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**STRATEGIES FOR REGIONAL INTEGRATION
OF INTERNATIONAL TRADE OF EAST AFRICA**

MA Thesis

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ABSTRACT

The study set to assess the strategies for regional integration of International trade of East Africa. The study was an entirely secondary data review based on documentary review was secondary data sources were consulted for the provision of data for the study. The study aimed at determining the regional integration indicators to African and defines if economic regional integration's profits exceed its values. The review of the occurrence and prevalence of the East African community was undertaken for the study. It was established that REI has become a component of a broader strategy to foster African development and growth. As a result, it has resulted in several broad guidelines. Its performance would lower transaction costs, boost competition, bring foreign direct investment, encourage economies of scale, and facilitate macroeconomic cooperation.

The study demonstrates that the mechanism of REI is not of difficulties. These difficulties are being thoroughly explored in this research's third chapter. These have been demonstrated so when member states of RIAs face entry challenges to other states due to abnormal or natural obstacles, unilateral tariff reduction by the state looking to pursue accessibility to the potential member nations' market is not preferable to the formation of an RIA, which rearranges trade in favor of intra-regional trade. After realizing the significance of REI, Africa must quit worrying about trivial issues including revenue loss, and begin training towards the target. By doing so, Africa must be ensuring that it moves its load to secure the appropriate speed and prevent being surpassed by events. Besides, to achieve its aim, Africa must recognize key goals in the field of REI. Africa must increase its capacity to accelerate implementation even further. In this context, institutions that introduce and track regional economic integration projects, including at the national and regional level, must be strengthened and empowered.

The study recommend for Africa's regional integration is an economic integration with poor industrial bases, while EU nations are more industrialized than African states. Africa would lead the way in establishing targets for its economic platform. The need to establish follow-up mechanisms to guarantee adherence to agreed-upon Community schedules on

topics including tariff and non-tariff restriction decreases, as well as accomplishment of more challenging goals like macroeconomic stabilization.

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LIST OF ABBREVIATIONS

ACM	African Common Market
ACP	Africa Caribbean and Pacific Group
AEC	African Economic Community
AMU	Arab Maghreb Union
ATPC	African Trade Policy Centre
AU	African Union
CACM	Central American Common Market
CAEU	Council of Arab Economic Unity
CAP	Common Agricultural Policy
CARICOM	Caribbean Economic Community
CEMAC	Economic and Monetary Community of Central Africa
CEN-SAD	Community of Sahelo-Saharan States
COMESA	Common Market for Eastern and Southern Africa
CSAs	Capital Structure Arbitrages
CSR	Collective Self-Reliance
CU	Custom Union
EAC	East African Community
EC	European Community
ECA	Economic Commission for Africa
ECCAS	Economic Community for the Central African States
ECOSOC	Economic and Social Council
ECOWAS	Economic Community for the Western African States

EPA	Economic Partnership Agreement
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FDI	Foreign Direct Investment
FSAs	Financial Structure Arbitrages
FTAs	Free trade Agreements
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
ICT	
IGAD	Intergovernmental Authority on Development
MENA	Middle East & North Africa
Mercosur	Mercado Común del Sur
MFN	Most Favored Nations
MNE	Multinational Enterprise
NAFTA	North America Free Trade Accord
NTB	Non-tariff barriers
OAU	Organization of Africa Unity
OECD	Organization for Economic Co-operation and Development
PAP	Pan-African Parliament
PPP	Public-Private Partnership
R&D	Research and Development
RECs	Regional Economic community
REI	Regional Economic Integration
RIAs	Regional Integration Agreements
RTAs	Regional Trade Agreements
SADC	Southern African Development Community

SSA	Sub-Saharan Africa
UDCs	Urban Development Corporations
UEMOA	West African Economic and Monetary Union
UNCTAD	United Nations Conference on Tariffs and Trade
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission of African
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organization
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CHAPTER 1

INTRODUCTION

1.1 Introduction

The significance of regional integration is really justified in Africa, especially given the current economic and political weaknesses. Africa is suffering from the lowest poverty, minimum proportion of world commerce and worst growth infrastructure plus labor force. This is because regional integration is necessary for African that will help strengthen industrial growth and development.

Therefore, governments in all major regions of the world are putting pressure on economic groups that are common markets or have the chance to becoming devices of economic integration. The European Community (EC) advances this year, commonly known as EC 92, is approaching January 1, 1993 when the goal was to complete the creation of an internal market free of customs duties on goods and services. The United States and Canada took an open market arrangement on January 1, 1989, Mexico and the United States are negotiating a similar agreement Canada participated in these discussions that could lead to the North America Free Trade Accord (NAFTA). In the Middle East, a Council of Arab Economic Unity (CAEU) and the Caribbean Economic Community (CARICOM) agreed to build a common external customs wall. In South America members of the Andean accord seek a more coherent economic integration, while Brazil, Argentina, Uruguay, and Paraguay are trying to create a common southern corn market (Mercosur).

In Africa, such regional associations as the Intergovernmental Authority on Development (IGAD), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community for the Western African States (ECOWAS), the Southern African Development Community (SADC). The Economic

Community for the Central African States (ECCAS) and the continental group the African Union (AU) are reconnoitering the possibility of creating a more integrated economic community. (See figure 1)

Given the significance of economic unification in stimulating development and growth, it is necessary to admire its widely realized advantages which may also be used in Africa. Those advantages contain minimum business activity charges under investment-related threats, growing trades, the lake of regional assets and greater use of the financial system in manufacturing and higher useful resources distribution. However, there is no question that strong national economic policies must be developed to achieve some of these benefits. Additionally, regional integration may give a structure for policy and regulatory coordination. REI can also assist in prohibiting and settling disputes by improving commercial relations within Africa's states. Regional enterprises can also promote a range of non-economic purposes mainly promoting political contacts and regional defense between countries (Carbaugh, 2004). REI can also deepen and strengthen national policies.

Verifying the success of regional economic alliance inside Africa is crucial due to the potential advantages more than, but also due to the principle needed in assuring its achievement that are equal as these is required for its success. Africa benefits from the globalization process and alliance within the global economy. This report will explore how regional economic union can support crush few of Africa's challenges because it shows the criticality of regional economic alliance. It will display that regional integration can assist the feature states to reduce the pressures of local mini businesses and to receive advantages that can increase productiveness and help diversify manufacture and exportation.

With its reinstitute global commitment after the Cold War, REI has been recognized as definitely meaningful participation in third-world improvement attempts. It didn't change a vital subject just in Africa's but also in different aspects of the globe. Major regions look up to the European Union (EU) as an image for regional economic union while they

are fruitful in doing so. Due to the differences in the states' situation on both continents, African will have to be watchful also chosen in the blocks it desires to imitate.

Traditionally, the European Union has been African several valuable trading, investment, and construction allies. The EU's business was regulated via a serial of Lomé Conventions that gave preferential access to the EU market to African countries unilaterally. The Africa's states and EU signed the Cotonou Agreement that opened the idea for negotiations on a World Trade Organization (WTO) adaptable Economic Partnership Agreement (EPA) into 2000. Several compositions from Africa nations formed a negotiation team. However, many of these go beyond the region's existing regional integration programs and add a more complex layers to Africa's regional union procedure. The extended and demanding EPA dialogues reveal a few range problems of a regional union inside Africa as well as the differences among the chart of regional union in Africa and the EU shape regional commerce agreement. The EPA negotiations have revealed significant gaps in Africa's regional integration between political ambition and economic realities. Discussions on the Africa integration plan and in fact the plan for integrating Africa into the world economics arising from those still ongoing dialogues.

Over the last few centuries, a compound of external and internal variables has emphasized the contemporary of regional integration. For example, there is an advance of globalization procedure. However, there is also the risk of further marginalizing Africa in a multi-polar world dominated by trade blocks in North America, Europe, Southeast Asia, and Africa. China has provided an outlook for Africa's regional economic union as a requirement. Therefore, the appeal is for African to commit on the thriving economic regional integration that would be achievable by providing the significance of regional economic union which is clearly demonstrated and recognized by all essential stakeholders.

The assumption of economic integration has basically evolved from the formal trade assumption, which suggests the exact opposition. Its main interest is the position of the output of various types of assets. In this context, conforming to (Cheru, 2004), after the

end of the Cold War and the rise of strong commercial zones in Africa, there has been a revived attraction in demand to establish a powerful (REI) mechanism to foster commercial extension. While integration was great on Africa's program, the focus and implementation gaps were significantly reduced, especially in Africa. This problem has since come up on the Africa's agenda as regions such as the EU have managed to integrate their markets. Although the importance of economic regional integration has been a member of the evolution debate after all World War II, there has been a fresh surge of regional attraction into the improvement procedure for the 1990s.

In particular, the high framework primarily indicates that Africa's interest in REI and cooperation has ever been present but started after the Cold War. The Organization of Africa Unity (OAU) transition into the Africa Union (AU) as a continental organization in 2002 offers Africa a chance to revive its political obligation to African unification. However, it also places the problem of speeding the pace of regional combination on the continental proposal. Those and additional efforts to advance economic and political integration into African have made to some successes in sub regional coordination and integration. However, broader alliance attempts have proven much more challenging.

The revival of matters in regional integration among Africa administrators has risen without realizing the effect on Africa's well-being on economics. This appears to be adrift in major regional and stimulates the extension and farther advancement of those regional, yet Africa's relevance was not emphasized. The current attempts at regional union efforts in African have previously advanced steadily and have not changed Africa's reality. On the other hand, the declines in the regional integration initiative continue.

Africa requires understanding that REI is the only path to boost Africa's development and growth agenda. This is significant because most African countries' economies are now facing many problems besides external pressure. These problems extend to most countries' dependence on farm exports, limited and inexpert manufacturing bases, susceptibility to volatility in global markets, absence of reimbursement instruments and foreign debt, etc. Definitely, with all those obstacles, the procedure of REI is undoubtedly

challenging, and the condition is a risk of liberalization and globalization of the global economies, better integration of economy and financial markets. It further marginalizes Africa in a multi-polar world in North America, Europe, Southeast Asia, and China.

In addition, Africa has the lowest poverty rate, the minimum proportion in global markets, the feeble labor resource and infrastructure development put it mildly, less than one-third of world trade pays for its trade. The research confesses the significance of economic integration in promoting trade in the region and accelerating development. Subsequently, it discusses the globally accepted advantages possibly applicable to Africa. Such as minimum activity charges for industry, reduction in investment risk, expanding markets, pool regional R&D resources, greater use of the financial system in manufacturing, and too productive distribution of assets. Nevertheless, perfect regional and domestic commercial strategies require to be set in motion to gain any of these advantages. Economic integration is indeed necessary if Africa has to reach development and growth.

Confirming the success of economic regional integration into African is essential not only due to the potential advantages listed overhead. However, the approaches needed to provide its progress are also the same as necessary if African can take advantage of the globalization procedure and integration into the global economies.

Many analytical articles have discussed the significance and/ or essence of REI; most of them concentrated on Africa and other regions. The majority of states participate in economic integration or market blocking agreements, primarily to receive this procedure's economic benefit. REI is assumed as a way of boosting their well-being, and states are believed to be able to improve the well-being of integrated groups. There are also integration prices, and there are advantages. While part countries may wish to enjoy unification's commercial advantages, they can be hesitant to get the requisite offerings or deals involved by becoming a regional shape member.

This research supports the idea that there are new chances despite previous negative integration experiences in other developing regions and Africa. At least four evolutions

have driven these prospects for the 1980s (Jovanovic, 2001). First, the boost and expansion of integration into North America and the EU. Secondly, is the commercial shift in central and eastern Europe has formerly planned economies and the potential of a sort of integration with the EU. Thirdly reforming in developing states commercial strategies also regard global guidance and fourth, integration among developing states and developed countries. (Woolcock, 2003) get this farther by pointing out that the global experienced an unmatched increase in regional market contracts in the early 1990s. At the time, this proliferation was rationalized because of the serious concern over the Uruguay Round's possible loss of multilateral trade dialogues. The consequent lack, if not subside of the policies based on the multilateral trading method. States set up their welfare programs at regional scales should the multilateral method disband.

1.2 Research Problem of Statement

There is a substantial possibility of Regional integration to push significant strong and fair commercial extension and promote poverty and the depletion of unemployment within African states (Anyanwu, 2014; UNDP, 2011). However, the occurrence has proven that those possibilities are the just outcome of the heedful exploitation of more comprehensive regional integration chances. Providing African producers with approaches to regional trades and connecting them to a significantly developed regional chain of values would grow their productivity and increase their completion potential to many competitive world corners. Given that, regional integration is the core of increasing efficiency and reaching sustainable advancements in maintenance standards.

Regional integration offers African states an incentive to overcome the main export competition constraints faced by the limited scale of their domestic economics and geography/transportation price. Thus, they serve as a powerful organ for fostering commodity and trading variegation while growing development and growth opportunities in their states. Regional integration can further cause the financial system to improve. For instance, a current report shows that more than 20 African states have domestic energy sources under the lowest productivity level of a particular energy manufactory, indicating the possibility of energy ponds (Foster, 2010).

Regional integration typically improves competitiveness within a national store, improving production growth and value confluence between nations and regional. Regional integration too facilitates the transfer of technological innovations also allows states to face more developed countries the international market. It also provides an incentive for authorities to pursue a few destructive national strategies and focus on macro-economic authority. Additionally, it will help the region achieve economies of scale, increase production volume, and improve competitiveness. By targeting regional infrastructures will allow Africa to determine primary loss ties, inter-connect continents, and implement reformations to promote cross-border commerce, money streams, investment, and immigration. Identifying the potential threats in the African economies, the purpose of this research is to analyze the value of REI within African, especially in the promoting of intra-Africa commerce and the improvement of growth and development.

1.3 Objectives of Research

The aims of the research are as regards:

- **To determine what regional integration indicates to African.**

With regard to this purpose, this research recognizes the targets of regional integration in African also links them to other regions' objectives. This hypothesis is applied to define integration approaches and sequences intending to identify integration models that ensure regional resources best draw and reduce external dependencies. To learn from active market blocs, this is too essential to explore whence African can adapt to current facts and trials in the face of its unique circumstances. This topic will also be explained by an overview of the roadmap and the institutional structure for regional economic integration.

- **To define if economic regional integration's profits exceed its values.**

In this opinion, this report explores the advantages and difficulties of REI and the degree of progress in accelerating economics extension and developments through regional economic integration versus the liberalization of internal trade. To clarify, can regional

economic integration lead to African countries of economies many efficiently and entirely than national economy strategies.

1.4 Research methodology

This research applies a qualitative approach of nature to address the purposes as mentioned above. The starting point for this is to review the literature on this subject and evaluate it. In order to combine the theoretical context on this topic, it expands on the academic work which has already been done, components of the previous study, findings, and available evidence on this topic.

Regional Integration Arrangement (RIA) quantitative studies have historically attempted to quantify the advantages of regional trade agreements and other mechanisms of regional economic cooperation. Therefore, a broad range of economic variables and relationships considered fundamental and significant in evaluating the effects of regional economic integration are contained in quantitative researches.

1.5 Significance of the study

A significant number of theoretical subjects have tackled the topic of regional integration. This included those that directly answer the critical question of the value of regional economic integration and/or its need. However, most of them have concentrated on regions except for Africa. This research is therefore very significant because the study on this subject has focused primarily on other regions.

Seen that Africa is attempting to better its regional integration process, this topic is important and timely. In terms to take this phase forward, many unresolved concerns have to be understood and resolved by African states, collectively and individually. The significance of regional economic integration in the overall integration process must be understood first.

For most regions, some as the most popular model regard regional structures like the EU. This research suggests whether or not, considering the disparities between the two continents, the EU's economic integration framework must be applied as it is. It demonstrates places where Africa needs to learn from the EU, keeping Africa's complexities into consideration.

(Schiff, 2002) noted that a recent study is now beginning to concentrate on developing nations. This is primarily because, firstly, developing nations are switching to regionalism as an instrument for growth, and it is crucial to determine the efficacy of this strategy. Secondly, regionalism is part of the global economic system and impacts developing nations, whether or not they engage in it. Recognizing its effects will allow them to better strategy for regionalism and deal with it and reap its benefits.

