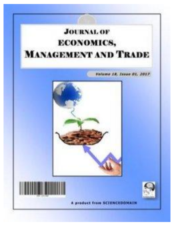

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Regional Integration and Industrial Development: The African Experience

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Authors' contributions

This work was carried out in collaboration between all authors. Author CEO did the introduction, overview of regional integration strides and regional integration policies that impact industrial development in Africa. Author USU did the need for industrialization in Africa while author FCA managed the policy recommendations and conclusions. All authors read and approved the final manuscript.

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ABSTRACT

This study theoretically examines the role of African regional integration in promoting industrialisation in the continent. We traced the effort of various Regional Governments, Regional Economic Communities (RECs) and African Union (AU) in promoting industrialisation in Africa. The stage of industrial development in Africa is still at the primordial level, making Africa depend mainly on the primary commodity for export, leading to the reduction in the continents share of the global export of manufactured good, increase in unemployment, and poverty. The study, therefore, argues that regional integration is a veritable instrument in achieving structural transformation and industrial development in Africa. We, therefore, recommend that the Regional Economic Communities should be reorganised in order to facilitate the ratification and implementation of the regional integration agenda which has direct consequence on sustainable industrialisation in Africa.

Keywords: Regional integration; industrialisation; REC.

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1. INTRODUCTION

Industrialisation in Africa has remained elusive, giving rise to the region's dwindling share of global export of manufactured goods, increased dependence on the primary commodity for export, reduction in the global value chain and declining share of global manufacturing value added. Africa contributed only 1.6% of the global manufacturing value added in 2014, while exports of Less Developed Countries (LDCs) in Africa amounted to only 1% of the total global export in 2013. Primary commodity export among LDCs in Africa represents a total of 67% of the regions' total export in 2014, with almost half of it from fuel. The region has also witnessed a shallow participation in the global value chain, accounting for only 2.2% of the global value chain in 2011 [1]. These account for the increasing poverty level in Africa, high unemployment rate, and low standard of living among other social ills. The reason for the widening gap in industrialisation in Africa has been attributed to lack of competitiveness, weak logistics and trade facilitation systems, the absence of accreditation frameworks and slow regional integration in Africa [1].

Concerted effort towards promoting industrial development in Africa through enhanced regional integration, has given rise to various regional bodies among which are, Economic Community of West African State (ECOWAS), West African Monitory Zone (WAMZ), West African Economic and Monetary Union, East African Community (EAC) and Southern African Development Community (SADC). These regional blocks have contributed in various shapes and forms in improving the regions global competitiveness as well as improved trade policies which have accelerated intra-Africa and inter-regional free movement of goods and people [2]. It is against this background that this paper, however, seeks to investigate the role of regional integration in industrial development in Africa.

2. OVERVIEW OF AFRICANS REGIONAL INTEGRATION STRIDES

Regional integration has been identified as a fundamental factor necessary to increase the global competitiveness, industrialisation, and standard of living of African continent [1]. This realisation gave rise to the establishment of the defunct Organisation of African Unity in 1963, which was replaced by African Union (AU) in 2002. The commitment by various African Heads of State and Government to advance the agenda for increased economic, social and cultural cooperation and integration among African countries, in June 1991, resulted to the endorsement of the Treaty establishing the African Economic Community (AEC) [3]. The AEC Treaty was established for the purpose of promoting economic, social and cultural development as well as foster African economic integration with a view to promoting self-sufficiency and endogenous development, and design a framework for industrial development, human and material resource mobilisation for the continent overall global competitiveness.

The AEC Treaty which is popularly known as the Abuja Treaty (because the 27th ordinary section of the Assembly where the Treaty was signed held in Abuja), provided for the establishment of Regional Economic Communities (RECs) in Africa. The Treaty subdivided African continent into 5 sub-regional groups comprising of West Africa, Southern Africa, North Africa, East Africa and Central Africa each with its own regional economic organisation which serves as a building block for the overall integration of the African economies. However, AU on inception in 2002 recognised eight major regional economic organisations which operate in each of the five major sub-regions with some having overlapping functions as well as countries having dual membership in one or two of the regional organization. Appendix 1 showcased the membership of various regional organisations according to the major regional economic blocks [4].

