

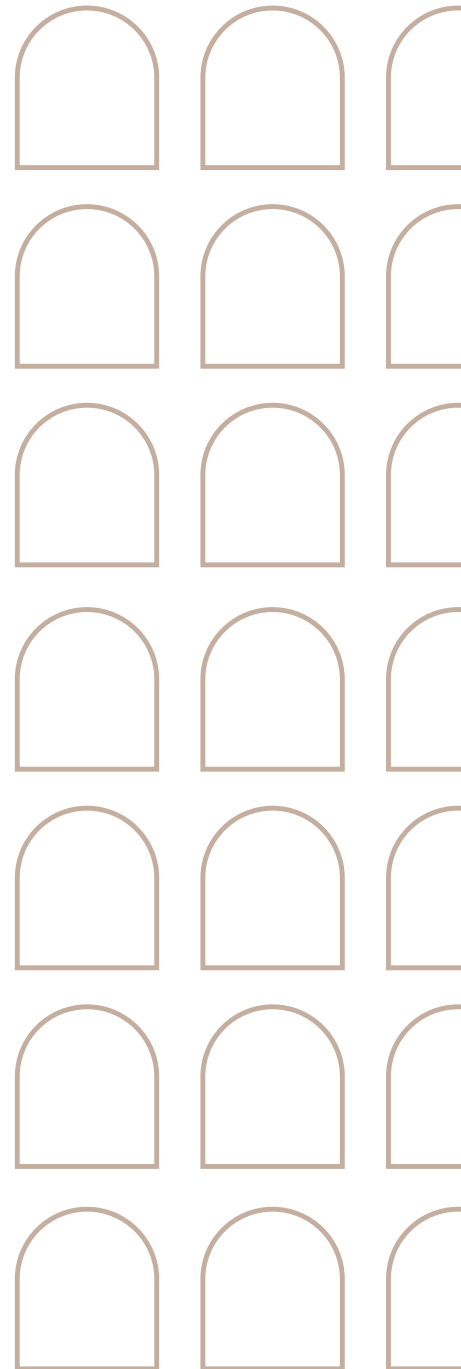
STG Policy Papers

# POLICY BRIEF

**FROM DIVISION TO UNITY:  
TRANSNATIONAL INTEGRATION  
AND THE POWER OF THE AFCFTA**

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Moe Hafez



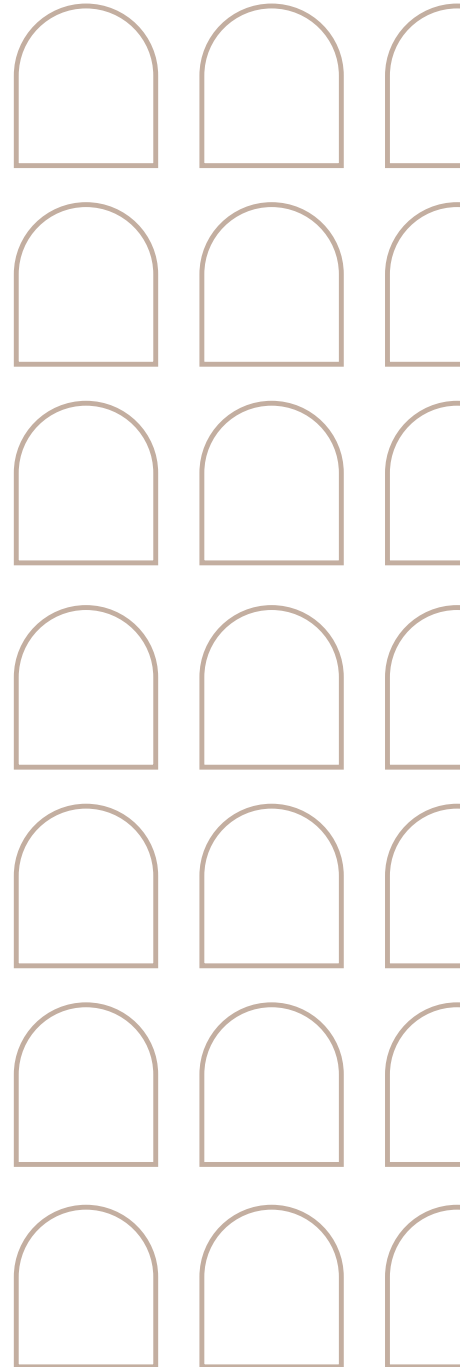
## EXECUTIVE SUMMARY

While African political leaders have sought to create and implement various regional integration policies, there has been slow progress in achieving results due to leadership, economic and security complexities. Africa is growing at a good pace but transforming at a slow one. Opening up borders so people and goods can move has recently become one of the African Union's main aims, inspired by the European Union. A continental intra-trade focus is perceived as an initial transformative phase on the road to complete efficient integration and robust global influence. In this context, the African continental free trade area (AfCFTA) has been conceived as a new instrument to tackle the complexity of integration barriers and remove them.

This policy brief explores the projected outcomes of the implementation of the AfCFTA and argues that adopting a transnational regional approach during the implementation stage will unleash competitiveness leading to realising its full potential. Against this background, the brief focuses on supporting the emergence of a regional market that is appealing to investors and capable of fostering economic growth and job creation. It also examines how the AfCFTA complements classic regional integration endeavours.

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# 1. INTRODUCTION

The growing importance of regional integration in recent decades has sparked a debate on its theoretical foundations. The main argument is that integration can stimulate economic transformation and development by creating a conducive investment climate, thus boosting trade and foreign investment. This is evidenced in recent studies conducted by key development institutions such as the [World Bank](#), the [Asia Development Bank](#) and the [African Union \(AU\)](#), which conclude that regional integration has led to improved economic performance in both Asia and Africa, with great potential to achieve structural transformations and immense gains in economic growth.