1.6 Organization of the study

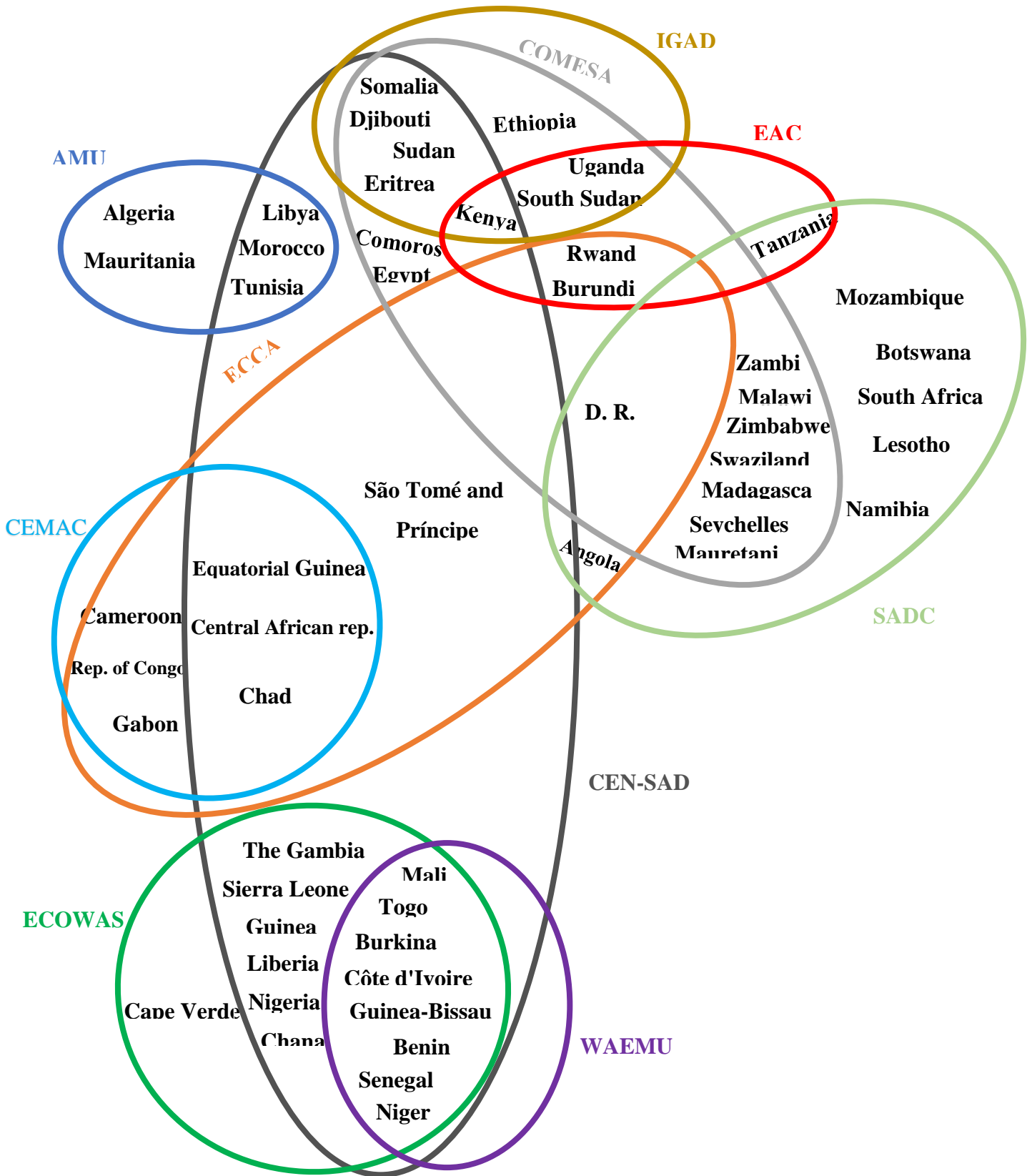
This thesis is divided into five chapters, one of which is this one. The first chapter describes the study's purpose and reasoning. The second section gives a brief overview of the literature on the subject, focusing on both contemporary and traditional perspectives of regional integration. It starts by describing the term, then analyzes perspectives on regional economic integration, and finally demonstrates features of initial integration theories to demonstrate that they have developed over time. Facts will be given to support or refute the theory. The literature review would answer the question of whether or not the concept could be extended to the African region, considering its political and economic limitations.

The third chapter looks at the advantages and disadvantages of REI. In this context, this research analyzes whether regional economic integration can influence resource distribution and member-state welfare. The advantages are analyzed to demonstrate the significance of regional economic integration to Africa. It would also agree that REI is

more than just a matter of matching advantages and potential profits. It investigates the problems associated with regional economic integration. It could investigate the obstacles that impede Africa's capacity to realize the rewards of regional economic integration. The aim of this chapter is primarily to recognize important subjects where Africa can benefit.

In fourth chapter, the values generated by Africa in the form of regional economic integration would be analyzed to assess if Africa will be on the right track in terms of economic integration. This involves regional economic communities (RECs) growth, as well as sub-regional and multinational sectoral initiatives and institutional progression. In this context, the nature of Africa's condition vs the Abuja Treaty's goals will be illustrated by reviewing progress vs the application of the Abuja Treaty and the related provisions of the African Union Constitutive Act. In fifth chapter makes suggestions on whether Africa would concentrate on to achieve the progress of REI and emphasizes the relevance of REI to Africa.

Figure 1 Africa regional integration members



Source: (OECD, 2018)

CHAPTER 2

LITERATURE REVIEW

2.1 Description the terms

The word 'region' can be applied to explain any international grouping which is smaller than global into range, distinguished via any joint convenience between organs. Such joint convenience can be based on the frequency of meetings and activities, general purposes or characteristics, economic complementarities, Etc. In this sense, the Seventy Seven and the Africa, Caribbean, and Pacific Group (ACP) league are both eligible for a depiction as regional groupings. Moreover, both have a membership that crosses wider than one geographical region.

The experiment of the North (particularly Europe) in the integration method for long covered the conditions of the traditional ways of regional integration. On the other side, the apparent loser of integration trials in the South has prompted reconsideration between integration scientists on several very definitive theories in some regional integration theories. For instance, some of the combinations on the reliance scientists on regional integration are now understood to be having a limited bearing on the assessment of earnings of integration less developed communities. Those developments are invited to the in-depth theoretical treatment of Africa's regional integration initiative's evolution and dynamics.

The idea of integration is obscure to determine. It means bringing units or parts, jointly to form a total or building interdependency in a superficial sense. It could additionally represent a circumstance in which countries become interdependent in whatever characters of their coveted relations. However, integration may be assumed to exist when parts combine to fulfill aims that they can't meet autonomously. Accordingly, integration can be a process that speeds up specific objectives' performance in a larger body's interest.

Such a process would include turning loyalties, anticipations, and political actions towards a new and larger center whose organizations and methods require some explanation over those of the national lands. The scope of such a shift of integrity and jurisdiction appreciated by the new center would depend on the level and purposes of integration projects and the socio-economic and political divergences that the implementations of integrative strategies create in and among the integrating parts.

Another distribution level is probable reflection on the particular definitions of 'integration' of various disciplines' perspectives. Therefore, there can be economic integration, political integration, and social integration. Although the theory of economic integration has controlled the dialogue on Africa regional integration, it is usually wrongly imagined. For example, economic integration has regularly been described in terms of liberalization or lack of economic distinction between economic units. This can be tricking, notably for the tiny developed regional.

The comprehension of economic integration as the gradual exclusion of tariff distinction and trade among national boundaries displays it as a state of affairs and a method. Moreover, upon this qualification notion of regional integration, several self-styled communities, unions, federations, and common markets have appeared without raising regional integration between members or still showing the potentials to do so. In all these, there is a consensus between scholars of economic integration about one inquiry: which integration can be considered as methods or as a nation of affairs given by that process. Conforming to Fritz Machlup, the inquiry into whether that nation has to be the final point or middle point in the process can be held were care for recognizing the complete and incomplete integration. According to the author, the more difficult question is: what is that to be integrated; geographical areas, people, production, resources, policies, markets, goods, or what? (Adetula, 2004)

Although integration scholars have used 'integration' and 'cooperation' interchangeably, there is an essential variation between them. The distinction is both in quantitative and qualitative contexts. While 'cooperation' may be employed to recognize insecure forms

of interstate activity planned to join some generally experienced needs, 'integration' leads to a very more in-depth formal settlement that includes some economic and political sacrifices as well as concessions, processes, commitments, and political will to reshape cooperation in the international economy (Axline, 1978). In this regard, the regional association may be a stage in the procedure of regional integration.

In the meaning of small developed areas, regional integration is a too confused and diverse phenomenon that is accustomed to socio-economic and political drives various from the North's effect. Therefore, the following questions have come notably in the dialogue about regional integration within Africa: What conditions are required and adequate for strong unions between nations? Should regional political unions be diminished regularly and indirectly through a functionalist policy, or is the federation likely to become more useful? Customs associations, are they beneficial? Forms of regional integration in Africa are as numerous as there are such concerns, whose theoretical guidance derives more from industrial societies' experience. However, it is to be remarked that each of these methods of integration arrangements has its regularities, the content of classes, and operation mechanism.

International trade is basically a global transformation of inputs, goods, and technology that encourages well-being in two ways. It expands the production market of a state beyond national boundaries and can provide reasonable prices via exports. Employing imports provides access to inputs, goods, and technologies that are otherwise scarce or accessible at higher prices, leading customers to a higher degree of satisfaction. The core concept of international trade is how a nation's imports and exports are dictated not by its existence but by its trade deals (V.VIJAYASRI, 2013).

According to (Samuelson, 1973), international trade provides the possibility of a consumption mechanisms that could bring us more of all commodities than our national production. According to Ricardo, the influx of international trade would make a compelling contribution to raising the value of goods and the number of pleasures. This is going to be valid for every trading country. Trade is a positive-sum game in modern

terminology. Underdeveloped nations are obsessed with their international trade status because international trade, expertise, machinery, capital, and implements are important to economic development.

The principles of 'south-south integration' and 'self-reliance' with the apparent policy consequence of regional integration and collaboration have figured prominently in the research from less developed countries, such as the Africa continent. The general theory, particularly between dependency scholars, is that externally injected dependency models than by internal procedures restrict the least developed countries' capacity for autonomous development. Therefore, it logically follows that auto-centric development can be achieved across a disassociation from the global framework. This formula will lead to some displacement of a national economy in aiding trade and investment ties with the metropolis are likely to be checked. The effect of that displacement is believed to be too much for a single economy to endure, hence the need for joint action to "improve the national dislocation procedure's impact by replacing the North-South vertical ties with the South-South horizontal ties between the UDCs". (Abutudu, 1998)

In this context, mutual self-reliance describes a policy against dependency on external sources to foster autonomous development concepts. This is the sense in which CSR and regional integration between the least developed nations are used in some circles as being the same. However, the point about regional economic collaboration as a form of mutual reliance can't be taken too far. According to (Abutudu, 1998), When the integration manner is itself formed and conditioned by ties of underdevelopment and dependence, it assures and create a gap among CSR and economic integration."

2.2 Theoretical review

The idea of international trades is the ideology by Adam Smith (Smith, 1848) and David Ricardo (Ricardo, 1821). That each government can manufacture goods that are capable of producing at a lower price and that can be sold around the world. Consequently, both

governments would be properly advantaged and partially advantaged for goods that cannot be manufactured or cost higher than imports. It will allow economic and efficient use of natural resources. (Ricardo, 1821; Smith, 1848).

While the idea of international trade is a positive concept (Balassa, 2002), in practice, several states are attempting to increase their welfare against the failures of other states (E. E. Leamer, 1971) by defining different aspects that are the protection and promotion with their own internal industrial products, e.g. trade barriers, including trade treaties. These different aspects defined each nation's strengths, which cannot represent the accurate strengths of the international trade principle (Smith, 1848).

International trade agreements can be studied from a series of theoretical viewpoint (Fratanni & Pattison, 2001). Clubs are organizations of which participants can pay "costs" of membership to reap "benefits". A club member's profit is perceived to be approximately parallel to its portion of the real global GDP per capita. The cost will be measured based on the decision-making expenses decided by the multilateral institutions. Each state will determine its participation in the club is based on total benefits and costs.

Regional trade agreements are indeed clubs focused on the country's estimation of membership benefits and costs. A leader is generally prepared to spend more than his portion of the expense to receive the associated services. Consider, for instance, Germany, which was the biggest financial provider to the EU funds, but also the biggest producer and exporter in the Union. The advantages of reasonable access to the broad EU market have improved as prices have decreased due to increased use of democratic voting (Woolcock, 2003).

Frankel, A & Rose (2012) clearly show that, in aggregate, regional trade agreements can positively impact intra-regional trade. Therefore, regional convergence is also seen to achieve better access to broader markets and high levels of trade leading to increased economic growth. Nations engaged in trade obtain important welfare benefits from it, even if not strictly in an equal manner. There will be losers and winners in most trading

partnerships (UNECA, 2010). However, there is a widespread agreement that trade usually encourages economic development because trade encourages resource distribution depending on the participating countries' perceived competitive advantage.

Schiff, Lmaurice, Winters (2003) highlighted the critical dimension that regional integration's advantages primarily rely on getting the right partners. According to them, the natural trading partner is not always the perfect partner. Here springs to mind the apparent propensity to shape trade blocs among neighboring nations. The attractiveness of reducing transaction prices, easing boundary formalities, and speeding up the process of raising tax revenue is commonly shown as guiding the process of choosing partners. (Schiff, Lmaurice, Winters, 2003) argues that developing nations seeking regional integration would be better off by partners from vast, wealthy nations than with small, emerging nations. Another argument presented by them is that various memberships could be beneficial given these agreements' compatibility, but there are future problems with this method. Contradictory aspects including policies with 3rd parties, different import laws, and diverse technical standards, may simplify the agreement. (Jordaan, 2014)

The establishment of a regional bloc is not intended to be a neutral operation. It could naturally contribute to changes in the structure and scale of economic sectors between nations both inside the bloc and among the bloc and the entire world. That is the origin of the often-famous trade-creation and trade-diversion theory suggested by (Viner, 2014). Since the original publication of Viner to date, there is still no consent between trade economists on the precise nature or scale of the effect of regional integration agreements (RIAs). That is partly due to the dynamic nature of the economic, political, and cultural environments associated with existing between the countries forming the RIA and the nature of the guidelines regulating each individual RIA. For instance, it is known that the degree of welfare occurring between participating nations lead to the creation of the RIA that has a major effect on trade ties between participating nations and also among bloc members and the entire world.

Similarly, the performance of institutions across the Member States and the ability to fulfill the agreed protocols, standards are essential for determining the overall effects of regional integration. Schiff, Lmaurice, Winters (2003) contribute to this by stressing the convergence of policies such as cooperation, equalization, approval, or acknowledgment of international regulatory regimes. Cooperation includes the attempts of authorities to coordinate national programs and initiatives. Equalization is the acceptance of identical rules or the agreement of a set of rules among states. Acknowledgment is when one nation accepts (or acknowledges) the standards or norms of another state.

Some scholars, such as (Soko, 2007) and (Aminian & Ng, 2008), perceive the effect of integration from a different point of view. (Soko, 2007) distinguishes between policy-induced and market-induced regional integration. Policy-induced mechanisms are seen as compromises dependent on treaties reached by the political elite in reaction to changes in the global economy. The outcome is an arrangement focused on the bargaining and negotiation process. Market-induced convergence is a phase of globalization, powered primarily by private individuals. Therefore, regional integration is a compromise among the complexities of the global economy and particular policy zones.

Aminian & Ng (2008) tried to seek specific integration between contracts and market integration. During the latter context, current economic relations initiate the standardization of economic integration. In the former, trade policy organizations draw up integration plans to create greater economic contact between the grouping agents by visiting the area of developing Asia (it has seen more market integration) and Latin America (it has more events of integration by arrangements). They have tried to demonstrate that the regional integration scheme results are critically dependent on what's been heading it.

Aminian & Ng (2008) further argued that posing a question that has been at the center of the contest in the concept of regional integration, which is far from resolved. It seems to be that where there is no clear evidence of market integration, trade arrangements are already in force, suggesting that habit may vary substantially from the concept in this

regard for other concerns. However, considering results including those of Aminian et al., it also seems hard to entirely discredit the potential benefits of regional trade agreements, especially those of developing nations, based on poor unilateral integration before trade arrangements.

It is generally accepted in the literature that whether or not this is adequate 'business integration' prior to the creation of the RIA as covered by (Aminian & Ng, 2008) or if there will be sufficient market integration following the formation of the RIA as demonstrated by (Coulibaly, 2007) based on a variety of factors. In addition to the production structure, the country of trade cooperation in the participating nations is one of the essential factors. As a result, numerous studies have examined the bilateral trade problem of unilateral and multilateral liberalization and also regional integration and intra-group economic growth. Using different establish of trade facilitation patterns and different empirical studies variations, the results are similar that these approaches are essential for trade and development (Limão, Nuno Venables, 2001; UNCTAD, 2002). It states that the profit rates are better, the lower the customs department's initial requirements to be successful.