RECs among other things focuses on regional infrastructural integration, productive integration, financial and macroeconomic integration, free movement of people and trade integration through which they have contributed in one way or the other to the industrial growth and development of the continent. Different policies along these integration targets have been formulated with a gradual implementation which has enhanced free movement of people and goods from one region to another with little or no restriction [5]. Despite the achievement of these RECs in promoting development in the continent, the current structure which allows one country to be a member of more than one regional economic organisation, as well as the emergence of multiple regional economic organisation with overlapping roles, inhibits the effectiveness of the RECs. Out of eight (8) RECs reorganised by AU, nine countries (Tanzania, Sudan, Rwanda, Libya, Kenya, Eritrea, Djibouti, Congo, Burundi) are members of three various regional integration group. Similarly, eleven countries out of 54 member nations of AU belong to only one regional economic organisation, the rest are members of two or three RECs [6].

In West Africa, for instance, Economic Community of West African States (ECOWAS), Union Economique et Monétaire Ouest Africaine (UEMOA) and Mano River Union (MRU) formulate and implement different trade and financial policies to be rectified and implemented by member nations, coupled with a heavy financial burden for members to meet [7]. These, however, led to the recommendation by the Economic Commission of Africa that regional economic communities should be reorganised to align with the five sub-regional economic blocks identified in the Abuja Treaty. They recommended that each economic block should have one regional economic community (i.e North Africa Economic Community (NAEC) for North Africa countries, Southern Africa Economic Community (SAEC) for Southern Africa countries, Central Africa Economic Community (CAEC) for Central Africa countries, East Africa Economic Community (EAEC) for East Africa countries, West Africa Economic Community (WAEC) for West Africa countries) [8].

2.1 Regional Integration Policies that Impact Industrial Development in Africa

The continent has adopted and implemented varied policies and programmes aimed at accelerating industrial growth and development among all the countries in Africa, thereby striving to promote the continent global competitiveness. These policies are structured in line with the five key regional integration agenda. Each of the five dimensions of the regional integration agenda has specific indicators measuring progress on each of the integration agenda. Fig. 1 presents the five dimensions of the agenda and the sixteen associated indicators.

Policies formulated and implemented in line with these integration agenda that has contributed positively or negatively to the industrial growth and development of the continent includes but not limited to the following:

2.1.1 Productive integration

One of the key policies formulated and implemented which may impact positively or negatively on industrial growth and development among countries in Africa is the industrial tariff Structures. The tariff structure for the importation of capital and intermediate goods is designed with the aim to support industrialisation in the continent. Unfortunately, the rate of import-weighted tariff on intermediate goods imported into Africa is significantly higher than those of Eastern and South-Eastern Asia experiencing a significant increase in industrialisation and the rest of the world. The only exception to this is food and beverage tariff [9].

The difference in the industrial import tariff is particularly large for processed industrial supplies, parts and accessories of capital goods and parts and accessories of transport equipment all of which form import inputs for manufacturing industries [10]. This high industrial tariff, however, raises the cost of industrialisation on the continent of Africa as against the rest of the other regions in the world. On the other hand, the import-weighted tariff is administered in two different strata, one for intra-Africa import and the other for inter-Africa import. The intra-Africa import-weighted tariff for capital and intermediate goods are 4.2 and 2.1% respectively as against that of inter-African import-weighted tariff for capital and intermediate goods which are 4.9% and 5.8% respectively [10]. This showed a significant difference between import tariffs on intermediate goods imported from outside African countries as against those imported within Africa. The marginal difference between the rate of capital goods in intra-African and inter-African imports is to encourage industrial production by reducing the cost of machinery and other capital inputs for production which is still sourced heavily from outside the continent. This approach, however, gives African countries the opportunities to promote the internal technological development.