Conversely, others posit that integration may have adverse consequences, particularly for smaller underdeveloped nations. Moreover, there are concerns that regional economic agreements can lead to a 'spaghetti bowl' of overlapping and conflicting trade rules, which make it difficult for countries to navigate the complex web of regulations.<sup>1</sup> Consequently, although regional integration can offer myriad advantages, it is imperative to evaluate potential shortcomings and formulate transnational policies that foster inclusive and sustainable economic growth in Africa.

Nevertheless, empirical evidence suggests that regional integration can have positive outcomes such as increased trade, investment and job creation if implemented with appropriate policies.<sup>2</sup> While integration has been instrumental in mitigating conflict and fostering stability in Africa, its full potential to achieve structural economic transformation remains untapped.<sup>3</sup> Efficacious transnational policies hold the promise of bolstering growth and forging efficient forward and backward linkages among African economies and the global market.<sup>4</sup>

## 2. A HISTORICAL PERSPECTIVE

African political leaders have focused on political cooperation to remove the remains from the colonialism era. After two decades, they have united to make a momentous leap forward. They have started to implement new regional integration arrangements (RIAs) at the continental level aiming to foster equitable growth and structural transformation, which is a precondition for achieving the annual growth rate of 7% set in Agenda 2063.<sup>5</sup> As a result, efforts have shifted toward deeper market integration in order to advance political integration to make free movement of Africans across borders achievable. This aim was translated into the Abuja treaty, which was conceived in 1991 and came into force in 1994.

The Abuja Treaty stipulated that an African Economic Community (AEC)<sup>6</sup> would be established by 2028. Landmarks on the path towards this were: the development of new regional economic communities and reinforcement of existing ones (between 1994 and 1999); achieving stability of current tariffs, consolidating economic sectors and harmonising customs systems (1999-2007); forming a free trade region and customs union (2007-2017); aligning tariff systems among different regional economic communities (RECs) (2017-2019); and developing a common African market, synchronisation of fiscal, regulatory and macroeconomic frameworks and creating a pan-African economic and monetary union (2023 to 2028). However, progress towards these milestones has been slow and challenging due to [several factors](#), including lack of political will, inadequate infrastructure and divergent economic policies among African countries.

