional cooperation began in earnest with the Abuja Treaty (operational in 1994) that created the Africa Economic Community (AEC) that was to culminate in an African Union through variable geometry whereby the RECs would integrate at different speeds following a ‘Minimum Integration Program’ along six stages) for the eight RECs listed in table 1. As recognized by ECA in its yearly reports, progress has

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3 Foroutan (1992) gives examples of how, in the absence of central funding to compensate losers from integration in West Africa, the ‘protection needs’ of the industrial products of the least-advantaged partners were met by preferential customs duties (e.g. the ‘taxe de cooperation régionale’).

4 The six successive stages (number of years in parenthesis) set up at the Abuja Treaty are : (i) strengthen the RECs (5); (ii) eliminate tariffs and NTBs (8); (iii) FTA and CU in each REC (10); (iv)
been slow. UNECA (2012:13) notes “...despite current initiatives, results remain mixed. Whereas certain RECs have achieved tangible outcomes...others have had relatively disappointing results”. The report underscores difficulties in harmonizing, monitoring, and assessing projects and programs designed to boost integration. While some regions have made considerable progress in setting up FTAs (e.g., COMESA, EAC, and SADC), others have lagged in varying degrees (e.g., ECOWAS, IGAD) (Table XX). Eliminating tariffs and nontariff barriers has been particularly difficult. Moreover, REC administrations have had difficulty in pursuing implementation of agreements, implementation shortcomings suggestive of a ‘capability trap’ (Pritchett et al. (2010)).

Table 1 shows the aspired coverage across each REC along with a recent index of progress at regional integration put out by ECA. All RECs listed in table 1 have ambitious and wide-ranging objectives that reflect the desire to accommodate the heterogeneity of interests across members. To give some examples, in addition to promoting industrialization, the objectives include harmonization of regulations and policies—Agadir Agreement; monetary unions—COMESA, EAC, Gulf Cooperation Council (GCC); promoting democracy (SACU) and expanding the development of the least-developed members—Pan Arab Free Trade Area (PAFTA) and Southern African Customs Union (SACU). With 11 of its 15 members LDCs, ECOWAS has great heterogeneity. Nonetheless, the ECOWAS treaty calls for the establishment of a West African parliament, an economic and social council, and an ECOWAS court of justice to enforce community decisions. The community is also formally assigned with the responsibility of preventing and settling regional conflicts, which clearly indicates the importance of political objectives.

Two other regional arrangements, WAEMU/UMEOA and CEMAC are also included in the table even though they are not recognized as RECs by the OAU because they are the only RTAs that have reached the stage of a common currency, an objective of several other RECs. All WAEMU members are part of ECOWAS (see figure 1) and all five members of CEMAC are part of the larger ECCAS 11 member grouping (not represented in figure 1 but covered in table 2). Both represent cases of deep integration.

Asterisks denote objectives that appear to have been achieved across members. CEMAC WAEMU and SACU have achieved customs union status (with SACU the only one where customs revenues are collected centrally). All three share a common currency and convertibility and have had colonial linkages (in 1910 in the case of SACU). No other asterisks either because of lack of sufficiently reliable data on a comparative basis (services, Intellectual Property, Government Procurement, dispute resolution, Investment) or because the status has not been reached, i.e. FTA or CU status for COMESA and ECOWAS. 5

continental CU (2); (v) continental CM (4); (vi) Continental economic and monetary union (5) with stage (iv) to be reached in 2017.

5 This attribution is subjective since all RECs and RTAs have some NTBs though in the case of ECOWAS, very little has been achieved to eliminate obvious NTBs (see Melo and Ugarte (2012) or Von Uexkull (2012)) in the case of ECOWAS, a CU with the same CET structure as the EAC was established in 2009, but the exception list to the CET was over 1000 product lines at the HS-6 level but see the upbeat interview by the Secretary General here http://www.ictsd.org/bridges-news/trade-negotiations-insights/news/launching-the-comesa-customs-union-the-secretary
The last row of table 1 display an index trying to show progress at integration at the REC level over the 2000-14 period. The index is an average of indicators of progress at the country level, itself an average of five subcomponents (regional integration, regional infrastructure, productive integration, free movement of people, and financial and macroeconomic integration—see annex table YY). Even though there is no overlap in indicators across the sub-components, the values of this index are difficult to interpret since the period does not correspond to the dates when integration measures were carried out. Nor is country progress at integration at the REC level easy to interpret as countries are often in multiple RECs.

Table 1 here: Aspired Coverage across RECs and ECA index of Regional Integration

Finally to complete this tour of integration initiatives across the continent, the TRIPARTITE FTA (TFTA) involving 26 countries in the EAC, COMESA and SADC, initiated in 2008, was signed in 2015 and launched in 2016 (See table 2). It has for objectives: (i) removing tariffs and NTBs and implementing trade facilitation that will include a harmonization of rules of origin; (ii) applying the subsidiarity principle to infrastructure to improve the transport network; (iii) foster industrial development. However, to keep momentum going and to accommodate the diversity of interests among partners, what was going to be a ‘single undertaking’ to establish a proper FTA is at risk by the setting up of negotiating principles around a ‘variable geometry’ that will allow the co-existence of different trading arrangements. The result will then be small integrating effects, but this is probably the most that can be achieved under the circumstances where countries have limited implementation capacity and possibilities of compensation for adjustment are still non-existent.

3. The Landscape: Geographic and Cultural characteristics of RECs

The evaluation of African PTAs has routinely revolved around detecting Viner’s trade creation and trade diversion effects, often by comparing the evolution of trade shares around the time of integration. Three other important effects have largely escaped scrutiny. First, PTAs give rise to a terms-of-trade gains for members at the expense of non-members who have to lower their prices to protect market share in the integrating. Second, regionalism gives rise to dynamic gains through

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6 For example, Zimbabwe has a high score at productive integration in SADC because of its geographical proximity to other members, but a low score as a member of COMESA
7 Rules of origin (RoO) are necessary to prevent ‘trade deflection’ in FTAs—i.e. importing from the low-tariff partner and selling in the high tariff partner. Everywhere, RoO have been unnecessarily complex and to the benefit of the strong lobbies in the inefficient industries in the strongest partner in the FTA (see Erasmus et al. (2006) for an appraisal of RoO in SADC largely imposed by South African protectionist lobbies).
8 Baldwin (2011) summarizes the three ‘traditional’ effects emphasized in the literature as: (i) Smith’s certitude (unambiguous gains for the partner); (ii) Haberler’s spillover (terms-of-trade deterioration for the non-partners); and (iii) Viner’s ambiguity (the second-best aspect of discriminatory liberalization). He also notes a fourth effect due to the interaction between preferential and multilateral liberalization, i.e. the ‘building bloc’ vs ‘stumbling bloc’ debate.
9 Winters and Chang (200x) showed that the establishment of MERCOSUR resulted in an increase [fall] in the price of Argentine [US] exports to Brazil. Terms-of-trade effects may be less important in the context of African integration, but one could conjecture that Ghana would have to lower its prices to exports to Mali as Mali integrates with Côte d’Ivoire.
defragmentation (mergers), pro-competitive effects and industrial restructuring. Third, there is a need for compensation when partners are of very different size and or per capital income as peripheral countries lose activities because of agglomeration effects towards the center.