Regional integration usually leads to efficiency improvements and better growth inflows, particularly for smaller and lower economies (Te Velde, 2008). Even so, despite the establishment of more than 200 regional integration organizations, Africa's regional integration progress has been somewhat discouraging (Söderbaum, 1996). The achievements of African regional structures have been very minimal without providing perceivable benefits, except for French-speaking West African and Southern African, which have achieved only positive results (Mistry, 2000). Owing to ineffective regional secretariats, governments' inability to fulfill regional obligations can partially be attributed to a lack of monitoring and compliance systems. The structure of regional organizations has an apparent weakness because the Member States' goal is to give as little full control to the supra-national stage. This lack of readiness to surrender the fundamental principles of sovereignty to the regional organizations was already expressed between the regional agreements. Several regional integration efforts have not been

approved by the institution's supranational authority and have been too optimistic with numerous memberships being vague and misleading (UNCTAD, 2009).

Soloaga & Winters (2001) indicates that the regional groupings established in the 1990s did not lead to significant intra-regional activity. The creation of regional blocs has been prominent between African states because it has not created any actual value for members. In certain situations, the presence of a partnership agreement on its own can be advantageous to the participating nation. Any investors may be interested in the region and this on its own gives rise to such clear benefits, however, if members do not expect fulfilling their regional obligations (Mistry, 2000). The perceived advantages of regional integration may motivate lower and smaller economies to be members of a regional structure.

Foroutan & Pritchett (1993) suggests that the low rate of intra-regional trade explains the lower level of trade capacity between African states due to their usually low gross domestic product rates. Africa's trade capacity was also limited by protectionist trade ideology, systemic macroeconomic failure, absence of well-developed mechanisms, weak political and economic governance, and financial scope (UNECA, 2010). Nevertheless, more reason behind the failure to reach a greater level of intra-regional trade between African states depends on weak initial situations, such as unintended consequences and main design deficit issues.

Limitations such as the absence of complementarity between regional partners in terms of materials and output factors, the capacity for differentiated products connected to different levels of income, and consumption guides are apparent. Other obstacles that impede the achievement of sustainable regionalism include reliance on trade taxes, weak regional infrastructure, and governmental structure (Te Velde, 2008). The lack of funding from a robust private industry and the inability to enforce negotiated liberalization timetables further hindered any progress. It seems as if poorer countries can also be among the limitations of developing strong rule-based RIAs since they cannot create, manage, and execute a comprehensive regional policy (Hartzenberg, 2011).

Canova (1996) found that there was some scientific proof of trade influencing the transmission of instabilities across states, but it was not reliable to the treatment's deterrence technique. Previously, (Frankel, A & Rose, 2012) have reported more favorable results. Based on 21 industrialized nations, the more countries traded with one another, the more their trade flows were correlated. In other words, there is a clear positive correlation between the extent of bilateral trade level and the bilateral cross-country production correlation. Similarly, (Choe, 2001) also considers that, based on 10 East Asian states, financial crises are more coordinated as trade interdependence intensifies in the region.

A study by the (Castro, 2014) suggested that RIAs among developed nations (South-South RIAs) which afford privileged treatment to Member Countries but hold external trade policy untouched from the rest of the globe are essential to minimize the overall welfare of the bloc. High external tariffs foster trade substitution and give sufficient resources for unsustainable companies to grow. Essentially, high external obstacles counteract the advantages of competitive pressures. Consequently, to assure that the RTA may not promote incompetence, enable trade deviation and eventually reduce economic well-being, it is fundamental to lower MFN tariffs as obstacles to trade inside the RTA are removed. (Han & Goleman, Daniel; Boyatzis, Richard; McKee, 2019).

The framework, goals, sectoral exposure, and RIAs members can significantly affect their future economic benefits and losses. Both economic models and a large body of scientific evidence point to the supremacy of complete multilateral free markets as the best option for a government to optimize national welfare. The RIAs are the second-best agreement and are at most, a phase toward this concept of multilateral trade. There must be at least two potentially possible scenarios where trade disruption may not inherently decrease welfare. First, cross-border subsidies can probably be entirely substituted for by a rise in consumer deficit (coupled with reduced consumer spending), in which scenario trade diversion would not reduce welfare. Second, if the Member States collectively account for a significant share of global trade in particular goods, RIAs could control global prices. (Jovanovic, 2001).

In other terms, what would be the effect of a structured regional integration arrangement on prospects for decision-makers to seek greater multilateral integration? Empirical research in this field is in its cradle, and political theorists and economists are focused on the probable outcome. For a variety of reasons, RIAs may hinder more comprehensive integration. First, Member states will assume that the regional market in the RIA is wide enough to fulfill their targets. Second, the critical driving force behind the RIA creation could be for politically powerful companies to get the advantage of the chances provided by the disruption of trade or to expand their safe business to a regional level. There might be little political prospects for more economic integration (Grossman, Gene, 1995; Krishna, 1998). Third, cost of the limited amount of RIA partners, political opponents will concentrate more readily on a new potential member, attempting to disrupt the expansion of the arrangement.

We concentrate on international trade and international financial integration at the regional level, complementing a broad range of empirical research on international financial integration at the world stage. Financial integration also leads to improved risk-sharing and more effective distribution of capital at the regional level. Financial integration is widely seen as a strategic option to promote trade and close cooperation in geographic regions (Boubakri, S. & Guillaumin, 2015).

Several articles say that trade has a significant effect on international financial integration. (Gilmore, Lucey, & Mcmanus, 2008) argue that international financial integration is highly motivated by rising international trade, growing capital mobility, and eliminating restrictions over cross-border capital movements. International financial integration is also the product of the different kinds of policy convergence associated with economic unions' development. Besides, (Lane & Milesi-ferretti, 2003) claim a tight linkage between international financial integration and trade in goods and services. (Frankel, A & Rose, 2000) shows that more significant trade ties lead to an increase in economic cycle interaction. (Imbs, 2004) studies international trade's influence by evaluating the relative contributions of various forms of trade impacts (Wälti, 2011). (Chinn, 2004) maintain that the direct trading relationship plays an essential role in

assessing broad stock markets' effects on some financial markets (Wälti, 2011). (Inklaar, Jong-a-pin, & Haan, 2008) also affirm the critical role of trade throughout the promotion of international financial ties.

Vithessonthi & Kumarasinghe (2016) the study that global trade integration was n't substantially related to its stock market integration into the world share market. Some scholars also claim that enhanced global financial integration conducts to a reduction in imports and, as a result, to world trade integration.

Now we would equate the magnitude of the regional integration of the Largest European firms with three global integration forms, including international output, worldwide sales, and pure global integration. Experimentally, we evaluate the effects of globalization (or regionalization) relying on the scale of international sales and properties of the MNE. Nevertheless, the majority of major MNEs are following a plan for the integration of the home region. We also obtain that domestic CSAs decide which technique is being used (Rugman, Oh, & Lim, 2012).

Trying to apply the principle of gravity to MNEs, (Ghemawat, 2001) implies that businesses would examine not just the possibilities for foreign nations but also the risks and costs that emerge from operations in those nations. These risks and costs emerge from the four altitude measurements: administrative/political, cultural, economic, and geographical. Conversely, Ghemawat's measurements are being used for industry and country-level analysis whether for organizational performance research.

The theory of transaction costs economics suggests that MNEs could well balance their CSAs and FSAs within their home region than that of the global region. By extending within its home region, the MNE may reduce its adjustment costs while enhancing its foreign experience by reconfiguring its core FSA expertise for less costly destinations (Rugman & Verbeke, 2005). In brief, regional consistency CSAs, including economic integration and political liberalization, will decrease the burden of adjustment of MNEs within their domestic triad region. Taking on the dynamics of regional integration at the

CSA tier, as described above, and progressing towards firm stage data on FSAs, (Meyer & Rugman, 2006) demonstrates experimental insights of regional convergence at the firm stage. In its study, just a few firms operate internationally, and more than 80 percent of the 500 significant firms operate regionally. In reality, over than 70% of the sales of major MNEs are produced within their domestic region markets. Consequent research suggests data to support regional MNE viewpoints from all aspects of industry, regions, and countries.

Oyejide, Elbadawi, Collier (1997) subsequently apply to the index 'absence of coherent and enduring political engagement and macroeconomic uncertainty,' between others, which inhibited the development of economic integration within Africa. A few suggest (Foroutan, F & Pritchett, 1993) that several of the causes of the frustration of regional integration for sub-Saharan Africa are the concern of individual nations, especially the poor, that several factories they have may relocate to comparatively more developed neighbors. Thus, while the underlying concepts of trade theory give us a few essential perspectives, they lose sight of acting as practical guidelines in the Africa continent.

The restricted direction in the above and related fundamental trade theories and the reported failure of the implementation in the integration process in Africa has reached some scholars (Oyejide, Elbadawi and Collier, 1997) to conclude that the emphasis on regional integration in Africa must be reoriented if economic growth is to be enhanced. In how they pointed to as the new approach of regional integration, they conclude that 'regional integration in the SSA might lead to economic development in a really different manner than formerly anticipated by somehow contributing to maintaining strong and secure national macro-economic strategies and the gradual redistribution of physical and human resources'.

It can also be added that regional integration mechanisms can have a 'lock-in' effect by building links among less developed and comparatively developed nations and also by pushing them to stay within a particular and accepted action plan. In contrast to reconfiguring the priority of regional integration through trade to macroeconomic

collaboration, some also suggest concentrating on collaboration in the production of infrastructure and natural resources (Robinson, 1996).

(Robinson, 1996) states that the conditions for ensuring fairly complete forms of regional integration function are requesting: a detailed listing of the allocation of income, the set-up of compensation systems to ensure equitable distribution and a level of national sovereignty must be sacrificed in order to attain the desired harmonization at the regional scale. Regional collaboration on utilities and natural resources, on the other hand, is much less challenging. Usually, there are definite advantages for all nations participating in regional infrastructure integration, regardless of their size and degree of economic growth.'

Foroutan, F & Pritchett, 1993; Longo & Sekkat, 2001; Oyejide, A., Elbadawi, I., Collier (1997), which concentrated on Sub-Saharan Africa and (Ogunkola, 1998) on Western Africa. Although these studies' outcomes are somewhat different, the general results and recommendations tend to be identical. They all suggest that the history of regional integration for Africa has been insufficient to achieve its rising intra-regional trade goals in specific and encouraging policy cooperation in general. The latest report by the Economic Commission for Africa (ECA, 2004), which established a specific index to assess the process in integration in Africa, confirmed which regional integration in Africa 'has been slow and steady across industries, nations and regional societies.

Correspondingly, inter-regional, intra-regional, and intra-African trade is usually deplorable. As stated by (Foroutan, F & Pritchett, 1993; Oyejide, A., Elbadawi, I., Collier, 1997; Yeats, 1999). A study of regional integration structures in sub-Saharan Africa has shown that there were no substantial shifts in the configuration of trade that might indicate which integration has contributed to some significant structural reform in the economies concerned.

Different aspects lead to a low degree of integration of trade. Some MENA states have similar capital, production capacity, and export frameworks. They can find it challenging

to use regional integration to strengthen trends of diversification and specialization. The decline of intra-regional trade is actual, to a specific measure, motivated by the policy. Public sector governance and involvement, transparency and accountability, and wages and opportunities remain crucial barriers to the growth of the private sector in the region, as examined in the World Bank publication (World Bank, 2009).

Free trade arrangements can give regionally competitive firms (But not the global level) an opportunity to exploit economies of scale, generating new jobs and export possibilities at a moment once they are desperately required (Chase, 2003; Milner, 1999). On the other hand, (Grossman & Helpman, 1995) concentrate on the effect of the internal political market on the existence of FTAs, which could receive internal confirmation. They conclude which 'winning deals' provides both import and export protectionist policies by ensuring that exporters have exposure to higher-priced regional markets, by holding rivals at home, and defending sensitive sectors. This double protectionism is especially desirable during economic recessions.

Economic integration will help resolve the region's development challenges by enhancing rewards and opportunities for development, employment, and economic diversification. If effectively handled, it will stimulate the investment necessary to construct more and better employment by enhancing the supporting climate for both foreign investment and domestic.

Economic theory indicates that it is necessary to seek economic integration. It can have significant positive effects if it is handled consistently with expanding economies, fostering competition, stimulating investment, and promoting factor inflow. However, if economic integration processes shut out more competitive parts of the globe or burden states with overly complicated border systems, they may do more damage than good. The theoretical literature is relatively straightforward. Nevertheless, separation is not the right choice (Carletto, Kirk, Winters, & Davis, 2010; Freund & Ornelas, 2010). Small and isolated economies appear to get less differentiated output systems and are more

susceptible to fluctuations than more prominent, more economically integrated economies.

The economic and political structures of the countries are different. Conversely, they also provide several essential features that have endured over time. In all three nations, the standard of policymaking is constrained by politicians' interest in the 'authority' that short economic liberalization and incomplete regulation offer them. The value of discretion derives from the essence of the political structure or the form of the country. As in other sub-Saharan Africa sections, the government is a hybrid system described as neo-patrimonial in political science literature. However, the integration process of the customs union has still not been wholly enforced. There are a standard external tariff and the tariff-free movement of services and goods, but there is still a significant list of exceptions, conditional provisions, and opt-outs for non-EAC trade deals. The technical work to modernize and harmonize customs clearance in the EAC's key entry points is still unfinished.

There is a reasonably broad literature on the projected wages, welfare, and trade impacts of the actually deployed Customs Union (CU). The majority of this is focused on comparative-static interactive activities intended to instantly demonstrate the CU's whole tariff unit's one-off effect. This literature usually draws concrete conclusions about the benefits of development. The literature indicates that the EAC is not a well-established unit from a commercial integration point of view. In the formal terms used for this area, the economies in the community are neither indeed particularly conducive nor really competitive. At best, EAC's integration process could be seen as a helpful phase on the road to further integration with a lower degree of security into the global economy (Booth, Cammack, Kibua, & Kweka, 2007).

They describes the problem of multiple club members of regional integration groups. The essence of regionalism of Africa is that several states are participants of many RIAs. For instance, ten nations are further members of one regional grouping inside the five significant regional economic associations affiliated with the Africa Union, including three members from the Democratic Republic of the Congo. Multiple participation is only useful if the RIA is compliant, which not the situation is. Noting that the probability of

creating a trade bloc is practiced only when it further improves the usefulness of the voter (Panagariya, 2000).

In the end, multiple associations lead to higher difficulty, costs and trade uncertainty (Schiff, Lmaurice, Winters, 2003). To address these problems, Africa regionalism should step away through FTAs because they weaken the Member State's own tariff systems and introduce rules of source that are protectionist in the creation of customs unions to bring about a higher level of integration and raise trade benefits. Indeed, it tend to be more expensive if small developed nations merge into a single market to achieve economy of scale and improve competitiveness while increasing revenues by duties on trade with around the globe.

In Africa, regionalism focuses more on attracting FDI and building trade negotiating blocs for expanding trade benefits in WTO negotiations. From the other side, several RIAs of Africa are political sources (Schiff, Lmaurice, Winters, 2003). Regionalism's advantages are likely to rely on choosing the right partner. The concept of a "natural" trading nation should be discarded and is no longer valuable. There is a strong propensity for trade blocs to develop between neighboring states such as the urge to minimize trade costs by easing or removing border procedures and promoting the accumulation of tax revenues. That development would most probably occur in a redistribution of trade instead of a production of trade as a result of restrictive or limited liberalization (Fafchamps & Gabre-madhin, 2001).

Debates in Africa concentrated on two forms of integration systems: the common market and the monetary union. The E.C.A. was especially worried about the implementation of the latter, namely the most comprehensive method of economic cooperation between States which still want to maintain independent political organizations. Such integration includes a single external tariff, freedom of movement and commodities, and alignment of macro-economic strategies to assure the reciprocal continuity of Member States' external payments, fiscal, exchange rate, and monetary policies (Johnson, 1991).

According to these study results, the perspective of regional integration in Africa is already depressing in obtaining one of its main aims of boosting intra-regional commerce and promoting economic cooperation (Geda & Taye, 2008; Oyejide, A., Elbadawi, I., Collier, 1997). Despite these promising developments in several of the African RECs, ineffective intra-regional trade, and slow progress over the period, despite the wide range of treaties to that impact, further experimentation is warranted. Must the unsatisfactory achievement of regional integration in Africa be explained solely by the lack of compliance? Or will it be contributed to several of the associated characteristics of Africa economies, which started (Foroutan, F & Pritchett, 1993) to summarize that, often in the lack of trade barriers, the range of trade between African states is 'inherently moderate (Geda & Taye, 2008)?