## 3. THE EVOLUTION OF REGIONAL ECONOMIC COMMUNITIES (RECs)

Efforts to integrate the African continent occurred in concurrence with the establishment of RECs across the continent. A number of them have been set up since the founding in

1 Mattoo, A. and Subramanian, A. (2012), From Doha to the Next Bretton Woods: A New Agenda for Trade. Washington, DC: Peterson Institute for International Economics, [https://www.researchgate.net/publication/260555836\\_From\\_Doha\\_to\\_the\\_Next\\_Bretton\\_Woods\\_A\\_New\\_Multilateral\\_Trade\\_Agenda](https://www.researchgate.net/publication/260555836_From_Doha_to_the_Next_Bretton_Woods_A_New_Multilateral_Trade_Agenda)

2 African Development Bank (2022), "African Economic Outlook, <https://www.afdb.org/en/documents/african-economic-outlook-2022>

3 Gilbert (2021), Regional Cooperation on Democratization and Conflict Management in Africa, <https://carnegieendowment.org/2018/03/19/regional-cooperation-on-democratization-and-conflict-management-in-africa-pub-75769>

4 African Development Bank (2022), "African Economic Outlook, <https://www.afdb.org/en/documents/african-economic-outlook-2022>

5 African Union, Agenda 2063, [https://au.int/sites/default/files/documents/36204-doc-agenda2063\\_popular\\_version\\_en.pdf](https://au.int/sites/default/files/documents/36204-doc-agenda2063_popular_version_en.pdf)

6 Oobo (2017), The Challenges of Regional Integration in Africa, <https://issafrica.s3.amazonaws.com/site/uploads/Paper145h.pdf>

**Table 1**

REC	Free Trade Area	Customs Union	Single Market	Number of Member States that have Ratified/Implemented a Free Movement Protocol	Economic and Monetary Union
EAC	√	√	√	3/5	x
ECCAS	√	√	x	4/11	x
ECOWAS	√	√	x	15 (All)	x
SADC	√	x	x	7/15	x
IGAD	x	x	x	-	x
AMU	x	x	x	3/5	x
CEN-SAD	x	x	x	N/A	x
COMESA	√	x	x	-	x

**Source:** (["2021 African Integration Report. 'Putting Free Movement of Persons at the Centre of Continental Integration.' African Union"](#))

1910 of the first customs union, the [Southern African Customs Union \(SACU\)](#). The Assembly of Heads of State and Government of the African Union<sup>7</sup> has only recognised eight of these numerous RECs and has put a hold on the recognition of further RECs. Those recognised are the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Southern African Development Community (SADC), the Intergovernmental Authority on Development (IGAD), the Arab Maghreb Union (AMU), the Community of Sahel-Saharan States (CEN-SAD) and the Common Market for Eastern and Southern Africa (COMESA). Among the RECs that are not recognised by the AU are the SACU, the oldest customs union in the world, the Economic and Monetary Union of West Africa (UEMOA) and the Customs and Economic Union of Central Africa (UDEAC).

The table above shows the integration achieved by the eight communities recognised by the African Union. An African regional integration index is created by taking into account five factors set out by the United Nations

Economic Commission for Africa. It shows how different communities have advanced in terms of regional integration to different degrees. However, it appears that there has been the most headway in trade integration. The only community which has united its markets by creating a single market is the East African Community. Additionally, of all the communities the EAC also has the highest level of regional integration. None of the eight communities have completed the project of adopting economic and monetary union. With all 15 member countries participating, the ECOWAS has been the most successful organisation at promoting the free movement of people.

The RECs have not been efficient in improving their members' economic circumstances or promoting sustainable growth and development. Additionally, compared to RECs in other regions, the percentage of intra-regional trade in overall trade in African RECs continues to be substantially lower. There are many reasons why African RECs have failed to meet their objectives.

The first challenge is the existence of various

7 [Regional Economic Communities \(2023\), African Union, \*Regional Economic Communities \(RECs\) African Union \(au.int\)\*](#)

overlapping regional integration arrangements within the same territory, which are frequently at odds with each other. Multi-REC membership is common among African nations. Among the 54 African nations, there are 27 countries are member of two regional groups, while 18 are members of three groups and one member of four groups.<sup>8</sup> As a result, implementation is challenging since it places significant demands on the member countries' administrative resources. The multiple memberships result from governments' desire to select from a variety of possibilities provided by rival regional trading agreements.