New trade theory models including firm heterogeneity give rise to gravity-type models that get considerable support in the data (up to 80% of the variation in bilateral trade accounted for by partner’s GDPs, distance and a few dummy variables like common border and common language) and have thus become a preferred tool to evaluate the effects of regional integration. In these models, relative country size for importers and exporters matters as they capture the observation that firms’ efficiency depends on market size, regional integration can lead to fewer, larger, firms operating on a more efficient scale are more important than factor endowment or technology differences. Measures of market size among integrating countries are important so they are included among the descriptive characteristics in table 2

Another literature on the roots of development reviewed by Spolaore and Wacziarg (2013) gives support to the importance of the inheritance transmission mechanisms via biological factors (genetic distance) and cultural factors (sharing a language) in explaining current performance. Both forms of intergenerational transmission have been found to be strongly correlated with current per capita income. They review evidence that the intergenerational transmission of human traits – biological and/or cultural—lead to greater distance between populations can thus lead to higher barriers to bilateral trade. They suggest that these characteristics matter more than location (geography) as determinants of current levels of development. Since income and trade are co-determined and trade patterns change slowly across Africa, table 2 reports measures of biological factors and cultural factors which may also be important for the development of institutions both at the national and regional levels. This recognition that institutions evolve slowly suggests that initial conditions are important determinants of the pattern of trade and subsequent path of domestic institutions.

Table 2 reports data on our sample of PTAs. It includes all the African RECs, and three other PTAs for comparison. Column 1 gives the name, type of agreement, year of initiation of negotiations and year of signature (the year of signature is used a the break point for the before-after comparisons reported in section 6). Column gives the

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10 Guiso, Sapienza and Zingales (2008) show that somatic distance (height, cephalic index and hair color) is negatively correlated with bilateral trust which in turn is negatively correlated with bilateral trade. Felbermayr and Toubal (2010) separate the preference channel from the trade cost channel on European bilateral trade and find that one-third of the trade cost effect is due to the preference (affinity) effect.

11 Nunn and Trefler (2015) give support to the view that current-day trade, at least in manufactures, is now considered to be largely co-determined by the quality of contracting institutions and technology and factor endowments. They report results on the correlates of bilateral trade in manufactures at the 2-digit ISIC level for a group of 83 countries that include the traditional Hecksher-Ohlin determinants of bilateral trade along with indicators of the contract-intensity (product-market, labor market, and financial markets) of sectoral production. These indicators of contract-intensity across markets, when entered interactively with indicators of governance are all statistically significant with several as important quantitatively as the traditional indicators of comparative advantage.

12 Comin, Easterly and Gong (2010) show the persistence of differences in technology over long periods of time as significant predictors of current income and Ashraf and Galor (2013) uncover a hump-shaped relation between genetic diversity and current per capita income.
number of members in brackets and indicates if they are landlocked, an indication of potential conflict of interests among members. Columns 3 to 8 report indicators of geography and culture at the REC level and columns 8 to 10 indicators of natural resources, country size and per capita GDP. All data, when available, is for 2010. Boxplots of these indicators are reported figure 2 (the number of countries included in each boxplot is recorded next to the PTA). The same data is also reported for the three other South-South RTAs: ASEAN, ANDEAN and MERCOSUR.

Table 2 here: Characteristics of Africa’s RECs

Start with economic size (figure 2a). There is great dispersion in size within all groups, even in the small groups with a pronounced right-skewness (a few large countries and many small countries suggesting that the interests of small countries will not carry the day which in terms of trade policy means that external trade policy when integration moves beyond FTA status will be more protectionist. This observation carries over to the three comparator RTAs as well. With the exception of the EAC (5), the dispersion in per capita income is also great within most all RTAs. Combined with the dispersion in economic size, these large dispersions suggest that any deep integration will necessitate large within-RTAs transfers. Barring budgetary means to do so, countries will naturally try to find ways to avoid deep integration.

The measure capturing natural capital is very approximative since the share of fuels, ores and metals in total exports is an outcome variable, i.e. it depends on a country’s policies. Nonetheless, this indicator too shows great dispersion within most RTAs since the share of these products in total exports typically ranges from 10% to 80% within each RTA. Here again, EAC shows less dispersion, and IGAD is the RTA with least dispersion in this proxy for natural capital. ASEAN and ANDEAN also show relatively small dispersion in this proxy for natural capital.

Figure 2a here: Box plots for size and geography measures of table 2
Figure 2b here: Box-plots for Culture and Genetic distance measures of table 2

Taking as a point of departure that differences in performance (i.e. per capita GDP) last for very long time (at least several centuries according to the estimates summarized in Spolaore and Wacziarg (2013) and hence that trade patterns are also may also display persistence, figure 2b displays the within-group measures of biological and cultural diversity. Because these measures are not so familiar, the range of values of these indicators in the full sample of XX countries is also displayed on the bottom of each box-plot (measures for EC-15 to be added).

The measure of genetic distance, $F_{st}$, is measured between pairs of countries within each PTA and its average value across pairs is presented in table 2. The measure presented here, $F_{st}^W$, is weighted by countries subpopulations. It captures the length of time since two populations became separated from each other.\textsuperscript{14} Ethnolinguistic

\textsuperscript{13} However, Venables (2011) shows an FTA between a landlocked (L) and a coastal (C) country can give rise to trade creation for L and to trade diversion for C if both are price-takers on world markets as the terms-of-trade improves for L.

\textsuperscript{14} To give an order of magnitude of the dispersion across groups, the greatest genetic distance in the sample is 0.4573 between Mbuti Pygmies and Papua New Guineans at 0.4573 while the smallest is between Danish and English (0.0021). As emphasized by Spolaore and Wacziarg (2012, p. 18) genetic distance provides no effect of genes on productivity (i.e. a ‘genetic effect’). Rather it is a measure of
fractionalization (ELF) measures captures ethnolinguistic cleavages and is maximized when each individual belongs to a different group while POL measures political cleavages by comparing the relative size of different groups and it takes a maximum value when two groups are of the same size.