The history of the East Africa Community is a direct example of the damage that hostility between political figures can do. Co-operative agreements between the nations had origins that dated back to that era 1920s. Consequently, with the creation of the Group announced the ratification of the East Africa Cooperation Treaty in Kampala in June 1967 that was common to assume a high level of political will. Obviously, some profit is made by withdrawing the ultimate power in the economic association from the full authority of the highest political elites, mainly when the amount involved is so limited that any individual disagreement is sufficient to decimate the agreement. Optionally, when it includes Heads of State, such jurisdiction would never be a decision-making structure on things that are important to the resumed functioning of the Union (Johnson, 1991).

The second factor is that unequal advantages for governments regarding their expected effect on their GDP are likely to be inevitable in any economic union. However, if it is valid, it does not terrify the establishment of a customs union. Instead, steps are needed to achieve that the unequal effect on the GDP does not intensify the inequalities in production per capita and real income between various states' populations. It could appear to require a high degree of component versatility (capital and labor) as an integral feature of union structures from the outset. It is clear that the consequences for the order in which integration steps are to be implemented are significant.

The existence or lack of the requisite political commitment to shape and work successfully in a union will be evident in states' ability or inability to recognize proper and successful mobility factors from the outset. With absolute mobility, there can be shift and redistribution of capital and labor inside the union any moment the rental factor (interest rates and wages) and the profit rate begins to converge. As a response, there may be a desire to minimize these differences. The remaining disparities would be mainly related to actual economic consequences such as transactions, transport, and information (Johnson, 1991).

Indeed, the portion of IGAD's foreign trade in world trade has not been extensive and it has been prone to substantial variations in the last decade. The organizational members are more involved in terms of imports of goods and services (over than 0.25% of world imports during 2012) than in terms of exports (about 0.1 percent of global exports). After all, IGAD's amount of foreign trade as a total trade of emerging Africa countries contributes to the significant role of the African organization. During 2012, the portion of the nations concerned with Africa exports were around 3.2% and had remained very constant since 2000. There is an increasing trend in imports: the volume of imports from IGAD countries in developing African nations raised 6.5% by 2000 to 7.5% in 2012 (Cieslik, 2015).

Valuable literature has also developed to measure the rise in commerce that might be due to the regional integration of Africa. In general, scholars have tended to refute or affirm the perception that African trades "too little" and focuses on intra-regional instead of global trade. Foroutan, F & Pritchett (1993) found that trade flows among Africa states were not underestimated. The sub-Saharan Africa average of intra-regional trade is on aggregate 8.1%, whereas the Gravity Equation forecasts a significantly lower estimate of 7.5%. (Coe, 1998) suggest which bilateral trade among SSA nations and industrial nations was not exceptionally poor in the 1990s.

Rodrik (1998) argues that the trade/GDP rates of SSA nations are comparative from those of nations of similar income and consumption and that Africa's marginalization is a result

of the low-income gains. Using the enhanced gravity equation, (Carière, 2004) examines the effect of regional trade agreements (RTAs) on SADC, ECOWAS, and COMESA. It notes that the establishment of RTAs has been correlated with a substantial expansion of trade among members. It also considers that the currency and trade agreement (e.g., CEMAC and UEMOA) element has been the most potent component in growing intra-regional trade.

(Musila, 2005) also utilizes the Gravity Model to estimate the development and redistribution of trade in ECOWAS, ECCAS, and COMESA. He notes that the strength of the development of trade is better in ECOWAS, accompanied by COMESA. Serkkat (2004) explore the potential of extending intra-Africa trading with a gravity equation and pay consideration to intra-regional trade barriers. They demonstrate that inadequate infrastructure, incompetence of economic systems, and internal political pressures are the key barriers to trade in Africa states. (Limão, Nuno Venables, 2001) also indicate that weak infrastructure contributes to 40% of the transportation charges expected for seaside nations and up to 60% for landlocked nations. In the context of sub-Saharan African (SSA), Limao and Venables argue that intra-SSA trade values are significantly more significant and that trade rates are significantly lower than for other non-SSA states.

Foroutan, F & Pritchett (1993) argued that there is no confirmation that trade flows in sub-Saharan African (SSA) are comparatively low due to regulation or absence of facilities. Preferably, they recognize that the real trade within the region coincides with the inflow forecasted by gravity formulas: the minimum rate of trade between SSA nations could be attributed to the reduced GDP ratio of such states. (Yang & Gupta, 2007) confirm that while intraregional trade in Africa is less than that in other regional, trade volume between Africa states is considerably higher than that among Africa states and the entire world. Similarly, (Ipadre, Lelio, 2010) endorse the considerable amount of regional trade in Africa.

In several respects the SADC and COMESA integration plan represent efforts to resolve these obstacles in Africa trade development. SADC has adopted a regional integration

strategy that seeks to overcome institutional barriers. In contrast, COMESA has focused more on the harmonization of legislation and customs regulations and promoting trade. After all, the absence of political engagement has affected both institutions hindering progress in executing their mission. The failure of political engagement is also expressed in the reality that the stronger economies of the area (Kenya and Egypt in COMESA, South Africa in SADC) had n't carried on prominent participation as champions of regional cooperation and liberalization (Khandelwal, 2004).

Nothing has been done about regional integration of total. (De Melo, J., C. Montenegro, 1992) determine the growth formula, such as the dummy variables by each trade bloc, but one crucial dummy for the Southern Africa Customs Union mostly in 1960–72 sub-period. Henrekson et al. address why this is shocking that the impact of the trade blocs is negligible and explores potential reasons for the insufficient outcome. When we follow the De Melo et al. method, we usually find negligible effects. Nevertheless, as mentioned below, additional regional integration initiatives indicate that regional integration is increasing rates of growth.

Ben Belassa has defined five ideal types of integration Olatunde B. Ojo (1985) said that it is a free trade area at the lowest level in which quotas and tariffs are abolished among the Integrated Region countries. The customs union requires the abolition of quotas and tariffs and eliminating unfair tariffs by non-member states through the creation of standard external tariffs. The third stage of integration includes the development of a single market. This means removing barriers to the free flow of factors of production namely capital and labor. The fourth stage is creating an economic community or union, which includes the harmonization of economic policies that could include the establishment of a single currency. The most critical type of integration is a political union in which the mechanisms and political institutions that harmonize strategies themselves are harmonized and united.

The goal of East Africa's integration is not to adopt Belassa's typology as a straight jacket. Alternatively, it seeks to achieve a constitutional federation by first forming a customs

union and then a monetary union. Fortunately, as the EAC had been in nature, it should be remembered that it was one of Africa's most developed integration systems. In particular, it had been stated that the EAC initiative was the most advanced regional concept for integration throughout the developing world as a whole (Döveling, 2010).

Regional convergence provides an area for "training to succeed" and "consciousness" to companies and arranges them for greater severity and competitiveness in global value chains. Global value chains are in the early stages of most African nations. So what was the capacity of regional integration aimed at fostering the regional value chain of trade in food security? Many other instruments have been developed to evaluate food security, but per capita daily dietary energy supplies are still enough to determine national food security. Following the findings, the daily dietary energy supply per capita can be applied as a food safety measure in this report.

International trade research offers good examples of how trade liberalization positively affects the economies that have liberalized trade to the global economy (H.M.S.P., 2010; Sachs, Warner, Åslund, & Fischer, 1995). Trade liberalization is thought to be the main driver for economic growth in the state. Svatoš M., (2010) suggest that international trade has been a critical instrument for establishing external economic ties between global economies. (Helpman, 1990) demonstrate that access to foreign trade raises national imports of services and goods, including emerging technologies. By training and technology transfer, the most open economy is rising faster than so many protectionist ones. Nevertheless, the results show that such improvements depend on various variables, including the immediate bid.

The other defines the essence of the nation's specialization mostly in the long run and its growth scale. Transparency of a small nation could drive it to specialize in a low-growth market, leading directly to the nation's underdevelopment. In this scenario, the nation could implement protectionism in the initial stages of its growth and then aim for acceptable opening-up strategies. (Edwards, 1998; Greenaway, Morgan, & Wright, 1998; Sachs et al., 1995; Sala-i-Martin, 1997), applying cross-sectional recessions, observed

that disfigurements of exchange due to government interference contributed to reduced growth rates. (Ben-david, 1996) has already shown that it is only in trade openness that unrestricted integration can be observed.

Frankel, Jeffrey, A (1999) used a model of instrumental variables, such as geographical milestones, and verify which international trade has a substantial and essential effect on growth. (Harrison, 1996) draws similar findings that used a variation of measures of openness. By using multiple techniques (cross-section fixed impacts, five-year rate, first distinctions), the findings indicated a strong correlation between growth and openness. Conversely, not all the opening steps were necessary, but they're mostly a great indication. (Zahonogo, 2017) condemn the calculation of openness to trade. They concluded that the favorable relationship between growth and openness was not valid and that the approach used for other researchers lacked significant control factors to provide a definitive impact on growth.

(Baldwin, 2007, 2011) explores the relationship between industrialization, trade, and regionalism in East Asia and how the supply chain's construction is critical. It shows that correspond to the previous when effective industrialization (Taiwan and South Korea) takes years to create a national supply chain, intra-regional trade now has the ability to push nations into industrialization in just a few decades by entering immediately supply chains. He claims that the global supply chain's advent could significantly diminish the difficulty and time needed for developing nations to industrialize. It is also much simpler to enter the actual supply chain than to develop these from inception internally, as would earlier industrialists like Taiwan and South Korea.

ESCAP (2015) Generates colorful information about the involvement of Pacific-Asia economies in regional and global supply chains and discusses the relationship between regional integration and global supply chain mechanisms, particularly the connections between the evolution of global value chains and various forms of preferential trade arrangements. The research observed that the growth of global supply chains has started up possibilities for deeper integration in the Pacific and Asia by encouraging states to

seek the division of labor and specialization. Using the Gravity Equation and the international input-output charts, the effects of regional integration on the region's global supply chain exports are analyzed methodically.

The conclusions affirm that the value chain potential. First regional trade deals get a favorable relationship with the Pacific-Asian country's global value chain exports. Second, the effect on intra-regional exports tends to be greater than exports to the rest of globe. Reducing trade obstacles, both from the point of view of importers' and exporters', tends to be connected to improved global supply chain exports from the Pacific-Asia. Third, promoting trade by improving ICT, transportation and logistics systems and eliminating barriers beyond borders will increase global value chain trade among states and consider them main actors in global value chains. (Tinta et al., 2018)

CHAPTER 3

BENEFITS AND CHALLENGES OF REGIONAL ECONOMIC INTEGRATION

3.1 Introduction

This chapter examines the benefits and challenges faced in the regional economic integration in Africa, continuing the theoretical interpretations and study of regional economic integration in Chapter 2. It does so by highlighting the benefits and disadvantages of this mechanism, which recognizes exciting outcomes as member states become more economically advanced, as well as problems that African nations must address collectively and individually. In this regard, member nations should recognize that, while certain advantages are not automatic, the majority of obstacles are not insurmountable. This chapter will highlight the significance of regional economic integration in Africa, given the magnitude of the continent's current economic and political challenges.

The chapter 2 primarily clarified the theoretical framework of a few influential RIAs and assessed whether they could be extended to all continents. Even after that, this chapter examines this grand principle to see how applicable it is in Africa, a region with its own strong identity and scenarios. In this context, the first section of this chapter will cover welfare effects, both dynamic and static effects. Furthermore, this segment will illustrate and discuss the advantages of regional integration that Africa may profit from. There are existing obstacles that threaten Africa's success in merging its economies, as well as obstacles that it could encounter while progressing with the phases of economic integration, which have been explored in chapter two. Such problems are addressed in section 3.5.

In certain ways, the advantages and disadvantages of regional integration represent what Africa will face during the regional integration process. Therefore, it is important to familiarize with them, since they are critical to assuring member countries' engagement and identifying any misunderstandings. This chapter highlights the reasons for contributing to and strengthening Africa's regional economic integration process by bringing on these advantages and disadvantages. It will aid in better considering the role of African regional economic integration.

This section marks at the potential benefits of regional economic integration. The theoretical advantages and disadvantages of economic integration, according to (Carbaugh, 2004), can be described in two ways: static and dynamic effects of economic integration. Dynamic effects are concerned with member nations' long-term growth rates, while static effects are concerned with efficient productivity and consumer welfare. When these results are added together, the net welfare benefits related to economic integration are calculated. These are all described in this section, which reflects at how regional economic integration affects member nations' resource allocation and welfare.

As discussed in Chapter 2, African nations need to reform and align their economic systems as part of the economic integration process. For example, member states would have to remove all tariff barriers between themselves whereas retaining a shared tariff policy towards non-members. In this scenario, values will definitely decrease, and static effects occur in this situation.

Economic approach assumes that free trade would increase member nation's welfare; however, the issue is whether regional integration agreements (RIAs) potentially increase member nations' welfare. It will be addressed in section 3.2.2, which is dedicated to dynamic effects. Dynamic effects apply to member nation's long-term growth rates that can be seen later, dynamic effects of trade policy shifts will lead to significant improvements in this context in the majority of circumstances.

3.2 Static Effect

The economic assumption on static effects assumes that free markets would boost welfare by encouraging people to purchase services and goods at the lowest possible expense resulting in capital reallocation regarding the comparative advantage. As a result, it is fair to expect that regional integration agreements in Africa would result in improved welfare.

Consequently, regional economic integration provides a specific means of addressing the limitations of smallness, in that nations can gain from a variety of scale effects and shifts in the level of competition by sharing resources or merging markets. This is not to say that REI will be the only access to address the difficulty of smallness; some economists claim that bilateral liberalization is most effective than joint liberalization.

In views of the static effects of REI, the trend toward trade liberalization would have two contrasting consequences on the wellbeing of the states, namely a welfare decreasing trade diversion effect and a welfare rising trade creation effect. Both effects, trade diversion and trade creation, are also alluded to as welfare effects because they have something to do with the allocation of resources. The ultimate effects of economic integration, especially in such a customs union, on the welfare of its participants, which varies depending on the different intensity of certain two contrasting powers (Simionescu, 2018).

As mentioned in Chapter 2, trade creation describes advancement in the importing state's economic welfare as a sequence of lower import prices and a rise in the amount of imports incorporated with the establishment of a customs union. As a result, trade creation increases the welfare of the member states, Malawi and Nigeria in our earlier example, since it contributes to improved output differentiation based on the concept of comparative advantage. This trade formation effect is specifically composed of both a production and a consumption effect. On the other side, Trade diversion emerges because of the establishment of a customs union, imports through low-cost non-member states are

substituted by imports through high-cost member nations. In this context, trade diversion is regarded as a major obstacle, as it becomes more costly for member states to import products from other member states. The EU's Shared Agricultural Policy is the perfect symbol to show. According to empirical figures, the expense of security contributes to 12% of EU agricultural output (World Bank, 2000), suggesting higher prices for products to non-member states. Other instances include imported clothing under the NAFTA and imports of capital products into certain Andean Pact nations which led to the import of high-cost products by the Member States from other members.

In order for the region to assess the overall welfare effects of regional economic integration, trade creation effects must be weighed against trade diversion effects. When it is discovered the trade diversion effects make up the majority of trade creation effects, it implies that the integration may lead to a decrease in the economic welfare of the importing nation. But in the other side, if trade creation effects exceed trade diversion effects, it suggests that the importing nation's economic wellbeing has increased. The contrast between trade creation and trade diversion is a crucial component of an RIA's positive effects. Many variables are considered when assessing the relative size of such two welfare impacts. One significant aspect is the disparity in production costs between the domestic market, other member nations, and the rest of the world. Once the extent of trade creation effects is higher and the extent of trade diversion effects is lower, the value of imports from member states appears to be below.

According to the concept, the nature in which inter-state commerce exists is heavily supported by disparities in efficiency and element inheritances. Contrary to popular belief, trade may also result from economies of scale and differentiated products. Furthermore, resources can be gained when ineffective output is reduced by trade creation, but resources can be reduced when imports are redirected from lower-cost to higher-cost partner suppliers by trade diversion. This study only refers to a customs union and a free trade zone, not to subsequent phases of economic integration.

Jovanovic (2001) argued that the overall static effect of a transition to a customs union relies on which of the two “Vinerian” influences leads and can be positive, neutral, or negative, confirms this. Consequently, this Vinerian impact concept is incompatible with GATT (Article XXIV) in terms of free trade zones and customs unions. Significant economic regulations in the EU, including the Common Commercial Policy or the Common Agricultural Policy (CAP), are often influenced by the concerns of local manufacturers, and some economists have noted that the EU may have a theoretically trade-diverting tendency. Nevertheless, the European Parliament's expanded position can improve consumers' impact in the EU decision-making framework. In this case, trade diversion could be more advantageous than trade creation for usage in a single state that offers special consideration to specific suppliers. Even so, this may be due to the fact that this nation does not prioritize domestic production. Since bilateral trade movements should be regulated, the source of rewards has expected trade creation. On the other hand, a member nation would not profit from trade development only if it improves its exports to its collaborators.