Another reason is how long it takes for agreements to be finalised and put into effect. African countries have an insufficient track record of implementing treaties, protocols and decisions. This can be attributed to acceptance of arbitrary and impossible implementation timelines and an absence of REC institutional architecture that has the resources and ability to enforce decisions and oversee programme implementation.<sup>9</sup>

#### 4. THE EUROPEAN UNION PATH

While the European Union (EU) and the African Union (AU) have adopted different regional integration approaches based on different theoretical foundations and practical implementation, they have shared similar ultimate objectives.

The EU's regional integration model is based on the supranationalism principle, with a central authority having the power to make decisions that affect the member states as a whole. This approach results in some decision-making powers being transferred away from individual member states to EU institutions. Additionally, legal systems and practices which enforce policies and regulations have been created. The system is often described as being top-down or centralised in nature.<sup>10</sup>

In contrast to this approach, the AU adopts intergovernmentalism, in which member states maintain sovereignty while reaching consensus-based decisions in consensus-building processes. This model emphasises cooperation and coordination among member states while respecting their independence and autonomy. It is often described by critics as bottom-up or decentralised.

The EU's supranational model draws heavily on functionalism theory, emphasising that cross-border organisations promote cooperation and integration in specific functional areas – like trade – to achieve greater political aims. Its integration model also draws heavily upon neo-functional theory.<sup>11</sup> This asserts that integration in one policy area may result in greater integration in other policy domains. In contrast, the AU's intergovernmental approach is grounded on nationalism theory, which emphasises the significance of the nation-state and sovereignty in national development. It also draws on dependence theory to argue for collective action by developing countries to reduce their reliance on developed nations and achieve greater self-reliance.<sup>12</sup> This approach has the potential to address the diverse needs and priorities of member states and promote inclusivity. However, it has resulted in slower progress.

#### 5. A CONTINENT-WIDE APPROACH

The AfCFTA is anchored on three factors: market integration, infrastructure development and industrialisation. It is signed by 54 African countries and aspires to create an enormous single market with a combined GDP of \$3.4 trillion.<sup>13</sup> It aims to facilitate regional trade and investment, develop market efficiency and minimise operating costs by leveraging opportunities for economies of scale. In the short term, the ultimate objective is to create a huge market and promote intra-continental

8 Economic Development for Africa (2009), UNCTAD, *Economic Development in Africa Report 2009* (unctad.org)

9 Qobo (2007), The challenges of regional integration in Africa in the context of globalisation and the prospects for a United States of Africa, <https://www.africaportal.org/publications/the-challenges-of-regional-integration-in-africa-in-the-context-of-globalisation-and-the-prospects-for-a-united-states-of-africa/>

10 Trevidi (2003), AU and EU: A Comparative Study in Continental Integration, <https://www.jstor.org/stable/45073460>

11 Visoka, G. and Doyle, J. (2016), Neo-functional peace: The European Union Way of Resolving Conflict, <https://online.library.wiley.com/doi/10.1111/jcms.12342>

12 Chirisa, I.E., Mumba, A. & Dirwai, S.O. A review of the evolution and trajectory of the African union as an instrument of regional integration. SpringerPlus 3, 101 (2014), <https://link.springer.com/article/10.1186/2193-1801-3-101>

13 AfCFTA timeline (2021), African Union, <https://au-afcfta.org/about/>

trade through liberalisation, while in the long term this integration will lead to a structural transformation shifting Africa's market away from raw materials-based economies to knowledge-based ones.

A projected outcome of the implementation of the AfCFTA is that African countries will be able to overcome a great obstacle to them competing in the international market for exports caused by the size and competitiveness of their national economies. Additionally, the AfCFTA will serve as a powerful tool for promoting diversification of products and exports, which will bolster opportunities for growth and development in the member states.

A bigger and more appealing market is one of the aims of the free trade area, which also aims to promote private investment. To be attractive to foreign investors, the demographic component is significant. A new middle class is forming in Africa, and this population growth is influencing the market.<sup>14</sup> Additionally, it could alter the type of investments that are made in Africa. The transformation of the continent into a more internationally integrated competitive region is one of the free trade area's main aims. The ambition to advance regional integration through economic and commercial integration within the framework of this new zone will allow African countries to escape their reliance on exporting the same goods, primarily natural resources. In a similar vein, their susceptibility to commodity price swings and price volatility will be diminished since a robust and integrated domestic market will act as a better buffer against external shocks and as a stronger defence against volatility in global demand.