A look at the box-plots shows similar levels of dispersion on the political cleavage (POL) and ethnolinguistic (ELF) indicators across RTAs with inter-quartile ranges of the same order of magnitude, though very different values for the median across RTA groups. By contrast, the dispersion in the patterns of genetic distance vary greatly across RTAs. Even though there is evidence that genetic distance is negatively correlated with trust which, in turn, is negatively correlated with bilateral trade, it is difficult to conclude on the extent of trust (and on its importance for the success of regional integration) from these data. In this respect, Spolaore (2015) notes that the European project of integration was built the expectation that different European populations and policy-makers, by learning to interact and cooperate on economic and institutional matters would generally converge in values, norms and preferences leading to an “endogenous” reduction in “heterogeneity costs” to facilitate further integration in more sensitive political areas.

4. Design and implementation in the RECs: Breadth vs. depth

Small fragmented and isolated economies with resources distributed very unequally among them make a compelling case for African countries to integrate regionally to reap efficiency gains, exploit scale economies, and reduce the thickness borders of borders. Moreover, until recently at least, regional integration in Africa was founded on a 20th century exchange of market access at the expense of outsiders along the linear model of integration (goods markets followed by factor markets and monetary integration) of colonizers. With the reduction in trade costs and the subsequent fragmentation of production, 21st century regionalism is about a new bargain: an exchange of domestic market reforms for FDI—which brings home the services activities necessary to participate in the global value chain. In this new environment, where trade is trade in tasks and involves increasingly an exchange of intermediate goods, protection—or-exchange of market access—amounts to depriving oneself from participating in global outsourcing. It is against this changing background that Africa’s “old regionalism” building on exchange of market access has to be evaluated.

Indeed, serious integration agreements are attempts between sovereign states to reciprocally renounce on some of States rights while confronting lobbying activities. Oates (1972) tells about the costs and benefits of common policies: a trade-off between the benefits of common policies which depend on the extent of cross-border policy spillovers and their costs, which depends on the extent of policy preference differences across member countries. Common decision-making internalizes the spillovers but it moves the common policy away from its preferred national policy (i.e. a loss of national sovereignty). In Africa, spillovers are important as transport and communications infrastructure are under-provided, but the ethno-linguistic diversity across ‘artificial’ borders suggests strong differences in policy preferences.
hindering the supply of public goods through the adoption of common regional policies.

The choices confronting African countries in their integration trajectories revolve around the relative emphasis to put on the “depth” of integration versus the emphasis on the “breadth” even if in practice both paths have been pursued simultaneously. More depth is bound to result in smaller membership as countries will face sufficiently different trade-offs in the delegation of authority to supra-national institutions that they will be reluctant to go ahead in large groups. In sum, opting for more breadth requires more compromises because of heterogeneity of membership. Greater depth is conducive to the provision of public goods while expanded membership (greater “breadth”) tackles the tyranny of small markets that has always faced African countries.15

An example of the contrast between ‘depth’ and ‘breadth’ is the relatively deep integration in the EAC region which involved initially integration among three members prior to an extension to five members in 2009 after customs union status had been reached in 2005. While this left the newcomers, Burundi and Rwanda with the obligation of adopting the ‘Sensitive item list of products exempt of the 3-band tariff schedule), they joined an CU with a relatively transparent trade policy where emphasis on removing NTBs was taken seriously. By contrast, integration in the much larger and heterogenous ECOWAS group has remained stuck as the ECOWAS Trade Liberalization Scheme (ETLS) adopted in 1994 is yet to be implemented.

To illustrate with orders of magnitude, consider the situation of Rwanda joining the 3-band (0%-15%-25%) EAC CET band and Liberia joining the 5-band (0%-15%-25%-35%) ECOWAS to be implemented starting in 2015. In the case of Rwanda, exporting firms were estimated to have had their exports boosted by between 5% and 10%. By contrast, consumers faced higher prices for consumption goods with poor consumers estimated to have suffered a 3.8% loss in real income because of higher prices for food imports.16 By contrast, except for an overall increase in tariff revenue of 19% (since most of Liberia’s imports were from outside ECOWAS) and a hefty loss in revenue for households of 3% for urban households and 6% for rural households.17

In the case of the EAC, the sensitive items list has XX products for which tariffs do not exceed XX%. By contrast for ECOWAS YY products, most of which were on Nigeria’s import ban list have tariffs of up to ZZ% and during an adjustment phase to last up to 5 years, .

15 At PPP prices, the combined GDP of SSA countries (including SA), is about 85% of Germany’s GDP
16 When moving to the CET, average tariffs on intermediates used by exporters were reduced from 12.5% to 7.3% Drawing on firm level exports and the change in the tariff schedule, after controlling for factors related to developments in the world economy, Frazer (2014) estimates that a 1 percentage point decrease in imported inputs was associated with a 1%-2% increase in exports implying an increase in exports for all firms between 5% and 10%. He also estimates that the increase in the tariffs for products consumed intensively by the poor resulted in a 3.8% decrease in real income.
17 These estimates coming from a representative national household survey assume a pass-through of tariffs changes to domestic prices of 0.3 and take into account that expenditures of urban households are more intensive in non-traded expenditures (e.g. health expenses and entertainment). Melo and Mancellari (2013) conclude that even though benefits from deeper integration might materialize, Liberia would be better served by a lower tariff than what was obtained under ECOWAS.
It is difficult to get an idea of the depth of regional integration in Africa as reports usually discuss progress in vague terms. While not an indicator of how far integration has gone in African regional integration initiatives, one can take a look at the provisions across the 100 RTAs registered at the WTO. Table 3a shows legal provisions that are covered in WTO negotiations, and table 3b shows that go beyond the mandate of WTO negotiations (e.g. competition movement of capital, Labor clauses, etc...). To ease comparison across RTAs, we classified RTAs into three categories: North-North (21), South-South (18) plus three African RTAs (COMESA, ECOWAS and SADC) and North-south (58) RTAs. For the measures covered in WTO negotiations, these are grouped into trade-related, investment-related and domestic obligations following the classification of Horn, Mavroidis and Sapir (2010) into those that are likely to be legally enforceable (LE) and those that are not likely to be legally enforceable.