Unfortunately, due to low level of technological development in Africa (ICT Development Index 2017 average for Africa=2.64, Asia & Pacific=4.83, Europe=7.5, and America=5.21) which is currently not sufficient to provide for the needed intermediate goods necessary for industrial production, may limit the use of these intermediate goods for production processes thereby reducing the possibilities for the export of transformed products in the short run, but if African firms take advantage of this import protection, in the long run, their global competitiveness will improve significantly beyond what it is now [11]. The adoption of Continental

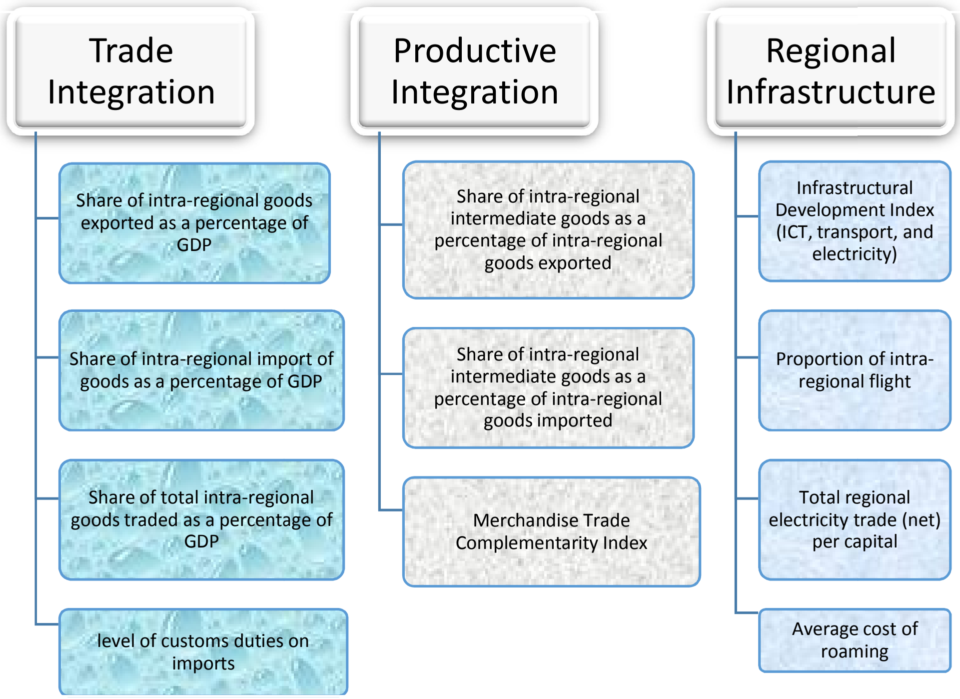

Fig. 1. Dimensions of the regional integration agenda with their specific indicators
Source: Authors design

Free Trade Agreement (CFTA) would also lower the intra-Africa tariff barriers further and as well help to boost intra-African trade in intermediate goods and the development of African industrial supply chains to enhance the global competitiveness of the continent.

2.1.2 Trade Integration

The indicators of trade integration are based on four key measures which are; share of intra-regional goods exported as a percentage of GDP, share of intra-regional import of goods as a percentage of GDP, share of total intra-regional goods traded as a percentage of GDP, and level of customs duties on imports, each of this is designed to promote trade and industrialisation in Africa. Most of the regional economic communities adopted Free Trade Agreements (FTA) which every member of the regional economic block is expected to rectify and implement. However, there exist at the continental level, the Continental Free Trade Agreement (CFTA) which strives to reduce the internal tariff on both the intermediate and consumer goods imported from countries within the continent. The import-weighted tariff imposed on consumption goods for intra-African import is lower than that of inter-African. The high rate of tariff on consumption goods imported outside African continent as against those produced internally is to encourage domestic value addition and processing in the African continent. The report of ECA 2016 indicates that import-weighted tariff for consumption and other goods are 7 and 5.8% respectively for intra-African import, while the tariff rate for consumption and other goods imported from outside the continent stood at 14.7 and 17.4% respectively. The high rate of import tariff for consumption and other goods imported from outside the continent is to promote industrial development within the continent of Africa.

2.1.3 Regional Infrastructure

One of the key setbacks to industrial development in Africa is the poor state of the infrastructural facility in the region. The Regional Integration agenda specified four key indicators to measure the level of infrastructural development in the continent which is based on the following indices; infrastructural development in transportation, electricity, Information and Communication Technology (ICT), the average cost of roaming, as well as development in water and sanitation. The physical integration of transport system adopted by all regional economic communities in Africa has improved all forms of transport systems in Africa, providing a very conducive environment for industrial development in Africa [12].