The AfCFTA has the potential to deepen existing regional ties and create new ones that are stronger, and to speed up industrialisation by promoting the creation of supply chains

that are stronger. An improved investment climate and lower trade barriers should speed up regional integration, even though African states typically engage in international integration through forward rather than backward measures.<sup>15</sup> This could expand African countries' involvement in activities other than the production and manufacture of raw materials and in extra-regional value chains instead of upgrading end markets.

Furthermore, the AfCFTA will enhance the bargaining power of African countries in the global trade arena. By presenting a unified front, the member states can negotiate more favourable terms and conditions in trade agreements with other regions and countries, thus maximising the benefits of international trade for the development of Africa.<sup>16</sup>

## 6. CONCLUSION

This policy brief has discussed pathways to regional integration and the barriers arising during the various implementation phases, and has shed light on the projected outcome of the AfCFTA and the prospect of deepening integration among member states to become one solid block economically and politically. The AfCFTA complements the RECs in several ways, making them vital to achieving the objectives in the African Union agenda.

First, the AfCFTA builds on existing efforts and achievements of the RECs in promoting intra-African trade and investment. As a result, the AfCFTA provides a platform for harmonising the various trade regimes and rules of origin, thus facilitating a more seamless trading environment across the continent.<sup>17</sup>

Second, the AfCFTA helps to address the challenges faced by the RECs in terms of poor infrastructure and human development which have been identified as significant barriers to

14 Boutaleb (2022), Regional Integration: Can it Bring More Independence to Africa? [https://www.policycenter.ma/sites/default/files/2022-04/PB\\_24-22-Boutaleb.pdf](https://www.policycenter.ma/sites/default/files/2022-04/PB_24-22-Boutaleb.pdf)

15 Melo, J.de and Twum, A. (2021) Prospects and challenges for supply chain trade under the Africa Continental Free Trade Area, Journal of African Trade. Atlantis Press, <https://www.atlantis-press.com/journals/jat/125951740>

16 Fofack, H. and Mold, A. (2021) The AFCFTA and African trade – an introduction to the special issue, Journal of African Trade. Atlantis Press <https://www.atlantipress.com/journals/jat/125966585/view>

17 World Economic Forum (2016), <https://www.weforum.org/agenda/2016/03/the-importance-of-regional-integration-in-africa>

regional integration in Africa.<sup>18</sup> By establishing a single market for goods, services and investment, the AfCFTA incentivises member states and development partners to prioritise and invest in essential infrastructure projects, thereby boosting regional connectivity.

Moreover, the AfCFTA strengthens the capacity of institutions driving the regional integration agenda, such as the African Union and RECs, through technical assistance and policy analysis.<sup>19</sup> This support equips them with the necessary tools to develop and implement more effective policies and strategies aimed at accelerating Africa's socioeconomic development. The AfCFTA also contributes to the regional integration process by promoting economic diversification and adding value to the RECs. By facilitating access to a broader market, the agreement encourages African countries to invest in their productive capacities, adopt innovative technologies and develop competitive industries. This, in turn, helps to reduce their reliance on exporting raw materials and fosters the growth of more resilient and sustainable economies.

## 7. RECOMMENDATIONS

The proposed transnational integration policy would view trade as more integrally connected to difficulties in domestic development and put an emphasis on infrastructure development and eliminating supply-side constraints through efficient transnationality.

### 7.1 Expand the involvement of stakeholders

The AfCFTA will be more equitable and the process of regional integration will be more balanced and mutually beneficial if trade agreements favour small and less developed economies. African governments should ensure that their stakeholders, including (large and small) industry, unions, civil society and non-governmental organisations (NGOs), are included in national consultation processes and should provide their negotiators with specific directives. African member states

should strengthen and enhance institutions that allow all parties to fully participate in decision-making processes.