Table 3a here: Landscape of Legal Provisions in WTO+in South-South & SSA PTAs
Table 3b here: Landscape of Legal Provisions in WTO-X in South-South & SSA PTAs

Table 3b does the same exercise for those provisions that are covered in the agreements but are not covered in WTO negotiations.

Figure 3: Labor Clauses in Regional Trade Agreements

5. The Political dimension of African regional trade agreements

PTAs are good politics, but to survive they must extend beyond unfilled good intentions and have a sufficiently sound economic basis. The prevalence of conflicts in Africa’s recent history, points to the importance of political motives in the region’s recent PTA history. As put by the government of Rwanda, its trade strategy is to promote ‘regional integration and cooperation’ (underline added) and in the case of ECOWAS, the Community of States has the “...the responsibility of preventing and settling regional conflicts”. Establishing a regional trade bloc can provide security and confidence to build the supra-national institutions that will deliver regional public goods as was done in the European Community over a half-century starting with the European Steel and Coal Community in 1953.

The experience of RTAs around the world supports the view that economics and politics are complements (rather than substitutes as argued by the defenders of multilateralism). RTAs reduce the probability of war through two channels. First, trade-creating exchange takes place, increasing the opportunity of war. Second, as political scientists have argued, sufficiently ‘deep’ RTAs reduce information asymmetries as partners know each better. Then incentives for countries not to report their true options in an attempt to extract concessions are reduced. Discussions among members spill over to political issues diffusing political disputes that could escalate into political conflicts. These two channels reduce the probability of costly conflicts. By the same token, globalization which involves a shift of trade towards distant partners reduces this opportunity cost increasing the likelihood of conflicts. Martin et al. (2012) build these insights in a bargaining model where rational states will enter into an RTA if the expected economic gains from trade creation and the

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18 This section draws upon and extends Melo and Tsikata (2015)
security gains resulting from the decrease in the probability of disputes degenerating into war exceed the political costs of entering the RTA.

Martin et al (2008) find that increased bilateral trade deters bilateral war because it increases the opportunity cost of war while multilateral openness has the opposite effect. In subsequent work, Martin et al. (2012) find support for their theory of PTA formation: country-pairs with large economic gains from RTAs and high probability of conflict are more likely to sign an RTA. Although their data set covers mostly developed and semi-industrial countries rather than African countries, the findings should apply to the predominantly intra-regional African PTAs (that is why they are often called RECs) even though the opportunity cost of war would be small for countries that trade little. Viewed in this light, the costs associated with negotiating the deep African RTAs (SACU, CEMAC and UEMOA) have been borne by colonizers. Increased trade among members then raised the opportunity cost of future wars among members by increasing their inter-dependence.

In continuation, using the largest possible sample of countries and years (1949 to 2011), Mayer and Thoenig (2016) estimate extremely large trade creation effects of RTAs (percent increase in parenthesis: EAC(+213%): COMESA(+80%), SADC(+110%), estimates that must be beyond those that would be predicted from an elimination of tariffs and NTBs given the average tariff and the AVEs of NTBs for these countries. These effects are also very large relative to the change in intra-regional trade from the before-after trade shares in figure 4. From these estimates, they estimate that the EAC trade agreement has been a major contributor to peace in the great lakes region, the agreement leading to a predicted decline in bilateral conflict of 12% between country members for the reasons expounded above (increase in the opportunity cost of conflict when countries trade more intensively).

In the same vein, Guillaumont (2013) also reports that Franc zone members have had about half as many yearly conflicts as other SSA countries a suggestion that deep integration like sharing a common currency might be contributing to less conflict although much heterogeneity in the distribution of sub-soil assets in an RTA would raise the likelihood of conflict. One might be tempted to conclude from this evidence that reducing the likelihood of conflict (still high by international standards) might then be the greatest achievement of regional integration efforts in Africa

6. Trade patterns and their implication for trade costs

Under Africa’s linear integration model from goods markets to factor markets to monetary markets and to fiscal integration, the first effect to be expected is an increase in trade through three channels. The first is a reduction in tariffs; the second a reduction in NTBs, and the third, ‘trade facilitation’ harder to capture as it has two components: a ‘hard’ infrastructure component related to tangible infrastructure such as roads, ports, railroads, highways and telecommunications; and a ‘soft’

---

19 They include MERCOSUR, but do not consider ECOWAS, UEMOA or CEMAC among their RTAs in table 1 results so it is difficult to get an idea of the plausibility of these results in spite of their careful three-way fixed effects: importer-year, exporter-year and dyad. These quantitatively very large magnitudes are even larger than those reported by Limaõ (2016) using the same estimation techniques on a large sample covering the period 1962-2010. As suggested by Limaõ, these results based on an Average Treatment Effect, likely captures omitted effects, and possibly deep-integration effects beyond the removal of tariffs and NTBs.
component related to transparency, customs management, the business environment, and other institutional aspects that affect the ease of trading. Here we look at trade patterns across all the PTAs presented in table 2 focusing on the raw data using before and after comparisons. Because the effects of reducing barriers to trade take time and it may take time to see the effects comparisons are systematically carried out for 5-year and 10-year periods after the signature of the agreement. We start with the evolution of trade shares and trade-intensity indices in section 5.1, then look for indirect evidence that trade costs have fallen by measuring the average distance of trade before and after integration in section 5.2. The destination of new manufactured products are examined in section 5.3.

6.1 Intra and extra-regional trade Patterns

Table AXX reports three trade indices: (i) intra and extra-bloc shares for all goods; (ii) intra and extra-bloc trade intensity indices and (TII) and; (iii) trade propensity indices (TP) which are the product of TI indices and openness (imports/GDP). All indices are simple averages of indices at the country level at the PTA level. Table AXX also reports the period over which these indices were computed. Figure 4 reports before-and-after trade shares and before- and-after trade intensity indices.

Figure 4(a) shows the two components of a bloc’s openness to trade as measured by import shares: intra-bloc and extra-bloc shares. ASEAN stands out as the most open bloc with very an average openness to trade over 50% GDP. The share of intra-regional trade grows after integration but the extra-bloc also increases, albeit only slightly. The share of intra-bloc imports remain very low throughout for all African blocs with the exception of ECOWAS, WAEMU and SADC. Intra-bloc imports among the 3 founders of the EAC remain stagnant but the share of extra-bloc imports rises significantly by approximately 5 percentage points. In any case, for all African blocs, ten years on, intra-bloc imports hover in the 2%-4% range. A similar pattern is also observed for ANDEAN and MERCOSUR.

