

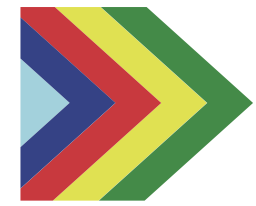


# Rethinking Regional Integration for Sustainable Development

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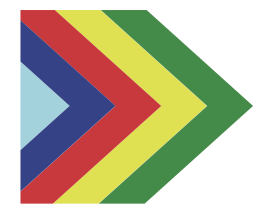
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## Presentation covers...

- a) ICGLR
- b) Thinking about RI
- c) What drives trade
- d) Is South-South trade defective
- e) Policy Options.



## ICGLR is..

- ICGLR-inter-governmental organisation comprised of twelve (12) MS: Angola, Burundi, Central African Republic (CAR), Republic of Congo, DRC, Kenya, Rwanda, Sudan, South Sudan, Tanzania, Uganda and Zambia.
- Fully Established in 2006-under African Union, the United Nations and the regional Member States,
- Direct response to the conflict in the GL region.



## **The Pact has several Protocols...**

1. Protocol on Democracy and Good Governance;
2. Protocol for the Prevention and the Punishment of the Crime of Genocide, War Crimes and Crimes against Humanity and all forms of Discrimination;
3. Protocol Against the Illegal Exploitation of Natural Resources;
4. Protocol on the Specific Reconstruction and Development Zone;
5. Protocol on the Prevention and Suppression of Sexual Violence Against Women and Children;
6. Protocol on the Protection and Assistance to Internally Displaced Persons;
7. Protocol on Property Rights of Returning Persons;



## The Secretariat...

- Conference Secretariat in Bujumbura, and centres of specialisation based in other Member States. Lusaka, Kampala and Goma.
- CS coordinate and facilitate implementation of The Pact on Security, Stability and Development in the Great Lakes Region.
- Programmes/Directors: Peace and Security; Economic Dev and Regional Integration; Democracy and Good Governance and Gender



## ...What is said about Regional Integration

- “Despite decades of negotiations and agreements within subregions and Regional Economic Communities in Africa, intra-African trade remains a tiny proportion of the continent’s overall trade ... Greater intra-African trade may be rhetorically appealing on grounds of economic nationalism or South–South solidarity, [but] as a blueprint for accelerated development it is a fantasy.”



## ... Is trade driven by regional or global forces?

- Growth of global trade (1950s, global financial crisis) outstanding feature of the global economy.
- Due to new technologies, containerization, rise in air cargo, advances in communication technologies responsible for around 70 to 80 percent of all global trade
- Debate whether this was policy-driven deliberate policies to dismantle trade barriers and restrictions.
- Result of unilateral action by countries? Or membership of regional blocs like the East African Community?
- Or multilateral processes of trade liberalization through membership of the General Agreement on Tariffs and Trade (GATT) (or its successor the World Trade Organization (WTO))? Economists endorse the latter explanation.
- IMF and World Bank SAPs for African countries unilateral processes in the liberalization of trade regimes. .



## ...Shifting narratives.

- Empirical studies suggest up until the global financial crisis trade was driven essentially by regional rather than global dynamics.
- Rose (2004), Esteve-Pérez et al., (2019), Chortareas and Pelagidis (2004) strong support for the positive effect of regional trade agreements and currency unions on bilateral trade flows.
- Trade integration was more of a “regional” phenomenon than a “global” one..
- Trade expansion can be achieved through all three modes of liberalization—unilateral, multilateral, and regional—but regional processes have been playing a major role.

### Why

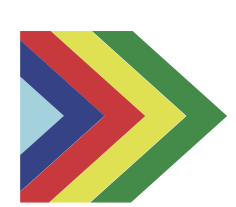
- Faith in the multilateral system has waned-failure of the WTO to produce significant results.
- Proliferation of free trade agreements reflected in the number of RTAs registered with the WTO under Article XXIV.13 WTO recognized just 40 trade arrangements; 30 years later, 350 (RTAs) are in force-an upsurge of RTAs between developing countries:
- Third, RTAs often entail higher levels of economic integration than simple trade liberalization-their increasing popularity..