Most African nations, such as Ethiopia, are terrified of competition, which is why their markets are closed. Production performance of sectors within the region will begin to rise, since it will investment spending, stimulating production potential and, as a whole, output and income levels in member nations. According to (Bretschger & Steger, 2004), investment spending outside of the union can also be encouraged.

Given the static impacts of trade integration, greater integration effects not just the nature of imports, but also the number of imports. These shifts in trade trends are typically the product of a customs union's restrictive tariff policy. In other terms, imports from member states are valued more highly than imports outside of the union, and it could be predicted that commerce between member states will rise at the cost of the non-member market, implying an improvement in intra-trade. Furthermore, the price-cutting implications of lesser tariff rates can be supposed to boost trade volume. The static effects review in this section has shown that the establishment of a customs union would boost the wellbeing of its members and the entire world unless the favorable trade creation effect outweighs the unfavorable trade diversion effect.

While the emphasis of trade diversion and trade creation has been on trade flows caused by regional integration, there are two significantly different effects, according to (Venables, 2005). The first is that changes in trade flows may affect global prices, potentially increasing member nations' trade treaties, but this benefit comes at the cost of non-member nations. Variables stated that empirical data has revealed that, for instance, Brazil's MERCOSUR membership has been followed by a substantial decrease in the competitive prices of imports from non-member nations. The second effect is that adjustments in tariffs and trade rates would result in a reduction of tariff revenue for the government. It can happen as intra-RIA tariffs are reduced, as well as because of trade diversion.

According to theory, tariffs may be reduced while still generating revenue. There is proof to support this in numerous nations. According to the (African Trade Policy Centre, 2006), Lesotho tripled its income after equalizing VAT prices with South Africa and other arrangements decreased contraband and improved revenue collection at the boundary. Other states have been active in lowering trade restrictions. In Mozambique, imports are now processed 40 times speedier than before the changes, and customs revenue increased by 38% in the first two years.

3.3 Dynamic Effects

Despite the fact that the original sub-section on static effects appears to be comprehensive, it has been extensively documented however not enough welfare effects of REI are static in view. There are also dynamic effects that become a bearing on the long-term growth rates of member states. These include advantages that, as per the concept of optimum currency, can be obtained by exchanging a currency across state boundaries (Carbaugh, 2004). These benefits provide more regular price, investor certainty, lower transaction costs, and economies of scale, increased competition, and factor efficiency.

Those dynamic benefits of REI are primarily the result of the creation of broader markets as a result of the transition toward freer trade under customs unions (Carbaugh, 2004). In theory, economic integration blends economies, allowing for the reduction of monopoly influence while more businesses from various member nations compete more intensely with one another. The advantages of a customs union's dynamic benefits can outweigh any undesirable static effects.

DeRosa (1998) demonstrated that, states with competitive markets prior to unification could succeed from integration due to increased opportunities for specialization. (Bolaños, 2016) inferred from the findings of many scholars on this topic that a nation that traded with its potential partner before the establishment of a union was sure to receive from unification, while partners with significant trade sticks in the rest of the world could fail. This is so if most are willing to boost their trading conditions with the rest of the world by trade diversion. Nevertheless, the enhancement of trade terms is dependent on the scale of the union in comparison to other nations. The greater the size and lot of nations in the union, the bigger the prospects of success.

The business expansion helps companies to take advantage of economies of scale even more completely. The trade-off between competition and economies of scale that is 'if firms are bigger, there are less of them, and the business is quite competitive.' As the market grows, this trade-off move, making it possible to get both bigger businesses and more competition. Another advantage occurs if each organization manufactures a diverse range of goods. Another potential benefit is the decline in internal incompetence that businesses are motivated to accomplish. Unless an RIA may raise the strength of competition, it can persuade businesses to reduce internal inequities. In this situation, the primary issue is that whether or not Africa would be able to reap these rewards.

Fortunately, the argument is that since several African nations are limited and have a fairly closed framework, there is space for further completely leveraging economies of scale and eliminating local monopoly control. As a result, through competition and scale

effects, REI can give African nations significant potential benefits. Even so, the advantages are not automatic in this situation, and maintaining that they will be realized necessitates careful policy preparation and growth. On another hand, the figures given above in terms of the value of MERCOSUR economic integration indicate what could be predicted rather than what was accomplished.

On the other side, giant African markets, such as Egypt, South Africa, and Nigeria, may allow for higher efficiencies leading to increased specialization of machinery and workers. As previously mentioned, it could also encourage greater competition for producers within a customs union. Companies are encouraged to lower prices and raise profits in the REI ways or phases, and customers profit as monopolistic competition is eliminated. This is a crucial argument that must be considered by countries with restrictive trade policies. Companies that gain from monopolies in such nations can have no choice but to increase standards, boost product quality, and lower prices to retain competitive advantage; therefore, they may face financial collapse. Producers would need to devise plans that require investments in new machinery, technology, and product lines to succeed in extended and more market competition.

Although it has been essential to determine the effect of regional integration on development, the concept of endogenous growth would offer Africa faith. According to this concept, the form of economic regulations, the pace of technological development and knowledge gathering, then institutional quality and governance, all have a significant impact on an economy's growth rate. In this concern, the (ECA, 2006) has backed up this endogenous growth approach by demonstrating how regional economic integration can boost economic growth by amplifying the effect of three elements. Firstly, trade is frequently correlated with technical spillovers, since a nation may import knowledge and technology gained elsewhere. As a result by encouraging trade, REI will accelerate technological development. Foreign Direct Investment (FDI) could also be used to transfer knowledge and technology through boundaries, and as regional integration facilitates FDI, technical spillovers rise.

The second element is acquiescing to particular macroeconomic integration guidelines and requiring nations to establish a macroeconomic climate that promotes global competition. As a result, sound economies results such as low deficits, low inflation, and stable exchange rates are possible. The third element is that as part of the integration process, member states are often expected to reform and strengthen their regulatory and legislative structures.

Another aspect of REI's effect on development is poverty alleviation. This is related to the conventional belief that stronger growth could result in a more uneven distribution of income, with implications for poverty alleviation. Even so, the (ECA, 2006) presented several counter-evidences indicating that the growth rate of ordinary income is perfectly balanced by the growth rate of low income. As a result, regional economic integration has the potential to boost growth and minimize poverty. Another point is that regional integration may have an impact on cross-national income integration.

As of 2006, just African nations had completed cost-benefit assessments of their integration and of all those nations, 42 percent assume regional integration will lead to net long-term benefits, whereas only 8 percent claim it will lead to net long-term expenses. The observations directly endorse African integration and have the ability to affect national decisions about regional economic communities. (ECA, 2006)

According to the results of the (ECA, 2006) cost-benefit analyses on integration as of 2006, several African nations published benefits in market and trade integration, as well as transportation systems, but these benefits have not been measured. In efficient and effective regional trade agreements, African nations will benefit from cooperation and integration, particularly resource pooling, to improve regional public goods. Regional integration arrangements foster collaboration in two approaches. Firstly, they encourage regular contact and cooperation among policymakers. Second, they serve as a guideline for collaboration on common resources or issues. Therefore, incorporating regional cooperation into integration agreements will improve their applicability.

Schiff, Lmaurice, Winters (2003) have suggested that, while trade reforms have been shown to be of significant gain to the economies involved, not even all trade reforms are the outcome of regional integration. While evaluating the importance of shifts in effects, they aimed for three different effects as a result of each RIA's trade: effects on intra-bloc trade, extra-bloc exports, and extra-bloc imports. Their observations were that the development of trade in RIAs among developing nations tends to have been driven by external liberalizations over a certain time. All trade improved compared to estimates during this time, but the rises in intra-trade were statistically no greater than in extra-trade. Some authors argue that regional integration or regionalism has had a lesser effect on past trade flows in developing nations than the inequitable liberalizations that certain nations have implemented. It indicates that member countries' trade with one another did not improve substantially because of their regional integration agreements.

Nonetheless, in contrast to what Schiff and Winters contend previously, there remains to be an agreement that regional economic integration provides important advantages to developing nations. The evidence presented by the (ECA, 2006) of trade liberalization's beneficial effects on efficiency by intense competition and economies of scale supports this agreement. This agreement is qualified by the ECA's inclusion of two new insights. Firstly, it shows that most of these advantages can be gained by trade liberalization. Second, companies must participate in a more explicit and intensive competition in order to fully realize these advantages. This implies that member states should introduce comprehensive integration.

As we progress further into the stages of integration, it is significant to mention that dynamic and static effects have not adequately explained some improvements. For example, according to research published by the Economic Commission for Africa, enabling dynamic effects including the capital collection rises would cause Sub-Saharan Africa to gain from absolute liberalization by being six times greater (ECA, 2004). As a result, it is interesting to research that monetary unions have the potential to generate significant advantages for African nations by enhanced trade flows, economic growth, and macroeconomic stability. Hence, if regional economic integration is to progress

above customs unions or free trade agreements to a genuinely united common market, strong monetary integration is needed.

African nations have identified numerous benefits from regionally organized macroeconomic policies, as per the (ECA, 2006). Upwards of half of the respondents said regional cooperation and targeting helped them manage inflation, and 44% said they raised their investments. Even so, several states did not consider how they had indeed recognized considerable advantages from regional integration in macroeconomic policy integration and a few more industries.

3.4 Benefits of Regional Economic Integration

As discussed in Section 3.2, the advantages of REI help to completely know its relevance to Africa's economic development and growth because free trade enables customers and businesses to buy from the lowest supply source, meaning that output is placed as per comparative advantage. This segment of the analysis investigates whether or not such consequences are advantageous.

The static impact study in subsection 3.2 demonstrated that the benefits of REI are primarily in terms of increased output consumption and efficiency. Dynamic benefits were expressed in economies of scale, increased competitiveness, and investment stimulus. Conclude, the advantages of regional economic integration comprise gains for all through symbiosis and synergy; getting a massive negotiating bloc in international forums; ensuring a viable business size that draws FDI; and increased diversification with the advantage of lesser risk. Another benefit of economic integration is increased competition, which, along with economies of scale, brings inflationary pressure on prices and costs. This allows for a boost in non-inflationary growth. However, it is unknown if this will work as intended. It either happens because of productivity increases with steady inflation, lower price inflation, or, most probably, a mixture of the two. One main issue is that non-economists do not appreciate the advantages of global economic integration.

According to (Jackson, 2004), so many variables would affect is or not the net welfare impact of customs union creation, as one method of REI, would be profitable. Firstly, trade diversion can be simply removed if the importing nation chooses to import from such a low-cost global supplier after heading into a customs union arrangement. As discussed in section 3.2, this will only happen if the low-cost supplier is a customs union member. On the other hand, the probability of a customs union involving a low-cost manufacturer will rise as the range of countries entering the customs union grows. Second, even if the low-cost manufacturer would not be a union member, trade diversion could be prevented if the standard external tariffs are so weak that low-cost non-member nations could still deliver a selling price lower than that of member nations. In this scenario, REI would produce an output effect, resulting in the more productive use of global capital.

3.4.1 Policy Co-ordination

Chapter 2 of this report that to achieve even greater levels of collaboration, governments would plan to shift into a single market, i.e. during a customs union, and to an economic union, and eventually to full regional integration. Relevant economic plans, including macroeconomic stability between integrating members, harmonized transaction systems, and trade openness, are requirements for the advancement of efficient economic integration, i.e. into fiscal, monetary, and financial integration. As a result, macroeconomic integration goals in developing and regional financial institutions, deepening capital markets, and investments can guarantee that the country reaps the biggest advantage from economic integration. Despite this, no single policy is adequate by itself to achieve a beneficial increase in economic integration; rather, economies require at least an average level of performance in many policies to reap the greatest benefits from regional integration.

Economic policy cooperation, which could be carried about by regional integration, does have the ability to be fully advantageous only in the long run (Jovanovic, 2001). Such

collaborative economic strategies, therefore, must not be discarded, even though they do not achieve the desired outcomes in the short term.

Many advantages of regional economic integration could be less evident. Regional economic integration, for example, can improve the legitimacy and sustainability of economic reforms in member nations. Investors are prone to confusion when legitimacy is missing. Relevant macroeconomic integration requirements compel nations to build a macroeconomic climate conducive to foreign competition. This supports sound economic benefits like low inflation, sustainable exchange rates, and low deficits. Able to participate in regional economic integration can thus improve a nation's engagement to macroeconomic stability, with additional development benefits.

There is a popular perception that the effects of economic integration would result in a substantial rise in the basic level of welfare over time, as measured by real domestic product per capita. Even so, there are some considerations for developing nations that indicate that future competitive benefits for low-income economies could be greater even than high-income economies. While there, is significant theoretical literature grappling with future growth effects, most of its methods yield contradicting findings, and there is no consensus on their importance or purpose and the nature of the growth impacts of economic integration (Brodzicki, 2005). Several analyses had calculated the possible size and competitive advantages of regional integration, but real improvements have been difficult to quantify. The ECA has indeed raised concerns about evaluating the effects of regional integration (ECA, 2004). According to a MERCOSUR report, Argentina's GDP would increase by 1.8%, Uruguay by 2.3%, and Brazil's by 1.1% (World Bank, 2000).

It should be remembered that many of these advantages do not arise immediately. In other terms, they necessitate a considerable amount of effort, compromise, sacrifice, determination, and devotion. To reap the great benefits of integration, firms must participate in more intense and direct competition. This requires a determination to pursue greater integration. Furthermore, the study of static effects in section 3.2 shows that the

effectiveness of a customs union is dependent on the factors that contribute to trade production and trade diversion, as well as the relative magnitude of these effects.

3.5 Challenges associated with Regional Economic Integration

In comparison to the advantages described in section 3.4, there are some potential problems with REI, specifically difficulties that Africa must face to actualize its economic integration objectives. African economic integration would not occur by accident, but rather as an outcome of global, concerted effort and a desire or excitement to strengthen the sub region's economic circumstances and ties. In other terms, before it can begin to celebrate the aforementioned advantages, it is imperative to know whether any rise in trade is beneficial and is actually due to regional economic integration. It will indicate that Africa is on the right track and that is not misled about the benefits and consequences of regional integration, as alleged by regions with effective regional integration programs. It is also appropriate to consider whether African economies are in a position to obtain the great advantages of REI. Furthermore, it would be necessary to inquire about what economic and other factors are impeding Africa's efforts to improve and strengthen its regional economic integration.

There would be so much hope and opportunity as most African nations achieved political independence in the 1960s. With vast fertile lands, natural resources, and an increasing labor force, there had been a view that unless African leaders would build an environment conducive to growth and integration, African nations' development could improve. Given the fact that this vision was developed recently, Africa has advanced at a slow rate, which is expressed in its weak economic performance, considering its wealth and endowments, as well as that of other developing nations. Different reasons for this low economic performance have been advanced, including poor domestic policies, the global climate, and Africa's marginalization.

3.5.1 Appropriate and Desirable Trade

By challenging whether or not any rise in trade is beneficial and genuinely due to regional economic integration, Africa may maintain that it blindly follows the prosperous regions, claiming their growth statistics at current prices. According to (Schiff, Lmaurice, Winters, 2003), the explanation for trade gains is that global free trade encourages customers and businesses to buy from the lowest supply source, meaning that output is located based on comparative advantage. On the other hand, trade restrictions distinguish facing on foreign manufacturers in preference of domestic suppliers. National import-competing manufacturers are encouraged to grow, despite the reality that their prices are greater than import duties. This misdistribution would deprive domestic export industries of capital, increase their prices, and reduce the size of these industries. Shifting output from products that a nation can produce effectively to products that it cannot produces decreases real income.

Besides this, the claim in terms of trade benefits explains what happens when all trade restrictions are eliminated, but it does not refer to selective and unequal elimination of barriers, as in an RIA. Africa's integration is patchy, which implies that African nations will not be able to completely reap the advantages of economic integration. The explanation given by Schiff et al in this context is that inequality among sources of supply is simply transferred, rather than removed. There would be benefits if a member nation's output disperses higher-cost domestic production, i.e. trade creation. Even so, it is likely that production in a member nation would dislodge lower-cost imports from the rest of world.

Several people believe that trade restrictions raised by wealthy countries are largely to blame for Africa's trade challenges. It is vital to combat discrimination by wealthy countries against products wherein Africa has a competitive advantage; it is also critical not to believe that eliminating barriers to trade and agricultural subsidies and export would automatically increase economic and trade development. Another factor contributing to Africa's trade difficulties is that the continent may not produce sufficient

products in which to trade and in some scenarios, the products were not of the right quality and/or type, or are not available at the right value (African Trade Policy Centre, 2006). Africa must fix this vital topic if it is to succeed. In turn, the G8, developed nations, and EU states would compete equally to help improve Africa's ability to trade competitively. These impediments are, therefore, completely unreasonable and unjust. The trade deal between the developed and the developing countries has largely been governed by a complicated web of laws, tariffs, taxes, and quotas that massively benefit the rich in the entire industry of international trade. The failure of a WTO Doha Round offers little hope for the developing countries.