The intra-bloc intensities (on a log scale) are the ratio of trade shares (the share of intra-regional imports over total imports of the bloc to the share of extra-regional imports over total extra-regional imports). In most cases, whether it is in the aggregate or for manufactures, the TII indices rise substantially indicating a bias in trade patterns towards bloc members. For the periods around the agreement, the increase in the share of GDP spent on imports from members (intra-bloc) and on non-members (extra-bloc not shown in the figure) rose more than the share in nonmember shares in world trade.

This first peek at the data suggests a slight increase in overall openness but also a shift (i.e. bias) in trade patterns towards bloc members.

6.2 Gravity-inspired trade costs and the pattern of trade in new products
According to the gravity model, the volume of bilateral trade between countries depends on country size of the partners, and the relative costs of trading internally and trading externally with each partner. A country will become more open, i.e. trade more if the relative costs of external trade falls relative to the costs of internal trade and how this increase in trade will be distributed between partners will depend on how bilateral trade costs, \( \phi_{od} \), where o is for origin and d for destination, evolve. In a two-country setting gravity predicts:

\[
X_{od} = \frac{Y_o Y_d}{Y_w} \phi_{od} \quad ; \quad Y_W = Y_0 + Y_d \quad ; \quad \phi_{od} < 1
\tag{1}
\]

In the extreme, in a frictionless world, (i.e. \( \phi_{od} = 1 \)), gravity predicts that bilateral trade will be proportional to the partner’s GDP. In the case of integration at the regional level, one would expect that bilateral trade costs among the partners, \( \phi_{od} \), will be reduced more than trade costs with non-partners (though this need not be the case). If trade costs enter multiplicatively with distance, one would expect that preferential trade partners who want minimize trade costs would trade more with each other after integration in which case the average distance of trade, ADOT, would fall and in frictionless world, the average distance of trade (call it the potential average distance of trade ADOT\(^P\)) would depend only on relative GDPs size.

Since countries do not trade with all possible partners, a reduction in trade costs could also be expected to result in an increase in the volume of trade because of new products becoming profitable. One would also like to know if these new products (the extensive margin of trade) will be sold to closer partners (usually those with which a reduction in trade costs are likely to be the greatest). In this case the average distance of trade of new products, ADOT\(_{NP}\), will be less than the average distance of trade of traditional products ADOT\(_{TP}\).

The average distance of trade, ADOT, for country, o, with its trading partners (i.e. along the intensive margin) is given by:

\[
ADOT_{ot} = \sum_{o} \sum_{d} X_{odt} X_{wt} D_{od} \quad ; \quad X_{wt} = \sum_{j=1}^{n} X_{jt}
\tag{2}
\]

where \( X_{odt} \) are exports from origin country, o, to destination country, d, in period t, \( X_{wt} \) are exports of country o in t to the world, and \( D_{od} \) is bilateral distance between o and d. This measure reflects the effect of trade costs, and other factors, on a country’s trade.

If there were no trade costs, the potential average distance of trade in a period for o in period t, ADOT\(_{ot}^P\) would be the volume of trade predicted by GDPs and distance between partners i.e. the gravity-predicted bilateral trade in a frictionless world where the volume of bilateral trade is proportional to the product of the countries GDPs (as shown in (1) and repeated here for convenience):
\[
ADOT_{ot}^P = \sum_o \sum_d X_{odt}^o D_{od} \quad X_{wt}^o = \sum_o \sum_d X_{odt}^P \quad X_{odt}^P = \sum_o \sum_d \frac{Y_{odt}}{\gamma_{wt}} \tag{3}
\]

If there is no change in partners (changes in trade volumes at the intensive margin), this potential measure will change only as a result of changes in the dispersion of incomes around the world. It will be maximal if all countries have the same size and will increase if there is convergence (low-income partner growing faster). So, in a gravity world, a higher potential trade for a group of countries simply means less dispersion in economic size in that group. It can also be shown (see e.g. Anderson (2011)) that smaller countries will be more open (i.e. have a higher trade-to-GDP ratio), that larger countries will have larger market shares everywhere, and in multi-product setting the world is more open if countries are more specialized so increased specialization would lead to an increase in the \(ADOT^P\).

Since we are interested in comparing the actual and frictionless predicted trade at the REC level, we take averages over all members of the REC:

\[
ADOT_{REC}^t = \frac{1}{m} \sum_k ADOT_{kt}^t \quad k = 1, \ldots, m \quad ADOT_{REC}^{P,REC} = \frac{1}{m} \sum_k ADOT_{k,REC}^{P,REC} \quad k = 1, \ldots, m \tag{4}
\]

Closer integration among RTA partners in a region as the result of reduced tariffs and NTBs should then lead countries to trade more with their partners so the average distance of trade should fall unless Then, if gravity is an adequate description of the volume of bilateral trade, the ratio of actual to potential trade should fall as trade costs are reduced (unless the potential distance of trade were to increase more than trade costs were to fall because of new more distant partners, which is unlikely). Call this ratio the average distance ratio (ADR)

\[
ADR_{REC}^t = \frac{ADOT_{REC}^t}{ADOT_{REC}^{P,REC}} \tag{5}
\]

A (more ambitious) alternative would be to calibrate trade costs from a gravity model. This had been done successfully for OECD country by Novy (2013). Arvis et al. (2016) also carried out a similar calibration for 146 countries over the period 1996-2010 requiring strong assumptions, especially about assembling the data set .\(^{20}\) For this reason, here we do not go beyond the comparison of actual and frictionless as revealed in the raw data and refer to the implied trade costs captured by changes in the ADRs as gravity-inspired rather than gravity-based.

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\(^{20}\) As the model is about net exports, where available, re-exports are netted out. The implicit measurement of internal trade costs is captured indirectly by estimates of internal shipments measured as the difference between gross output (where available or obtained by inflating sectoral value-added ratios) and exports. For country-year missing data a linear interpolation is used. The calculation assumes symmetry in trade costs with all trade costs between partners assumed to be variable.
Figure 5 reports the values of these ratios for the intensive margin of trade (i.e. across partners with positive bilateral trade before the around the time of the agreement and 5 years and 10 years after signature for all the African RECs, WAEMU and CEMAC and ANDEAN, ASEAN, and MERCOSUR for comparisons. To iron out fluctuations, each point is a 2-year average before the signature of the agreement and two year average 5 years and 10 years after the signature of the agreement (dates and ADOT and ADOTp calculations are reported in table AYY). In some cases there is expansion in membership (e.g. Burundi and Rwanda joined the EAC in 2008) so these members are not included in the group.