The convention on inter-state roads has provided a platform for RECs to focus effectively on the integration of roads, railways, maritime transport, inland waterways, and civil aviation. These will create physical access to all the regions of the continent making it possible for both raw material and finished goods to easily move from one country to another within the region hence promoting industrial development. The effort in regional integration in communication as indicated in the agreement of RECs, focus on policy convergence, integration of physical facilities, connectivity as well as the promotion of exchange programs, more especially on broadcasting.

The main aim of policy convergence in communication is to promote trade and finance and reduce the cost of production and service rendering by making communication and information linkage accessible and affordable among the Africa region and the rest of the world. Meanwhile reduction in the cost of communication will result in lower production cost, and since investors are rational and will move their investment to areas with lower cost and higher return, this will lead to industrial development in the continent. Electricity is also one of the key drivers of industrialisation and various efforts has been put in place to improve the amount of megawatt produced and as well enhance the distribution of generated energy among countries in the RECs.

3. THE NEED FOR INDUSTRIALISATION IN AFRICA

There are several reasons why African countries and other less developed and developing nations of the world must embrace industrialisation if they must improve the leaving standard for their citizens. The following reasons account for the need for industrialisation in Africa:

1. **Meeting the Sustainable Development Goal (SDG):-** Goal nine (9) of the SDG is designed with a particular focus on building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation. Meanwhile, it is important to note that without industrialisation African countries are unlikely to achieve the 2030 global goal. Deliberate effort is required in promoting industrialisation among Africa countries in other to drive the continent to the targeted level of development for Africa.
2. **Increased Job Creation:** The is a positive relationship between inclusive and sustainable industrial development and job creation, food security, innovation, skill development and equitable growth most of which are parameters needed for the elimination of poverty in Africa. The increasing rate of unemployment in Africa associated with rapid growth in population is a key factor necessitating industrialisation in Africa. The World Bank report on global unemployment for 2017 indicates that the Middle East and North Africa has the highest unemployment rate of 28.6% compared to other regions of the world like the European Union with 19.2% [13]. The unemployment rate for Sub-Saharan Africa stood at 14.2% higher than the world unemployment rate of 13.6. This no doubt point to the need for increased job creation in the continent of Africa through effective and sustainable industrial development.
3. **Structural Transformation:-** Hardly has any country in the world progressed from poor to rich nation without effective and sustained structural transformation from the agrarian or resource-based economy, towards industrialisation and then to a service-based economy. This transformation is necessary to provide for wealth creation by promoting economic integration and increased productivity. Africa currently is still at the resource-based stage of structural transformation, slowly encroaching into industrialisation threshold, making agriculture the largest employer of labour in the continent. This no doubt is responsible for the continents poor value chain and decreasing global competitiveness, hence the need for sustainable industrial development for Africa.
4. **Dwindling fiscal revenue:-** The level of tax revenue in Africa has remained significantly low compared to other regions in the world. In 2015, a report by UNIDO showed that the total tax revenue as a percentage of GDP for Africa (from a sample of 16 countries) stood at 19.1% as against 34.3% in OECD countries and 22.1% in Latin America and the Caribbean region. Similarly, the tax on income and

profit as a percentage of GDP for Africa in 2015 is 6.2% and 11.6% for OECD countries, underscoring the need for effective and sustainable industrialisation in other to increase the continent tax revenue to enable the government to provide for social amenities needed for the development of the continent [14].

3.1 Factors Responsible for Slow Pace of Industrialisation in Africa

Several reasons account for the increasing industrialisation gap between Africa continent and other regions of the world. This gap in the level of industrialisation between Africa and the rest of the world is evidenced in the low level of trade in merchandise which represents only 11% of the total trade in the continent within a period of 5 years, as against 50% in Asia and 70% in Europe [1]. These, however, have made it difficult for firms in the continent to effectively take advantage of the huge market potential associated with increasing population in Africa. The following are key challenges faced in an attempt to promote industrialisation in African though not exhaustive.