Reverting to static effects, it is crucial to illustrate conditions wherein trade diversion is more usually a problem. Firstly, goods from different African nations are not ideal replacements, and trade is hampered by transportation costs and other impediments in addition to tariffs. These determinants would help to obtain the shift in import processing less apparent, lowering overall costs of trade diversion while also lowering the gains from trade creation. Second, a trade coalition or RIA of small developing nations is going to happen in trade diversion rather than trade creation. These small nations will be unable to satisfy most of their partners' import demands, and each member will have to import a variety of products from the rest of world. Deny the reality that integration is actually occurring, demand remains unchanged, while production rises because each state will now sell to the partner without charging a tariff. As a result, each member state substitutes lower imports for further costly partner imports, resulting in trade diversion and failure both to nations (Schiff, Lmaurice, Winters, 2003).

3.5.2 Potential Revenue Loss

Several African nations have described revenue loss as being among the challenges of African regional integration. Since foreign trade is the primary source of tax revenue in several African nations, government revenue losses due to integration may be substantial in nations that trade extensively within a defined REC. Even so, in nations to trade fewer with other members of the economic community, the static revenue loss from initiating

their markets to other members would be relatively minimal. For instance, Uganda and Tanzania had the biggest projected government revenue losses from further incorporation into COMESA in 1998, at 9.12 % and 8.6 percent of total revenue, overall. Djibouti (0.14%), Angola (0.03%), Ethiopia (0.90%), and Seychelles (0.56%) were the least affected nations (ECA, 2004).

As previously stated regional integration decreases trade restrictions such as tariffs between member countries and can boost member countries' terms of trade. REIs also have another trade impact, which could be viewed as a problem of sufficient amplitude between member countries. Furthermore, REIs decrease state revenue from tariffs, both directly by tariff cuts between members and indirectly through a move away from tariff-exempt imports from non-members. The value of this loss varies depending on how quickly members may turn to different methods of raising funds, although it can be important in nations that depend on tariff revenue. For instance, some SADC nations rely massively on trade with South Africa, and massive volumes of revenue are concerned, compared to approximately 9.8% and 5.6% of national revenue in Zimbabwe and Zambia (ECA, 2004).

In general, trade liberalization can succeed in a substantial loss of trade tax revenue if it requires the elimination of quotas or the decrease of exceptionally high tariffs, and the pre-liberalization system was distinguished by import contraction. On the other hand, African nations should take action to assure that trade liberalization may not weaken their revenue base. These constitute encouraging further investment, identifying new sources of tax revenue, diversifying the economy, domestic tax reformation, and combating trafficking and corruption. Third, unless there is no domestic system in place to reimburse African nations for future revenue losses, African leaders would be under strain to oppose liberalization. Fourth, African nations believe that integration would restrict their fiscal space to tackle other urgent development issues.

In accession to the aforementioned obstacles, Africa faces numerous internal trade restrictions that impede its chance to stand out of poverty and find it harder for that to

reap the full benefits of integration. These comprise bureaucracy, time-consuming customs regulations, and civil servant misconduct. The current route from Lagos to Abidjan include official and unofficial checkpoints each 14 kilometers. In Ivory Coast, having a sole truck through one side of the state to the other costs \$400 in official fees and bribes (Commission for Africa, 2005), which may be due to the nation's conflicts. This simply proves that Africa's customs urgently need change, as it has the highest in the world average customs waits. For instance, customs clearance in Lithuania takes one day, while complicated customs procedures in Ethiopia take 30 days on average. As per the document, improvements in governance are required to improve Africa's investment environment, since accountability will aid in the fight against corruption, which African governments must eradicate. The relevant issue, therefore, is: "Is it enough to enable sustainable integration?" Other changes are required, but without improvement in governance, almost all changes would be unsuccessful.

3.6 Lessons from other Regions

Despite previous experiences, which might be very unfavorable in some classes that included developing nations, new possibilities continue to exist. Since the mid-1980s, at least four innovations have triggered these possibilities. First, deeper and wider integration in the NAFTA and EU. Second, economic transformation in mostly central planned economies in Eastern and Central Europe, with the prospect of a sort of integration with the EU. Third, a shift in developing-country fiscal plans towards further outward-looking methods; and Fourth, integration among developing nations (such as Mexico) with the developed nation (such as the US).

This simply proves that Africa is not above its attempts to integrate its economies. Other sections of the world have adopted the definition as globalization has increased and the World Trade Organization (WTO) has been created. Other agreements besides NAFTA and EU include CAEU in the Middle East, CACM in Central America, and CARICOM in the Caribbean.

After all, the extent of progress in integration has ranged across regions. This review will look at the European Union's regional integration program and demonstrate the lessons that Africans should take from its successes and shortcomings. Despite the fact that this report does not concentrate on Africa's economic integration into the world economy.

3.6.1 European Union Integration Model

The most important achievements in integration have come from developed nations, especially the European Union. The EU is held up as a model of effective regional integration, since its integration has both intensified and broadened in that area. Like many regions, Africa is acquiring from and attempting to imitate the EU's integration. Africa sees the EU as a platform that has accomplished a certain goals that African integration strives to. The EU's policymakers were optimistic about integration. They sought to be using economic integration to gain access to a larger market and to boost productivity to achieve a higher degree of national welfare.

Involves the release of quotas and tariffs in the EU in 1968, deeper integration outdoor spaces including public procurement, competition, and services, thereby following multilateral agreements and negotiations on such topics (Jovanovic, 2001). In the 1990s, developing nations shifted from inward-looking integration policies of the 1960s to stronger economic relations with the north. Even so, as a result of such shifting expectations, previous experiences with integration in the developing world were no longer so valuable as guidelines for future integration policy. Additionally, global convergence has stayed an appealing economic policy for developing countries. This is indeed, since integration will act as a stable "insurance policy" against abrupt shifts in partner nations' trading conduct.

The (ECA, 2006) reports that Africa can acquire a variety of lessons from the EU standard. To begin with, it is critical to take a thoughtful method to regional integration by emphasizing areas of focus. Early on, the EU agreed to establish regional markets for agricultural goods. Africa is much more reliant on agriculture than every developing region, and it might gain from the EU in this field. After all, it's not the only distributional

problem that the Africa should concentrate its efforts. This research has demonstrated many other areas in Africa that are stagnating behind and influencing the continent's integration progress. Priorities of integration projects must be put at the forefront of Africa's integration.

The valuable message for Africa from the EU is how institutions form integration. Fortunately, the argument is that Africa must define main objectives and integrate them into its reorganization. It might result in positive outcomes, as RECs will still function against the goals of the Abuja Treaty, since each area has comparative advantages. Categorization would also enable RECs to best configuration in related institutions to achieve their goals. Simple terms, Africa must implement a more robust and ambitious agenda than that explicitly defined in the Abuja Treaty, as well as the ideology either at REC stage must be selective (ECA, 2006).

Besides that, experiences from the EU indicate that macroeconomic integration to succeed, main aspects including establishing an agreement in developing integration requirements and enforcement mechanisms, as well as a commitment to agreed-upon obligations, should be in place. Classification in the creation of policy goals and policies, as well as the establishment of relevant institutions and the assignment of responsibilities at the regional and national levels; objective, equitable, and transparent frameworks for identifying and allocating the benefits, costs, and corrective measures that integration involves; an effective, independent supranational jurisdiction and the appropriate regional institutions with a clear emphasis and a practical transaction structure aimed at integration (Mothae Maruping, 2005).

According to the (ECA, 2006), African countries appear to face the challenge of balancing the need to improve spending on poverty-reduction areas while maintaining macroeconomic stability within the form of limited domestic capital. Despite these problems, six African nations reported fiscal surpluses and thirty-six reported fiscal deficits, same as in 2002. Integration for monetary union will serve as a regional promoter of desirable fiscal restraint, instilling a disciplined culture between member countries.

According to Mothae Maruping, (2005) one of the advantages of reducing costs is the elimination of exchange rate threats, which would trigger investor volatility and invite speculative attacks by setbacks in capital flows and uncertainty effects. Some insights from the EU perspective involve the use of a joint central bank to prioritize stable prices and thus promote national fiscal conformity with this objective by all member countries. The EU's Maastricht strategy has demonstrated that where there is a significant inconsistency between members countries, including in Africa, change might have to be progressive. When prudence and stability already have gained a foothold within member countries, the process can be accelerated over time.

In the opinion of the WTO, REI may not pose an implicit obstacle to global integration. Additionally, Article XXIV of the GATT restricts the rate of common external tariffs as well as other trade controls in customs unions (Jovanovic, 2001). Overall, such trade measures will never be more stringent or more limited than those implemented by member nations prior to the integration arrangement. Both 1947 and 1995, the GATT (Annex I) was made aware of a sum of 98 integration agreements (World Trade Organization, 1995). After all, the working party only 'resolved' six arrangements using the compromise concept. There is an imperative use for a coherent mechanism to enhance industrialization and diversification in Africa, especially despite the present impasse in WTO negotiations, as well as to boost productivity, intra-African trade, self-sufficiency, and self-reliance. Policy convergence would ensure effective economic integration in Africa, sustainable development levels, and resulting in accelerated growth.

CHAPTER 4

PROGRESS ON REGIONAL INTEGRATION IN EAST AFRICA

4.1 Introduction

This chapter will go over the theory and institutional structure of REI to analyze and address the progress made since the establishment of the AEC in the field of economic integration. The development of regional economic integration in Africa would be explored by focusing on the RECs that comprise the foundations for achieving the AEC and AU strategies imagined.

An overview of its economic growth, particularly trade performance would be illustrated in this section while analyzing the path Africa has reached in whole terms of economic integration. Accurately, this demonstrates Africa's economic development by region, the extent of application of trade liberalization initiatives by region, aiming only at the RECs authorized by the AU, and the overall measure progress and difficulties associated with trade growth and growth performance.

In addition, this section presents the performance of inter-African trade, including an analysis of intra-community trade. Such areas wherein Africa is measured to evaluate Africa's degree has made regional economic integration progress a macro-economic integration and trade reformations. There has been a performance-based evaluation of development in this regard, mainly at the regional scale. However, there is a segment on sectoral performance in Africa. The EU's experience is also discussed in this regard, and particular areas are defined from which Africa can benefit.

4.2 progress on regional integration

There are various challenges and barriers to Africa's integration are the challenges attributed to overambitious objectives related to limited capabilities and resources (ECA, 2004), broad macroeconomic and trade integration objectives. In spite of the limitations, however, Africa has recognized the significance and advantages of economic integration on its own. The (ECA, 2006) also demonstrated that African states had reported many rewards from regionally organized macroeconomic strategies. The difficulties and restrictions of centralizing Africa's regional economic integration have formed African leaders' response to this problem. These leaders have acknowledged how this dynamic world demands more extraordinary coordinated efforts and have adopted broader regional integration with more inclusive confidence.

With regard to creating institutions of the AU, progress has been made since the transmutation from the OAU to the AU through 2002. PAP was launched in March 2004, and the Economic and Social Council (ECOSOC) was established one year later, in March 2005. Selective Member Countries of various regions have been selected to AU financial institutions. The African Investment Bank has been allotted to the region of North Africa and Libya will be hosting it. In the West African region, the African Central Bank was allocated and will be attended by Nigeria. The Central African Region has been designated to the African Monetary Union and Cameroon will host it.

In Africa, the names assigned to regional blocs or RECs helped to define a regional bloc's objective like the 'Common Market' or the 'Community'. These RECs' liberalization designs' popular goal is to create a free-trade region for each REC, accompanied by a customs union and then an economic union and common market. The implementation strategy of that goal should comprise plans proposed to sustain and progressively reduce tariff and non-tariff restrictions, embrace a standard external tariff concerning trade relations with the rest, align macroeconomic procedures and support the free movement of all production factors.

The African Union will act as the main anchor for regional integration and expedite the process of regional integration across the continent's regions (ECA, 2006). It can provide

the required structure and guidance for continental reforms resulting in significant harmonization, among other things, of market and trade integration policies and initiatives, macroeconomic criteria, and regional plans beneficial to spending and investment in productive activities. Without a doubt, a more harmonized and simplified regional integration structure in Africa would lead to the success of the African Union.

The objective of the African Economic Community is to foster economic, cultural, and social growth and economic integration in Africa, in addition to boost self-reliance, self-sufficiency, and endogenous development and to establish a mechanism for the utilization of human materials and resources for sustainable development and the maintenance of financial stability. The Community's creation might be accomplished by harmonization, coordination, and progressive combining the established regional communities' activities and was planned to last 34 years (till 2028), classified into six uneven phases.

The Constitutive Act often represents the six phases leading to the AEC. This includes the preceding: the first phase concentrates on the enhancement of established regional economic communities (RECs) and the development of new ones in regions that do not occur. This phase was planned to last five years and was completed in June 1999. The difficulty with this phase is there will be no accepted number of RECs to be formed, and now more RECs were then generated, thus the real challenge of the multitude of RECs and inconsistent membership. At a summit endured in March 2006, Africa ministers liable for integration put a cessation on acceptance by the AU of new RECs (AU declaration, 2006). While this phase was planned for completion in 1999, Africa remains dedicated to enhancing the RECs. It's been found that in terms of duration, improving RECs could not be reduced. This would have to be achieved in all these phases, but it will not deter RECs from progressing to other economic integration phases. The causes for this vary from one REC to the other, but typical reasons include the absence of ability, assets, and member states dedication Etc.

The second phase must actually occur around eight years and is aimed at achieving a great deal. First, Africa must embark on the stabilization of tariff and non-tariff obstacles,

internal taxes, and customs duties for each REC level, setting the timeline for the phased liberalization of intra-community and regional trade and harmonization of customs duties vis-à-vis other Nations. This phase also involves the enhancing of sectoral integration, progress in the context of finance, agriculture, commerce, communications and transport, energy and industry, as well as the harmonization and coordination of activities of the RECs. Some RECs have performed considerable progress concerning this point. This is quite remarkable, provided that this phase is still planned to finish this year.

In the third phase, the creation of a Customs Union and a Free Trade zone could begin with each of the RECs serving the five African regions. This phase was planned to last ten years, which implies that it begun in 2008 and finished in 2018. Once again, it could demonstrate if progress had been achieved in this respect and how relevant it is. In the fourth phase, to create a Continental Customs Union, the continent must focus on harmonizing and coordinating tariff and non-tariff obstacles between different RECs, this would have to take place in two years. This phase is indeed underway, so no assumptions can be drawn about how Africa is doing. However, Africa could operate towards that zone. For instance, some problems lead to a minimal concentration of inter-and intra-REC trading. The majority of African nations trade more through European states than among each other. It was in this context that at its meeting in April 2006, the African Ministers of Trade agreed to encourage the RECs to make a move in the rationalization process by instantly beginning to harmonize their customs and policies and trade instruments and to organize their integration programs (AU declaration, 2006).

The fifth phase should be about the establishment of an African Common Market (ACM) and at least four years have been allocated. Within five years, the sixth and last phase must occur, and it entails consolidating and reinforcing the frameworks of the ACM. The formation of the Single Domestic Market and Monetary Union and the Pan-African Economic, the African Currency, and the formation of the Pan-African Parliament and the African Central Bank.

Given these phases, the Abuja Treaty specifies that the total transitional duration did not pass 40 years from the time of its coming into strength. It also offers for actions to be taken simultaneously concerning the establishment of international programs and projects aimed at fostering harmonious development between Member Countries. Nonetheless, the phases are not inflexible; the process could be delayed with the frequent confirmation of the phases' progress.

The criticism of the treaty ranges from its absence of confidence in the ordering of stages, the ambitiousness of the treaty and the better version of the roadmap of the European Union (Cheru, 2004), to its inability to take adequate account of the African continent's current cultural, economic and political circumstances. Furthermore, many like (Teunissen, 1998) endorse the market integration procedure that the treaty has provided. The ministers concerned for integration decided in the (AU declaration, 2006) that the Abuja Treaty will be updated and amended to reconfigure the schedule for its enforcement, taking into consideration the terms of the September 1999 Sirte Declaration.

4.3 Progress in Intra-African Trade

Given the affluence of trade liberalization measures and reforms to free markets, inter-African and intra-community trade remains poor and overleveraged. The portion of Africa's RECs in intra-community trade is shown in Table 3.1, which is based on the absolute values of imports and exports from 1994 to 2000, as given by the (ECA, 2006). This contains data from several intergovernmental organizations that the African Union does not approve as a regional economic group.