As expected, the average distance ratio is less than unity across all RECs for both agriculture manufactures. Since, the ADR ratios after integration are on the vertical axis, a decrease in the ADR ratio corresponds to an observation below the 45° line. For trade in agriculture, the ADR are usually in a higher range than for manufacturing and there is less change in the scatter plots between the 5 and 10 year intervals after the signing of the RTA than for trade in manufactures.

### Figure 5: Average Distance Ratios : 5 and 10 years after implementing agreement

For manufactures, generally the points are further below the 45° than after 5 years, probably an indication that the effects of a reduction in relative trade costs with the partners takes a relatively long period of time. For example, the EAC is on the 45° line after 5 years but below after 10 years indicating that the regionalization of trade did not occur in the early years. WAEMU and SACU also experience a more pronounced regionalization of their trade after 10 years. This is not the however for ASEAN where the ADR stays very high and changes little over the time period. This could reflect the combination of an all-around reduction in trade costs (e.g. mostly unilateral trade trade liberalization and relative low trade costs.

### 6.3 The regionalization of trade for new manufactured products

This type of “event-analysis” (i.e. centering the data around year 0= the date when integration took place) with raw data leaves many questions unanswered with some like the computation of ADR for the extensive margin (i.e. for the distance of new partners compared to traditional partners to be carried out in the final version).

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21 ADOT and ADOTp data and the years used for calculations in the figure are reported in table AYY. Because of the longer time span, reporter data from COMTRADE are preferred to the BACI data from the Centre d’Etudes et de Prospectives et d’Informations Internationales (CEPII) which is cleaned for obvious inconsistencies in the data by using mostly mirror but which extends back only until 1995. GDP is taken from the World’s Bank World Development Indicators 2008. Distance is taken from (CEPII) and is calculated following the great circle formula, which uses latitudes and longitudes of the most important city (in terms of population).

22 In their meta-analysis, Head and Mayer (2014) report estimates of the elasticity of trade to distance in the range (-(0.8,-1.3) and Feyrer exploiting the temporary shock to distance caused by the closing of the Suez canal estimates an elasticity in the range (-0.2, -0.5).
Table 4 and figure 6 carry out a similar event analysis for newly exported manufactures at the HS-4 level. Newly exported manufactures are defined as manufactures that were not exported during the period 1995-2000 but were exported for at least three years during the period 2000-08 (a comparison of the period 2000-07 with 2008-2014 gives similar results to those in table 4). In this table, the small membership groups (EAC and GCC) export twice as many products as the more heterogeneous COMESA, SADC and ECOWAS groups. Part of this difference is due to taking a simple average across all members so heterogeneity as in COMESA, ECOWAS and SADC reduces the average number for the REC (one could weigh these averages by the size of the manufacturing sector).

Table 4: New Goods Traded by REC over 2000-08

Figure 6 displays a regionalization of trade for new manufactures at the regional grouping level. At that level, on average, all new exports go to closer destinations than traditional goods, a confirmation of the observed pattern of regionalization of trade in developing countries. CEMAC, ECCAS, EAC and SADC export manufactures to further-away destinations than WAEMU, ECOWAS and COMESA. As each observation is a simple average of all countries in the grouping, this might reflect aggregation effects, but possibly also lower trade costs, a possibility that could be explored further by correlating the average distance ratio of new to traditional products with indicators of trade costs like the LPI. In any event, these results are consistent with the very low levels of intra-industry trade in African PTAs reported by Brulhart (2009)23

Figure 6: The Regionalization of Trade

Regolo (2013) explored the correlates of this robust observation across a larger sample of countries. In this larger sample, and over the same period, she also established a low performance of newly exported goods in terms of export entry into destinations sustainably could only be towards markets most accessible in terms of distance, culture and trade preferences. For almost all the countries in her sample, newly exported goods were only sold on markets with low trade costs (i.e. close, contiguous with regional trade agreements) relative to traditionally exported goods. Moreover, she finds that even when the newly exported goods reach the age of ten, they are still substantially exported towards geographically and culturally closer destinations than the destinations of traditional goods.

7 Conclusions (to come)

23 Intra-industry trade shares (internal, external) as a share of trade: EU-15(46.6;24.5); CEMAC (1.2;0.1) WAEMU (0.9;0.4); EAC (0.3;0.4); SACU(0.3;9.0).
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Figures to
Integration Along the Abuja Road Map: A Progress Report

Figure 1 Africa’s Regional Trade Agreements

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

Note: AMU, Arab Maghreb Union; CEMAC, Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l’Afrique Centrale); COMESA, Common Market for Eastern and Southern Africa; EAC, East African Community; ECOWAS, Economic Community of West African States; EFTA, European Free Trade Association; EU, European Union; GCC, Gulf Cooperation Council; Mercosur, Southern Cone Common Market; PAFTA, Pan-Arab Free Trade Area; SACU, Southern African Customs Union; SADC, Southern African Development Community; WAEMU/UEMOA, West African Economic and Monetary Union/Union Économique et Monétaire Ouest-Africaine.
Figure 2a: Box-plots for Size and geography measures of table 2
Figure 2b: Box-plots for Culture and Genetic distance measures of table 2
Figure 3: Labour Clauses in PTAs 1990-2011

Source: Adapted from Carrère, Olarreaga and Raess (2016)
Figure 4: Intra and extra-regional patterns: Before and 5 and 10 years after integration

4(a): Trade shares (% of GDP)

4(b): Intra-bloc Trade Intensities
Figure 5: Average Distance Ratios: 5 and 10 years after implementing agreement (intensive margin—this is correct not the figure version to come later)
Figure 6: The Regionalization of Trade
(Average distance of Trade of manufactured products by REC (2000-08)
Version with smaller grouping of RTAs and individual countries to come)

Source: Authors’ calculations from HS-4 level COMTRADE data over the period 1995-2008. Average yearly percentage increase of newly exported products during 2000-08 relative to 1995-2002 in parenthesis. WAEMU: Average distance of trade of (traditional) [new] products (4500) [3500] kms.
### Table 1. Aspired Coverage and ECA index of Regional Integration a/

<table>
<thead>
<tr>
<th>Type of agreement</th>
<th>COMESA</th>
<th>EAC</th>
<th>ECOWAS</th>
<th>SACU</th>
<th>SADC</th>
<th>AMU</th>
<th>CEMAC</th>
<th>WAMU</th>
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<td>Aspired coverage (an * indicates achievement)</td>
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<td>CU</td>
<td>CU &amp; M.</td>
<td>FTA</td>
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<td>CU &amp; M.</td>
<td>CU &amp; M.</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
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</tbody>
</table>