### 7.2 Equalise access to trade gateways

Africa consists of 54 states, 16 of which are landlocked, 34 of which are least developed countries (LDCs), and 15 of which are Small island developing states (SIDC).<sup>20</sup> The landlocked nations (Botswana, Burkina Faso, Burundi, Chad, Central African Republic, Ethiopia, Lesotho, Malawi, Mali, the Niger, Rwanda, South Sudan, Swaziland, Uganda, Zambia, and Zimbabwe) could encounter particularly extreme difficulties. The socioeconomic development of these nations is severely hampered by the fact that they do not have access to the sea, are cut off from global markets and have expensive transit costs. The African nations are making considerable strides in developing their hard and soft infrastructure. For instance, a massive effort has been made to modernise ports in Côte d'Ivoire, Ghana, Togo, Benin and Nigeria and also in the [Abidjan-Lagos corridor](#), in which more than two-thirds of West African trade, transport and transit activities take place. This type of spill-over integration should be developed systematically.

### 7.3 Originate regional value-added chains

Through global value chains (GVCs), African nations are becoming more integrated in the global economy. However, they mostly serve as raw material suppliers at the bottom of global value food chains. The good news is that while commodities make up a large proportion of Africa's exports to China and industrialised nations, [intra-African trade](#) involves more technologically advanced manufactured goods. Consequently, the creation of regional value chains and the integration of African businesses into GVCs will by their very nature increase intra-African trade in manufactured goods and help to promote sustainable long-term growth.

18 Alexander, Wancelous & Garba, Dimas. (2021), Africa and regional integration: the challenges.

19 African Development Bank Group, Mission and Strategy, <https://www.afdb.org/en/about/mission-strategy#:~:text=The%20overarching%20objective%20of%20the,thus%20contributing%20to%20poverty%20reduction.>

20 Ismail (2020), A call for a developmental regionalism approach to the African Continental Free Trade Area (AfCFTA). <https://ecdpm.org/work/the-african-continental-free-trade-area-from-agreement-to-impact-volume-9-issue-1-2020/a-call-for-a-developmental-regionalism-approach-to-the-african-continental-free-trade-area-afcfta>

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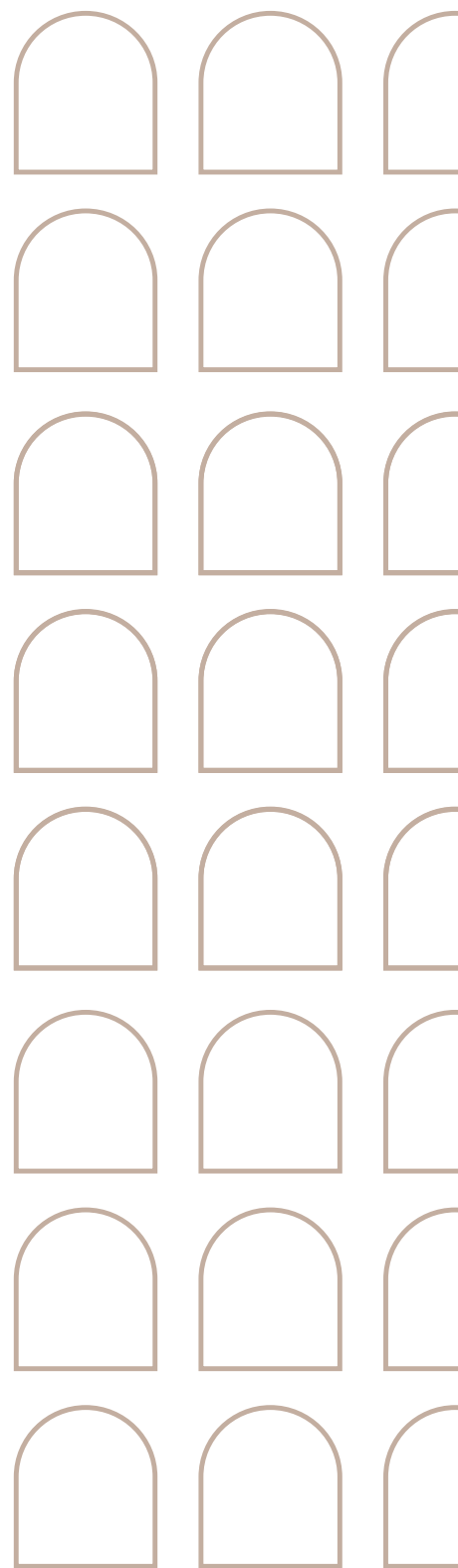
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