Table 4.1 shows that trade efforts establish customs unions and free trade zones have taken up a substantial portion of REC's integration efforts. The table reveals that SADC has the largest portion of intra-community trade, with imports accounting for 30% and exports accounting for 31%. This success is partially attributed to South Africa's status as

the region's highest economy. This is a remarkable accomplishment, considering that the SADC only began enforcing its trade procedure in September 2000.

Table 4.1: Shares and Rankings of RECs in intra-community trade, 2016

Rank	REC	Intra-REC	Rest of Africa	Rest of the World
1	SADC	21.0	2.7	76.2
2	EAC	11.5	10.1	78.4
3	ECOWAS	10.7	5.6	83.7
4	CAN-SAD	7.5	4.1	88.4
5	IGAD	7.3	8.0	84.8
6	COMESA	7.0	9.3	83.7
7	AMU	3.3	2.5	94.1
8	ECCAS	2.8	9.5	87.7

Source: (UNCTAD, 2016)

Table 4.1 also reveals that the SADC is accompanied by ECOWAS, which accounts for 19.5 percent of exports and 21% of imports. In fields such as unrefined and traditional goods, ECOWAS has gained strength, but there is still work to be done in terms of industrial commodities. CENSAD's internal trade portion is ranked third in the table, which is quite remarkable considering the fact that CENSAD has yet to build a robust sized trade regime. Its imports are focused on nations that are members of the UMA. With

8.6 percent of exports and 8.8 percent of imports, UMA was among the five major performers. These performance disparities must be understood in the RECs' various attempts and progress levels in trade and market integration. The fact that the Abuja Treaty expected that the RECs would fulfill the criteria for a free trade zone by 2017, as mentioned above.

Trade formation and extension have been hindered by a lack of progress in integrating the regional market, especially intra-African and intra-REC trade flows. Several factors have led to the weak intra-African trade rate, according to (Olubomehin, Kawonishe, & Studies, 2004). Firstly, most African states manufacture raw materials for almost no market anywhere in the continent. Second, only a few goods often account for most exports to the rest of Africa. For example, in Seychelles, fresh fish accounts for 98% of its exports to African states, while in Angola, oil and petroleum products contribute for 90% of its exports to African states, these are of course extensive examples that do not reflect the trade patterns among all African states.

Finally, Olubomehin and Kwawonishe says that African states still are seeking to reverse a legacy influenced by trade through former colonial rulers instead of trade with one another. Even though Senegal is located adjacent to the Gambia, trade between the two nations is reported to be insignificant. Senegal's main trade alliance is France, while the Gambia does much business with the United Kingdom. Due to specific trade barriers, Tunisian and Cameroonian exports often end up in French factories until being diverted with each other's market counters. To put it another way, African integration has appeared to be more constructive than at the cost of intraregional trade. Tables 4.2 and 4.3 below illustrate this as well. These tables demonstrate how RECs are incredibly reliant on trade with the rest of the globe.

Table 4.2: Overall direction of export trade, 2016 (average %)

REC	Rest of Africa	European Union	Intra-community
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IGAD	35.2	38.5	87.2
COMESA	32.6	42.3	68.1
CEN-SAD	47.6	40.1	62.8
EAC	37.3	28.4	84.6
ECOWAS	68.9	39.9	84.1
SADS	29.8	47.3	83.1
AMU	55.8	49.7	81.6
ECCAS	77.6	44.0	84.6

Source: (UNCTAD, 2016)

Table 4.3: Sources of imports to RECs, 2016 (average %)

REC	Rest of Africa	European Union	Intra-community
IGAD	5.4	5.8	11.7
COMESA	7.4	-1.8	8.6
CEN-SAD	3.7	4.7	5.6
EAC	7.7	-0.5	12.8
ECOWAS	2.9	-0.3	7.6
SADS	6.0	3.5	7.7
AMU	5.0	4.2	7.7

ECCAS	4.9	1.3	5.2
AFRICA	6.2	2.9	6.3

Source: (UNCTAD, 2016)

The tables above show that RECs exported to nations outside of Africa accounted for 87.5% of total exports, whereas supplies from outside Africa accounted for 85.2%. This shows that while trade liberalization initiatives, RECs still rely gradually on trade with the rest of the globe. According to the UNCTAD Statistical Manual (UNCTAD, 2009), the total amount of intra-regional trade between these RECs compensated for a significantly lower portion of total exports from such RECs. This correlates to 10% or less in total, with perhaps the exception of SADC and UEMOA, which overall percentage of intra-community exporting was marginally above 10% and 22% sequentially.

Nevertheless, it is accurate that industrial collaboration in RECs has not increased output or value-added. The (ECA, 2004) agrees with Olubomehin and Kwawonische that insufficient intersectoral relations and a small selection of goods in African states are the major factors for this. At this moment in time, Africa must determine how to start the process of industrialization. In Africa, the manufacturing industry is not technologically sophisticated. There are still no Public-Private Partnerships (PPPs) in most states, suggesting that the private industry plays only a slight impact on the economic integration process. Intra-REC trade has stayed limited (2-7%) and in some scenarios, has indeed declined. According to the (African Trade Policy Centre, 2006), has shown that trade frameworks on the continent are almost similar in total. Over the last 40 years, not much has changed. Realizing these concerns, all RECs now have adopted soft steps to improve industry growth, primarily through trade liberalization schemes that promote intra-industry trade.

4.4 Economic Performance and Trade Increase in the Regions

Several factors have affected economic performance on the continent, including commodity price fluctuations, natural calamities such as desiccation, regional disputes with significant macro-economic effects, trade tensions, and several other factors, both internal and external. That is what creates the disparity between regions and countries in economic performance.

Economic Performance

Africa's economic performance strengthened in 2012, according to the (ECA, 2018), with a real GDP growth rate of 7.0 %, compared to 5.8 % in 2010. This is due to the world economy's ongoing redemption in the second half of 2010, increasing oil prices and perfect weather in several regions. West and Central Africa lead this greater economic performance, both growing by 6.6 %, followed by East Africa, growing by 5.3 %, and Southern Africa, growing by 4.5 %, and North Africa, growing by 2.6 %. The overall growth percentages of the African region in recent years are given in Table 4.1 below.

Table 4.4 Average Growth Rates of African Regions

Region	2010	2012	2013	2014	2017	2018
Southern Africa	4.5	4.4	3.6	3.0	1.5	1.0
Central Africa	4.5	6.8	3.4	5.9	1.2	2.5
East Africa	6.4	-0.9	5.8	6.4	5.4	5.0
North Africa	4.3	12.0	1.3	1.6	5.4	4.4
West Africa	9.4	5.3	5.9	6.0	2.9	3.5
Total	5.8	7.0	3.6	3.9	3.8	3.5

Oil exporting countries	7.2	13.3	3.0	3.8	3.3	2.5
Non-oil exporting countries	4.8	2.7	4.0	4.0	4.1	4.1

Source: (OECD, 2018)

Table 4.1 shows that in 2012, Africa overall reported real GDP growth of 7.0 %. The (OECD, 2018) states that substantial external requirements for oil and non-oil minerals, continued investment in those industries, and the restoration from drought in a few nations have been the key factors promoting this growth performance. The continuity of stable macroeconomic systems in many nations on the continent has also improved corporate confidence contributing to a broader private investment pick-up. Table 5.1 also shows that growth was expected to increase mainly on average in 2012 and 2014, despite the loosening of commodities prices in 2012. GDP growth also was high in 2012 at 13.3 %, especially in oil-exporting states, and attributable to rises in oil prices and output in other states.

Nonetheless, the key argument is the importance of better economic performance for Africa's regional economic integration. It has been challenging to evaluate the effect of regional integration on African development. Nevertheless, the (ECA, 2006) explained this by stating that regional economic integration can improve economic growth by amplifying the effects of three elements: technical spillovers, complying to clear macroeconomic integration requirements, and upgrading and strengthening institutional and policy frameworks.

Africa's economic prospects increased in 2017 contrasted to 2016 and are predicted to continue to improve in 2018. GDP growth is forecast to be 3.0 % in 2017, up from 2.2% in 2016, and proposed to extend to 3.7 percent in 2018. In an amended outlook published in Abidjan on Thursday, October 12, 2017, the African Development Bank stated.

“The changes in previous forecasts released in the African Economic Outlook in May 2017 followed the release of new data by some key countries Nigeria, Algeria, and Egypt which account for some 50% of the continent’s GDP and which revised their 2017 and 2018 forecasts downwards,” stated AbebeShimeles, Acting Director, Forecasting, Macroeconomics Strategy, and Research.

On the other hand, the continent's levels correspond positively to global economic growth forecasts of 3.5 percent and 3.6 percent GDP growth in 2017 and 2018, accordingly. East Africa continues to be the fastest-growing country in the region, with a growth rate of 5.1 percent in 2016 and forecasted growth rates of 5.4 percent and 5.8 percent in 2017 and 2018, accordingly. Stable domestic demand and significant public infrastructure investment are the key drivers of development in Eastern Africa.

North Africa had the second-largest growth rate of 3.1 percent in 2016, boosted by Egypt's 4.3 percent production growth and Algeria's 3.3 percent growth rate. In 2017, and 2018, the northern region is projected to rise by 3.1 percent and 3.6 percent, respectively, with Morocco's growth supposed to pick up to 4.5 percent in 2017 and 3.9 percent in 2018. Conversely, the Bank warns that the North Africa region's growth will be hampered by increased political instability and decreased oil production in Libya. Libya is forecast to continue to rise at a negative pace in 2017 and 2018, with growth rates of -4.9 percent and -3.9 percent, currently.

Extension in Southern Africa stayed muted at 0.9% in 2016, falling from 1.6 percent in 2015. South Africa's performance is expected to improve from 0.3 percent in 2016 to 1.2 percent and 1.3 percent in 2017 and 2018, respectively, improving the Southern Africa region growth to 2.0 percent and 2.3 percent in 2017 and 2018, owing to improved mining output during a modest increase in commodities prices.

Furthermore, in Central and West Africa regions controlled by oil farmers, were greatly diminished by 0.5% and 0.4%, severally, in 2016. In West Africa, Nigeria's economic recession totally canceled out significant additions in Togo, Sierra Leone, Senegal, and

Cote d'Ivoire, the region's fastest-growing economies. Nigeria contributes for 72.4 percent of the region's total GDP. However, it shrank by -1.5 percent in 2016, compared to a 6 percent growth rate for the other four economies, which together compensate for around 10% of regional GDP.

West Africa's growth is projected to boost to 2.5 percent and 4 percent in 2017 and 2018, severally, resulting from improved oil products in Nigeria and increasing global commodity values. On the other hand, Central Africa was reduced mainly by bad performance in Chad and Equatorial Guinea, which was compressed by -7.3 percent and 6.4 percent, collectively, accompanied by the Republic of Congo, shrank by -2.4 percent. According to the research, growth in the Central African Republic is projected to increase by 1.6 percent and 3.1 percent in 2017 and 2018.

The Regional Economic Communities have individually followed their integration initiatives and their agreements tend to accept preference over continental proposals. There is no formal provision or instrument that links RECs' integration strategies to the continental system. According to the (ECA, 2006) some of the RECs now have a trade procedure (and many of the RECs, along with COMESA, have agreed to harmonize their trade procedures with those of the other RECs most of their members relate, SADC in this case). That will potentially lead to the adoption of a Continental Trade Agreement. Preferences vary from one REC to another. However, this is causing matters complicated for those nations referring to more than one REC, an issue that has been at the foreground of Africa's integration discourse. Like many treaties, trade protocols may be taken some time to implement because of fear of member states' potential failures. Therefore, several systems of trade liberalization would have to be renewed or not planned at all.

Many other RECs are introducing trade liberalization policies designed to reduce tariffs and non-tariff restrictions and other trade controls and promote the free flow of products and services. In terms of features, timelines, mechanisms, and intensity, the application of such trade liberalization initiatives differs through one sub-region to another. Therefore, some standard features exist, such as structures for the advantages of

sustainable trade zones, common markets, and customs unions within a specified timeframe.

Free Trade Agreement and Customs Union

As stated in chapter two of this research, regional economic communities seeking to be a customs union could not prevent the establishment of standard external tariffs. The standard external tariff could not be seen as a form of restricting imports but as an industrial strategy instrument to expand sub-regional output frameworks. It was stated above that the customs unions UEMOA, CEMAC, and SACU are indeed fully operational and are not considered as RECs. The UEMOA introduced a standard external tariff by 2000 January, whereas CEMAC launched a new standard external tariff system in 1994 January, which is, in reality, an enhancement over that prefaced in 1992.

Besides, the only recognized REC which is a customs union is EAC. In this context, to take that step SADC, COMESA, ECCAS, UMA, and ECOWAS get to expand their capacity in this region. However, SADC, COMESA, ECCAS, and ECOWAS may need to see how to align or rationalize to their regions' current customs unions. At the latest COMESA forum, the presidents suggested that a customs union will be introduced in 2008, except for nations such as Ethiopia that are not able to.

The majority of African nations refuse to liberalize their economies completely. One of the critical obstacles in customs unions and implementing free trade zones is that most African nations rely on foreign trade duties as income for public financial spending. In terms of the general consensus that free trade is ideal for development and growth, there is a concern of loss of revenue and that trade liberalization and convergence of regional markets may have complex, deep consequences, benefiting Member Countries more as a way of compensating for the quick deficits they may suffer. The RECs must vigorously seek market liberalization in order to increase intra-African and intra-REC trade.

Trade facilitation is also perceived to become very critical in assuring that trade flows between participating nations are strengthened. This includes primarily concrete steps such as simplification and harmonization of papers and customs regulations and implementing a standard instrument. Many RECs, including CEMAC, ECOWAS, COMESA, EAC, and SADC, have implemented steps for this aim (ECA, 2006). COMESA has the most comprehensive trade facilitation and progression program among all these RECs. Since two-thirds of the EAC member states also adhere to COMESA, several of the trade facilitation and progression steps of COMESA are implemented by the EAC.

In addition to trade Liberalization initiatives, few well-known RECs may unified markets or set up adequately free trade zones (for example, the SADC introduced an FTA in September 2000, and in October 2000 the COMESA set up an FTA), or even a customs union. Weakness to integrate sub-regional markets quickly has hindered investment growth consistent with scale economies (ECA, 2006).

4.5 Trade Reforms

The issue of whether or not trade improvements those African states are experiencing as a result of their participation in various regional economic communities will contribute to growth and integration. According to a report by the (African Trade Policy Centre, 2006), some agreement reforms introduced in the 1980s and 1990s allowed the region more accessible to market forces and private industry operations. It states that most states have abolished currency and price limits, marketing committees, and that tariff have been drastically reduced. According to the (World Bank, 2000), most states' aggregate trade measured tariffs have been decreased to 15% or less, and main non-tariff restrictions in the twelve SSA states surveyed recently dropped from 26% in 1989 to 1994 to 10.4% in 1995 to 1998. Therefore, these changes have left Africa with more profound and complex legacies: hysteresis consequences that are hard to overcome. This may explain why, despite the progress made, the advantages of these changes are still minimal.

In Africa, there is a need for a collaborative attempt to boost regional economic integration to a certain extent. According to the (ECA, 2006), African sectoral programs have demonstrated that progress has been made in this region. A significant number of nations cooperate in these various ventures, often as sub-regions or RECs that was one field of regional integration that demonstrates Africans in understanding the significance of regional economic integration.

Regional economic integration in Africa has become more significant than it was in the 1960s and 1970s, with a level of progress affecting more nations and, to some point, industries that are more diverse. In Africa, the economic framework for economic integration was being set down to some degree, but in a limited way. This is real, considering the disputes and other issues that occur in other nations. As a consequence, even if Africans do not entirely grasp the significance of regional economic integration, one can confidently assume that they do. While considerable progress has been made, there is still space for advancement in several sectors.

The question of African countries' stages of development cannot be neglected in this regard. Even if some countries are advancing, others are still stagnating back. As a consequence of the above, the definition is underappreciated and met with different responses. Each country deserves to safeguard its national interests, including achieving significant economic growth rates in their economies. Assume that the advantages of regional integration are not properly conceptualized for all to comprehend. In that scenario, few nations, particularly those that profit from the dual REC membership, may proceed to stymie Africa's regional economic integration. As a consequence, it is essential that all governments completely adapt to economic integration.