Sources: CU = Customs Union.; M = monetary union

a/ Authors adaptation from Newfarmer (2015, table 2) and WBG RTA data base:

b/ Index (normalized in the range 0 to 1) is an average across REC members. Each member's index is an average of 5 subcomponents (each an average of indicators) several indicators measuring progress at the country level over 2010-14 A higher value indicates greater progress at integration See annex table XX for source and construction of the index
### Table 2: Characteristics of Africa’s Regional Economic Communities (RECs)

<table>
<thead>
<tr>
<th>Name of REC (abbreviation), Type of agreement [year originated, year signed]</th>
<th>Members</th>
<th>Indicators: Geography, culture</th>
<th>indicators: economy</th>
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<td>Genetic distance</td>
<td>ELF</td>
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<td></td>
<td>weighted</td>
<td>ELF1</td>
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<td>Arab Maghreb Union (AMU), FTA [1988, 1989]</td>
<td>[5] Algeria, Libya, Mauritania, Morocco, Tunisia</td>
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<td>0.041</td>
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<td>Common Market for Eastern and Southern Africa (COMESA), CU [1965, 1993]</td>
<td>[19] Burundi (L), Comoros, DR Congo, Djibouti, Egypt, Eritrea, Ethiopia (L), Kenya, Libya, Madagascar, Malawi (L), Mauritius, Rwanda (L), Seychelles, Sudan, Swaziland (L), Uganda (L), Zambia (L), Zimbabwe (L)</td>
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<td>Indicators: economy</td>
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<td>[15] Benin, Burkina Faso (L), Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali (L), Niger (L), Nigeria, Senegal, Sierra Leone, Togo</td>
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<td>Southern African Development Community (SADC), FTA [1980, 1986]</td>
<td>[15] Angola, Botswana (L), DR Congo, Lesotho (L), Madagascar, Malawi (L), Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland (L), Tanzania, Zambia (L), Zimbabwe (L)</td>
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<td>Members</td>
<td>Indicators: Geography, culture</td>
<td>indicators: economy</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Genetic distance</td>
<td>ELF</td>
</tr>
<tr>
<td></td>
<td></td>
<td>weighted</td>
<td>ELF1</td>
</tr>
<tr>
<td>Community of Sahel-Saharan States (CEN-SAD), FTA [n.a., 1998]</td>
<td>[28] Benin, Burkina Faso (L), Central African Republic (L), Chad (L), Comoros, Cote d'Ivoire, Djibouti, Egypt, Eritrea, Gambia, Ghana, Guinea-Bissau, Kenya, Liberia, Libya, Mali (L), Mauritania, Morocco, Niger (L), Nigeria, Sao Tome &amp; Principe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tunisia</td>
<td>0.067 0.158 0.673 0.282 0.495 30.3</td>
<td>50'956</td>
</tr>
<tr>
<td>Economic Community of Central African States ECCAS/CEEAC), CU [1983, 1985]</td>
<td>[10] Angola, Burundi (L), Cameroon, Central African Republic (L), Chad (L), Congo, DR Congo, Equatorial Guinea, Gabon, Sao Tome &amp; Principe</td>
<td>0.021 0.250 0.717 0.447 0.333 40.2</td>
<td>7'968</td>
</tr>
<tr>
<td>col (1)</td>
<td>col (2)</td>
<td>col (3)</td>
<td>col (4)</td>
</tr>
<tr>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Name of REC (abbreviation), Type of agreement [year originated, year signed]</strong></td>
<td><strong>Members</strong></td>
<td><strong>Genetic distance</strong></td>
<td><strong>ELF</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>weighted</td>
<td>ELF1</td>
</tr>
<tr>
<td>Intergovernmental Authority on Development in Eastern Africa (IGAD), EPEU [1986, 1996]</td>
<td>[7] Djibouti, Eritrea, Ethiopia (L), Kenya, Somalia, Sudan, Uganda.</td>
<td>0.052</td>
<td>0.221</td>
</tr>
<tr>
<td>Other South-South Regional Trade Agreements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andean Community CU [n.a., 1987]</td>
<td>[5] Bolivia, Colombia, Ecuador, Peru, Venezuela</td>
<td>0.103</td>
<td>0.257</td>
</tr>
<tr>
<td>Association of Southeast Asian Nations ASEAN, FTA [n.a., 1992]</td>
<td>[10] Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam</td>
<td>0.043</td>
<td>0.249</td>
</tr>
<tr>
<td>Name of REC (abbreviation), Type of agreement [year originated, year signed]</td>
<td>Members</td>
<td>Indicators: Geography, culture</td>
<td>indicators: economy</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Southern Common Market (MERCOSUR), CU [1985, 1991]</td>
<td>Argentina, Bolivia, Brazil, Paraguay, Uruguay, Venezuela</td>
<td>Genetic distance, ELF, POL</td>
<td>Natural capital, fuel, ores and metals (% of merchandise export), GDP, GDP per capita</td>
</tr>
<tr>
<td></td>
<td></td>
<td>weighted ELF1 ELF15 POL1 POL15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.078 0.186 0.232 0.298 0.342 39.0</td>
<td>187'081 8'385</td>
<td></td>
</tr>
</tbody>
</table>

**Sources:**
Fuel, ores and metals data are from the World Development indicators.

**Notes:**
FTA (Free Trade Area), CU (Customs Union), CMU (Customs and Monetary Union), CPU (Customs and Political Union), PEU (Political and Economic Union), EPEU (Environmental, Political and Economic Union)
Genetic distance is weighted on countries’ subpopulations: $F_{ij}^{W} = \sum_{i=1}^{I} \sum_{j=1}^{J} (s_{1i} \times s_{2j} \times d_{ij})$ where $s_{1i}$ is the share of population $i$ in country 1 similarly, $s_{2j}$ is the share of population $j$ in country 2, and $d_{ij}$ is the genetic distance between populations $i$ and $j$. 

ELF: $ELF(j) = 1 - \sum_{i=j}^{N(j)} [s_{i(j)}]^2$

POL: $POL(j) = 4 \sum_{i=j}^{N(j)} [s_{i(j)}]^2 [1 - s_{i(j)}]$

Where $i(j) = 1 \ldots N(j)$ denotes the groups of size $s_{i(j)}$, and $j = 1 \ldots J$ denotes the level of aggregation at which the group shares are considered.