## ...Is South-South regional integration “defective”?

- South-South integration like AfCFTA (see, inter alia, Park, 1995; Schiff, 1997; Yeats, 1998; Schiff and Winters, 2003; Yang and Gupta, 2005). Opposition voiced principally on theoretical grounds,.
- ..RTAs with low initial levels of intraregional trade are more likely to be net trade diverting, not net trade creating, and produce negative welfare effects (Yang and Gupta, 2005; Park, 1995). African RTAs are not expected to significantly increase bilateral trade because their constituent economies often
- Schiff and Winters (2003) “North-South” agreements like EU’s Economic Partnership Agreements would be preferable for poorer economies than “South-South” agreements.
- “New trade theory” say there is a rationale for trade between countries with similar endowments, taking the form of intra-industry trade (Feenstra, 2015; Krugman, 1980; Krugman 1991). Due to rapid expansion of trade in intermediates and the development of global value chains.
- Covid-19 has created new opportunities for regional value chains



## ....Facts of intra-African trade.

- Africa has been marginalized in global trade-share of global exports declined from around 5 percent of the global total in the 1970s to just 2.1 percent in 2020
- Decline in share of global trade (1980s and 1990s), the “lost decades” of growth, was sharp adverse prices for its main commodity exports.
- World Bank study in the 1990s, the export collapse incurred an income loss of income equivalent to 21 percent of regional GDP.
- Reprieve from the early 2000s, due to strong revival in commodity prices . African share of global trade was back up to over 3 percent just before 2008-2009; fell back from 2013.
- Nature and scale of Africa’s trade “collapse” has been open to interpretation. Helleiner (2002) and Rodrik (1997) stressed a wider “development failure,” the debt crisis and harsh structural adjustment programs.



## ...Inter-regional trade shares(%) of selected regions

	2001-2005	2006-2010	2011-2015	2016-2020	Growth (%)'90-'18
EAC	18.3	18.3	18.4	18.4	0.8
SADC	12	12.6	19	20.8	7.3
COMESA	6.8	6.5	8.6	10.3	3.1
IGAD	10.7	7.7	10.8	20.4	8.8
ASEA	22.6	24.4	25	22.7	0.8



## Why is economic significance of intra-African trade underestimated?

- i) Data is distorted by high levels of commodity exports of a few countries-resource-rich regions, bulk of the continent's natural resources destined for markets outside, drags down the share of intra-continental exports.
- Africa has high proportion of global mineral reserves (e.g., 60 percent of manganese and cobalt; 75 percent of phosphates and diamonds; 80 percent of chrome; and as much as 85 percent of platinum—and responsible for nearly 10 percent of global oil and gas production.
- ii) Informal cross-border trade prevalent across Africa-thus real extent of intra-regional trade is much higher than from official trade data alone. Kenya 12%, Uganda, 35%, Rwanda, 51% boost if accounted in total trade.
- Koroma et al. (2017) “informal cross border trade generates nearly \$18 billion annually and accounts for over two-thirds of the trade flows.” Informal trade is, by definition, intra-continental happens in goods between neighboring countries.



## Conclusions and policy implications...

- Impression of sluggish intra-African trade is inaccurate: Across the continent, it represents a high share of total African trade and usually dynamic—and certainly more diversified.
- Second, there have been a number of recent efforts for African countries to sign up to bilateral trade agreements but economic integration on the African continent should be prioritized.
- National trade strategies need to be consistent and prioritize intra-African economic integration.
- Finally, about 80 percent of all intra-Africa trade flows within existing regional economic communities and only 20 percent flows between regional economic communities (Kassa et al., 2022).
- AfCFTA's core principles, is that the regional economic communities should serve as “building blocks” for the AfCFTA. There is a need to build on what has been achieved by the existing regional economic communities-EAC, ICGLR.



*Thank You!*



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