There's no arguing that Africa's current customs unions still have many issues. The bulk of such issues are not different, and they are mainly two-fold. First, many nations still find it beneficial to import goods from abroad due to most African manufacturing's extraordinary pricing structure. This is often the scenario, independently of whether economies of scale have been completely utilized due to technological influences, raw

material import content, and market formation organizations. Second, there are problems with the storage and distribution of customs proceeds. It has been difficult to calculate the total revenue received and maintain its efficient and effective distribution due to the absence of sufficient and accurate data and the challenge in implementing a formula for distributing revenues that will fulfill landlocked nations. As a response, inland nations have repeatedly built tariff walls in violation of the customs union's obligation to support their manufacturers or produce revenue. According to sources, Africa has now begun to fix such concerns.

There is no argument that attempts are being developed in Africa to achieve regional economic integration. Therefore, the critical issue is the lack of a favorable climate for regional integration. The incredible variety in African nations' national resources, sizes, growth levels, and access to the international market is the key sticking point to sustainable regional integration. For example, Benin's economic interests are not equal to those of its massive, oil-rich neighbor South Africa, Nigeria, and nor do Malawi experience the benefits and costs of a regional trade arrangement in the same manner (Olubomehin et al., 2004).

4.6 Progress in Integration based on Sectoral Performance

As part of its efforts to evaluate progress in Africa's integration, the ECA did experiments in 2004 to assess the course and strength of regional integration in Africa. By integrating sectors concerned with regional integration, the analysis went beyond assessing integration related to trade diversion and trade formation. The analysis suggested collecting integration measures in each field, which were then had to establish indexes for each REC and Africa as a whole. The indicators aided in defining and describing why REC's have made progress against their defined targets and overall African regional integration trends. This report discovered that Africa's regional integration is making substantial progress, just progressing quite rapidly. According to the ECA report findings, regional integration has progressed progressively and unevenly through industries since the year 2000. The reality is that things haven't changed much since then. As a

consideration, this research's findings will be discussed to demonstrate the condition of regional economic integration in Africa.

According to the ECA report, there was still a lackluster measure in integration, owing to disparate patterns at regional and sectoral grades. Both 1995 and 1999, the regional integration index increased by just 1-2 percent per year. Even so, from 1995 to 1997, CEN-SAD, CEMAC, ECCAS, and IGAD made substantial progress toward integration, while this progress declined after that. For example, COMESA (and UEMOA) developed till 1998, according to the report. The ECOWAS and SADC have also been good performers, although the UMA has remained inactive. The most active RECS had well-developed integration systems that were continuously and successfully adopted by member countries. The performance was low in RECs where programs were interrupted or the project refuses to deliver off.

As mentioned in the Abuja Treaty, one of the principles for integration is mutual projects and programs for infrastructural development and other industries. Various auxiliary protocols on commerce, preferential treatment for individual nations, customs, dispute resolution, common participation, and infrastructure and sectoral development are included in the Treaty, although neither has been approved or finished. Africa has experienced some progress, but it has a far toward going to reap the full advantages of regional integration (Commission for Africa, 2005; Ouattara, 1999).

The ECA research looks at aggregate patterns in sectoral criteria to evaluate integration efficiency. The REC agreements' sectoral goals have been described as crucial to regional integration and the creation of the African Union. Furthermore, the ECA research found that when RECs align their activities, integration grows faster, as in the situations of UEMOA and ECOWAS and COMESA, SADC, and EAC, where a wider agreement on regional integration has developed. These inconsistencies mean that attempts to reconcile REC procedures with those of the Abuja Treaty should be stepped up. The African Union needed to improve the Abuja Treaty, so now is a good time to do so. This should be

achieved in cooperation with RECs and in accordance with the RECs' rationalization and policy harmonization initiatives.

The report discovered that communications (9.7%) and commerce (7.6%) had the highest average growth in integration since 1994 to 1999. The main objective in terms of communications is to develop a network that links all African nations and enhances the continent's ICT to address the enormous digital gap between Africa and the entire world. For Africa, the problems in this field have been daunting. For example, according to the (World Bank, 2009), Africa has the most flawed telephone capacity globally, but the most extensive phone charges and three times the frequency of defects per wire than other developing regions. In terms of shipping, import freight charges to landlocked nations are still much more than twice as high as in Asia.

The runner-up clubs all have reasonable intra-regional trade expansion with several (like CEMAC) taking cognizance of advanced macroeconomic integration. The research reveals a close connection between regional integration indexes and individual member state economic policies. Regional integration also appeared to be directly linked to stronger economic development, as shown by the association between regional integration and income per capita.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

There is no question that regional economic integration has become an effective approach for addressing current global, regional, and national economic difficulties, and this viewpoint is supported by several elements discussed in the earlier chapters of this research. The concept of regional integration has inspired the world's attention, and Africa has acknowledged its significance and has jumped aboard.

This thesis investigated the theoretical background of regional economic integration and explored the present situation of enforcement of the Abuja Treaty in terms of regional economic integration. It also described the difficulties and limitations of Africa's regional economic integration. It described the advantages of integration and hence addressed the justification or impetus for Africa to proceed on and strengthen economic integration. The theoretical context provided in chapter two served as a framework for assessing, emphasizing, and evaluating the significance of regional economic integration in Africa.

Opportunities for REI in Africa are critical to solving a few of Africa's challenges. For example, regional economic integration will assist African nations in overcoming restrictions placed by limited domestic companies, enabling them to leverage the advantage of competition, economies of scale, and international and domestic investment. Such advantages can boost productivity and aid in the diversification of exports and production. Besides that, the merger would lead to lower transaction costs and larger markets.

While other RECs in Africa have gained ground into regional economic integration, steady success at the continental level has been painfully slow. The Constitutive Act,

Abuja Treaty, developmental plans, REC treaties, and related protocols have steered initiatives through greater economic integration in a positive way. After all, due to the absence of substantial progress made so far, some measures appear insufficient.

This chapter also provides recommendations for promoting REI in Africa as a feasible growth strategy. These guidelines would take into account how regional economic integration works theoretically, its advantages, disadvantages, opportunities, and constraints, the justification for improving REI, the structure for regional economic integration, and advances done by the area.

5.2 Conclusion

Regional economic integration has become a component of a broader strategy to foster African development and growth. As a result, it has resulted in several broad guidelines. Its performance would lower transaction costs, boost competition, bring foreign direct investment, encourage economies of scale, and facilitate macroeconomic cooperation.

In chapter two, this analysis began by examining the framework and economics of various phases of regional integration. The Abuja Treaty corresponds to these phases. The published recent literature appears to conclude that unequal trading arrangements are extremely intuitive whether they are regionally oriented and members working together will control trade terms with the international community. Even so, the advantages of incorporation were just partially accruable within the long run, whilst the costs must be borne by participants in the short run. These advantages are significant and more than sufficient for Africa since they are critical to the continent's growth and development.

The third chapter examined the potential advantages of REI, which included advantages for throughout symbiosis and synergy; providing a competitive market size that encourages foreign direct investment; getting a massive negotiating bloc in global conferences; and increased diversification and its advantages in risk reduction. The third

chapter moved on to demonstrate that the mechanism of REI is not of difficulties. These difficulties are being thoroughly explored in this research's third chapter. These have been demonstrated so when member states of RIAs face entry challenges to other states due to abnormal or natural obstacles, unilateral tariff reduction by the state looking to pursue accessibility to the potential member nations' market is not preferable to the formation of an RIA, which rearranges trade in favor of intra-regional trade. Tariff elimination, non-tariff restrictions, regional economic policy cooperation and integration, and constraints on capital mobility, can all be responses to this issue.

Other barriers to regional economic integration are being identified as being structural in nature and were not thoroughly addressed in this report. African economies are distinct, as well as the political situation and circumstances in some nations complicate the integration process, while they overcome difficulty from several developed nations. Thus, Africans must be specific about and agree on whether they mean by regional economic integration, as well as to describe or reshape it in a method that better serves them.

The constraints and difficulties of leveraging regional economic integration in Africa have influenced African leaders' solutions to the problem. As a result, these leaders understand that climate change necessitates stronger collective action and therefore have adopted broader regional integration. It was discussed in Chapter four, which further recognizes that there is progress in terms of regional economic integration, and that progress has been low and variable throughout RECs. Various RECs have made advances in commerce, power, communications, transportation, sharing of information, peace and security, and free movement of citizens.

This chapter has outlined the ways wherein Africa should bring reforms for trade to function effectively as a means of regional economic integration. These include, among other things, developing infrastructure, lowering trade restrictions, diversifying African economies away from a particular reliance on primary commodities, fostering African governance, industrialization, resolving insufficient resources, and upgrading and aligning policies.

While regional economic integration is viewed as an essential strategy for Africa's growth and development, it must be observed it is only one component of this strategy. REI must be regarded as a component of a larger strategy to foster more inclusive development and prosperity. The advantages of REI, on the other hand, consider it critical that it remains a key component of Africa's development program. Africa have recognized that it is a critical tool for expanding the economic market and facilitating sustainable manufacturing capacity in agriculture and industry. Collectively using our vast natural and human resources could accomplish it.

After realizing the significance of REI, Africa must quit worrying about trivial issues including revenue loss, and begin training towards the target. By doing so, Africa must be ensuring that it moves its load to secure the appropriate speed and prevent being surpassed by events. Besides, to achieve its aim, Africa must recognize key goals in the field of REI. Africa must increase its capacity to accelerate implementation even further. In this context, institutions that introduce and track regional economic integration projects, including at the national and regional level, must be strengthened and empowered.

5.3 Recommendations

This research guide to the idea that REI is part of a larger strategy to encourage vigorous, equitable development, and sustainable. In particular, Africa has made some strides in terms of its REI project. After all, progress is sluggish, irrelevant, and is not in line with the organization's goals. It will not imply that the globe is ruined. Of course, African countries pose various challenges in their regional integration strategy, including membership in further for one regional organization, production structures, follow-up on regional decisions, non-tariff barriers, threat of upsetting income or compensatory advantages, a lack of common dedication to regional integration values, and security issues.

There is often much to be gained from many difficulties and constraints, achievements and defeats, and perspectives of African states in terms of REI. In this aspect, the lessons outlined in chapter four of this thesis demonstrate the importance of REI for Africa's growth and development. The major point is identifying goals for Africa in both phase and ensuring that those integration projects are also prioritized for application.

Highlights the progress, opportunities, and challenges that Africa already has achieved in this aspect, this section will concentrate on recommendations that could aid in moving REI forward and accelerating the speed of this process. The guidelines would be grouped into the following categories: trade and market integration, mobility of factors of production, and financial and monetary integration and macroeconomic convergence.

5.3.1 Monetary and Financial Integration and Macroeconomic Convergence

Monetary convergence, unification and Macroeconomic policy coordination, and the growth of capital and financial markets are all needed for successful REI. It is recommended that if all RECs develop macroeconomic policy parameters to settle on, because not all of them have achieved so. Several African regional blocs might have clearinghouses, including the one that has existed between COMESA and ECOWAS, and within COMESA, since 1984, with the absence of a shared currency and in the presence of threats posed by several floating exchange rates for non-convertible currencies. Thus far, it has aided in the facilitation of payments and the promotion of inter- and intra-regional exchange.

Financial sector integration has been described as another significant source of economic gains for Africa. Economic integration is limited by the availability of financial integration; primarily as underdeveloped financial structures obstruct the mobilization and effective distribution of capital for productive ventures. Conclude, Africa could prioritize the harmonization, growth, and integration of regional and national financial

markets, which could reduce the threat of disparities in the effect of monetary policy actions implemented by the monetary union. Maintaining regional markets, eliminating barriers to cross-border investment, and establishing regional financial organizations would all help to overcome national-level constraints.

Disputes between regions and countries are obviously due to the distribution of revenues and equal benefits and costs between participating nations, just since they are sure to emerge regarding policy objectives and responses. The threat of lost customs revenue has hampered the effective introduction of trade liberalization initiatives within RECs.

Many suggestion advocated by other economists contends how an efficient, adequately, and sustainable financed compensation scheme will resolve issues emerging from trade liberalization, including income loss, disparities, and injustice (African Trade Policy Centre, 2006). While a very system may encourage states to protect sub-regional and regional schemes, it may also render nations reliant on reimbursement funds, causing them to get insufficient efforts. Encouragement of firms to be successful is a more optimistic way, in which nations perceive sales loss as a temporary inconvenience. It is also suggested that Africa begin by developing technological capacity for performing insightful and effective benefit analyses, which could promote an equitable and fair distribution of the benefits and costs of REI.

Regional integration's sustainability is also heavily dependent on member nations adopting divergent macroeconomic policies. Tariff irregularity, rate of money growth, debt-to-GDP ratios, exchange rates, inflation, and other critical macroeconomic indicators are all destructive to the regional integration process. Furthermore, these discrepancies can result in rent-seeking behavior by private and government individuals, stifling reasonable investment possibilities. This might lead to the downfall of a member nation's economy, undermining the entire integration process. To improve the overarching regional integration program, hence it is essential and strongly suggested that the process of enhancing regional integration provide guide for the alignment of macroeconomic and trade agreements across the entire regional zone.

5.3.2 Market and Trade Integration

Since the theory of international economic integration is an examination of a second-best condition, it is unsurprising that basic concepts are lacking. Though, is not just the theory's assumption, and what actually happens. This research showed that, even though economic integration is a second-best economic policy in principle, it could be a feasible and suitable economic strategy in action under some situations. In a world of rapid market and technological reforms, a policy recommendation for medium and small-sized nations is that integration will extend and maintain markets for the greatest variety of a country's goods and services in the future, thereby reducing the expenses of adjustment.

Provided that another policy necessary for effective REI are also needed for African nations to profit from the broader phase of integration and globalization into the global economy, it would profit Africa. Furthermore, major and developed nations can have a diversified economic structure that allows for an autarchic economic strategy, whereas such a strategy for small nations has not had a long-term economic justification in the sense of economies of scale and other externalities. Without safe and unrestricted access to a larger market, small nations' relatively narrow domestic market and request often discourage the use of the more productive technology, even though trade restrictions are unaffordable. Short manufacturing runs, high inflation, and a lower standard of living are all implications of such forms of production.

Several advanced technologies need safe access to the broadest market, which will not operate in tiny and, in other cases, medium-sized nations, much less the competence to implement some technologies. Tariff reductions, non-tariff barriers (NTBs), limits on factor mobility, and regional economic policy convergence and integration could all help to solve the issue of nation size. The aim and focus in this context ought to be to enhance, develop, and secure participating nations' market access.

As previously mentioned chapters of this research, Africa's economic integration is hampered by the reality that many other African nations have several goods, mostly raw materials, but they comprise the majority of exports. These nations still have insufficient infrastructure and manufacturing bases. Africa must prioritize advancement, and one field involved in this research as critical to Africa's development and growth is industrial collaboration. Given its significance, industrialization was being ignored in Africa.

5.3.3 Infrastructure Development

The mobility of inputs including capital and labor is also constrained, which affects the integration process. However, in recent times, efforts have been made to mitigate the effects of these impediments. Among which are the attempts of several economic groups to align the macroeconomic systems of their member countries. This new strategy to integration has flaws; however, the absence of will to perform economic groups further homogeneous is expressed in the regional economic achievements of these groups.

Much work endures to be made, especially considering that the majority of economic groups still want to implement robust multi-sectoral integration initiatives. In reality, many sectoral initiatives are carried out in parallel, even though, since we have shown, the standardization of macroeconomic systems has resulted in some extent of cohesiveness. Whether that new strategy is successfully implemented, the end outcome will be a collection of reliable shared policies that serve as the foundation for the establishment of homogeneous regional economic clusters. Furthermore, aligning investment laws around the sub-regional area would liberalize markets sufficiently to encourage foreign and domestic investment, increasing trade and manufacturing.

Recommendation: It is proposed that such limitations be lifted, beginning with RECs, to encourage cross-border investments and economic actions, as well as enhance the flow of expertise through borders to aid in labor market integration. Of course, it could be followed by the alignment of applicable economic strategies.

Recommendation: The need to establish follow-up mechanisms to guarantee adherence to agreed-upon Community schedules on topics including tariff and non-tariff restriction decreases, as well as accomplishment of more challenging goals like macroeconomic stabilization. For example, RECs must be able to punish poor performance or failed to address protocol and treaty commitments.

If Africa is to reap significant advantages from the liberalization process and integration, it must study, adjust, and implement the lessons of trade changes in industrial nations and other developing nations. Even so, this does not imply that Africa must duplicate one standard. Though its EU was being identified as the perfect destinations of an effective regional integration framework for this research and other literature, these were recommended that Africa not replicate it. Africa's regional integration is an economic integration with poor industrial bases, while EU nations are more industrialized than African states. Africa would lead the way in establishing targets for its economic platform. These highest concerns must also fix Africa's lag in eliminating tariff and non-tariff restrictions and aligning markets. These goals will help Africa concentrate on real, minimal, and attainable outcomes.

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