ELF and POL are measured at 15 different levels of aggregation available in linguistic classification (language trees): ELF1 and POL1 are measured at the most aggregated level (refer to deeper ethnonational cleavages), i.e. national level, and ELF15 and POL15 at the most disaggregated level (refer to more recent and superficial cleavages).

ELF is maximized when each individual belongs to a different group, while POL is maximized when there are two groups of equal size.

Fuel, ores and metals are measured as a share of merchandise exports for year 2013.
Table 3 a: Landscape of Legal Provisions in WTO+ in South-South and SSA PTAs

<table>
<thead>
<tr>
<th></th>
<th>COMESA S</th>
<th>ECOWA S</th>
<th>SADC</th>
<th>S/S (18)</th>
<th>N/N (21)</th>
<th>N/S (58)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AC</td>
<td>LE</td>
<td>AC</td>
<td>LE</td>
<td>AC</td>
<td>LE</td>
</tr>
<tr>
<td>Group 1: Trade-related obligations (6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FTA ind, FTA agr, AD, customs admin</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>66 (0.92)</td>
<td>d 64 (0.89)</td>
</tr>
<tr>
<td>CVM, export taxes</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>19 (0.53)</td>
<td>18 (0.5)</td>
</tr>
<tr>
<td>Total (1)</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>85 (0.79)</td>
<td>82 (0.76)</td>
</tr>
<tr>
<td>Group 2: Investment-related obligations/GATS and TRIPs (3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRIMs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>GATS</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>0.28</td>
</tr>
<tr>
<td>TRIPs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total (2)</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Group 3: Domestic trade-related regulations (5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public procurement</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>SPS</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>State aid</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>STE</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TBT</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total (3)</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total WTO + areas (1+2+3) (14 regulations)</td>
<td>10</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Adapted from WTO (2011) table appendix D1. Classification of 14 measures into WTO+ (covered by GATT and GATS). See Horn, Mavroidis and Sapir (2010) Notes:

a. Number of PTAs in the category in parenthesis.
b. AC stands for area covered.
c. LE stands for legally enforceable, as defined in Horn, Mavroidis and Sapir (2010).
d. Numbers in parenthesis represent the share of PTAs that have at least one provision in the corresponding category.

Table 3b: Landscape of Legal Provisions in WTO-X in South-South and SSA PTAs

<table>
<thead>
<tr>
<th>Group</th>
<th>AC</th>
<th>LE</th>
<th>A</th>
<th>C</th>
<th>S/S (18)</th>
<th>N/N (21)</th>
<th>N/S (58)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>b</td>
<td>c</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>AC</td>
<td>LE</td>
<td>A</td>
<td>C</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital and labour regulations (7)</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>10 (0.28)</td>
</tr>
<tr>
<td>Investment, movement of capital</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5 (0.28)</td>
</tr>
<tr>
<td>IP</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10 (0.14)</td>
</tr>
<tr>
<td>Labour related provisions (4)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1 (0.02)</td>
</tr>
<tr>
<td>Total (1)</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>25 (0.20)</td>
</tr>
<tr>
<td>Domestic trade-related regulations (5)</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2 (0.11)</td>
</tr>
<tr>
<td>Environment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>11 (0.61)</td>
</tr>
<tr>
<td>Protection (data, consumer, anti-corruption)</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>14 (0.16)</td>
</tr>
<tr>
<td>Competition</td>
<td>12</td>
<td>1</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>40 (0.09)</td>
</tr>
<tr>
<td>Total (2)</td>
<td>12</td>
<td>1</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>45</td>
</tr>
<tr>
<td>Other (25 regulations)</td>
<td>18</td>
<td>4</td>
<td>12</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>79 (0.12)</td>
</tr>
<tr>
<td>Total WTO-X areas (1+2+3) (37 regulations)</td>
<td>37</td>
<td>3</td>
<td>30</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>144</td>
</tr>
</tbody>
</table>

Source: Same as table 3a Classification of 37 measures into WTO-X categories (not regulated under WTO). See Horn, Mavroidis and Sapir (2010)

Definition of South category from WTO XX

Notes:
a. Number of PTAs in the category in parenthesis.
b. AC stands for area covered.
c. LE stands for legally enforceable, as defined in Horn, Mavroidis and Sapir (2010).
d. Numbers in parenthesis represent the share of PTAs that have at least one provision in the corresponding category.
e. Other regulations include: approximation of legislation, audiovisual, civil protection, innovation policies, cultural cooperation, economic policy dialogue, education and training, energy, financial assistance, health, human rights, illicit drugs, industrial cooperation, information society, mining, money laundering, nuclear safety, political dialogue, public administration, regional cooperation, research and technology, SME, statistics, taxation, and terrorism.
Table 4: New Goods Traded by REC over 2000-08 (averages by REC over the 2000-08 period)

<table>
<thead>
<tr>
<th>Country</th>
<th>Number New</th>
<th>Number Traded</th>
<th>% new goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECOWAS</td>
<td>18.85</td>
<td>347.9</td>
<td>5.42%</td>
</tr>
<tr>
<td>WAEMU</td>
<td>21.46</td>
<td>375.3</td>
<td>5.71%</td>
</tr>
<tr>
<td>EAC</td>
<td>26.22</td>
<td>629.3</td>
<td>4.17%</td>
</tr>
<tr>
<td>SADC</td>
<td>18.70</td>
<td>381.3</td>
<td>4.90%</td>
</tr>
<tr>
<td>COMESA</td>
<td>15.63</td>
<td>355.6</td>
<td>4.40%</td>
</tr>
<tr>
<td>IGAD</td>
<td>12.79</td>
<td>339.8</td>
<td>5.10%</td>
</tr>
<tr>
<td>CEMAC</td>
<td>14.17</td>
<td>211.5</td>
<td>6.70%</td>
</tr>
<tr>
<td>AMU</td>
<td>17.77</td>
<td>471.6</td>
<td>3.77%</td>
</tr>
<tr>
<td>GCC</td>
<td>27.94</td>
<td>742.5</td>
<td>3.76%</td>
</tr>
<tr>
<td>CENSAD</td>
<td>17.31</td>
<td>339.8</td>
<td>4.55%</td>
</tr>
<tr>
<td>ECCAS</td>
<td>12.78</td>
<td>187.2</td>
<td>6.83%</td>
</tr>
</tbody>
</table>

Notes: Author’s calculations from HS-4 level (1084 products) using COMTRADE data. As a comparison, at this level, high-income countries exported and average of 1000 products during the period.