3.1.1 Sluggish regional integration in African

Africa in relation to other continents of the world has remained the least regionally integrated continent. This is evidenced in the trade barriers among countries in African continent which are most often higher than those between them and the rest of other regions of the world. There has been a significant increase in the volume of trade between the African continent and the rest of the world resulting in a double-digit growth in inter-African trade. For over a decade now, trade in Africa has been dominated by inter-African trade especially with developed countries and the European Union, with a heavy concentration in natural resources and primary commodities. Although trade in Africa is dominated by inter-African trade, intra-African trade eventually is more diversified than that with the rest of the world, with manufacturing accounting for two-thirds of the intra-African trade [15]. The share of intra-African trade in 2013 accounts for 16.3% of the continent total trade which is the lowest among the other regions in the globe. The level of value added in intra-African trade has remained significantly low, representing only 9.5% of the total value added in 2011, meaning that most of the values added are imported from other regions outside the continent of Africa, which is a clear indication of the continents low level of global competitiveness.

The increasing fragmentation of African market due to poor integration is very costly for all African countries, leading to loss of wealth creation and as well it's equitable distribution; and no prospect to realise economies of scale and scope. The poor provision of regional public goods especially infrastructural facility has hindered rapid growth in regional integration leading to the slow pace of sustainable industrialisation in Africa.

3.1.2 Weak global competitiveness

Over 34 countries in Africa are classified as less developed countries due to various factors which have contributed significantly to the continent lack of global competitiveness. Meanwhile, the weak global competitiveness can be attributed to poor business environment, low institutional capacity, the dearth of adequate infrastructural facilities, like roads, rail, and flight transportation system, energy, and information and communication technology. These factors increase the cost of doing business in Africa and as well increase the cost of production if not impossible to produce, hence weakening the industrial development strides in Africa.

3.1.3 Increasing preference for foreign manufactured goods

The share of the continent import of manufactured goods has increased significantly in relation to the world total import result to over 3.2% increase over a period of 10years (2005-2014), making the continent one of the fastest growing importer of manufactured goods across the globe. The increasing preference for foreign goods has not only hindered the industries development in the continent but as well exacerbated the poverty level in Africa as must industries are forced into extinction with the associated loss of job and income.

3.1.4 Deficit infrastructural facilities

One of the significant drawbacks for industrialisation in Africa is the paucity of infrastructural facilities. Africa faces humongous infrastructural deficit which accounts for 30 to 60 percent of firm's productivity losses, 40 to 80 percent of this loss is attributable to the energy sector [16]. Paucity of quality energy places additional cost on firms such as idle workers, spoiled material, lost production, damaged equipment and restart cost etc. meanwhile, it was estimated that between the period of 2010 and 2016, an average of 8.5 power outage was recorded per month within an interval of 4.1 hours on the average. The estimated cost associated with power outage stood at 5.4% of firm's annual sales. And to mitigate this cost, 51.3% of firms employ their own generator as an alternative source of energy which only covers about 13.4% of their energy consumption. The regional road network to connect the entire continent in other to take advantage of the huge market potential of Africa is in its very deplorable. Same is the case with the rail and inland waterways, not to mention the aviation sector which is also at the formation stage, all these and more contributed significantly to sluggish industrial development in Africa.

3.1.5 Unfavourable financial facilities for industrial development

The inability of firms to access affordable credit facilities is one of the most binding constraints in Africa industrial development. This, however, is attributed to information asymmetries for project profitability as well as the dearth of collateral or effective credit track record, and more importantly the underdeveloped nature of the African financial market. The level of credit gap that exists among formal sectors, micro, small and medium-sized enterprises has been estimated to over US$ 136 billion [16]. Despite these other constraining factors, long-term and equity financing is especially rear in Africa, while almost 60 per cent of credits in Africa are short-term and less than 2 per cent of the loans are for a period of ten years and above. These have militated against sustainable industrial development in Africa.

4. CONCLUSION

Regional integration no doubt has inherent potential to fast-track the industrial development agenda of the African continent if every country will effectively play their role at the regional economic community level by implementing and rectifying all the policies, treaties and protocols initiated at both regional and continental level. Regional integration has the capacity to create an industrial hub in African through increased market share and economies of scale, promotion of investment and productive integration, infrastructural integration and financial system integration [17]. Various efforts have been made to advance the level of regional integration in African to conform with their counterpart in the other part of the world like the European Union with the aim of promoting sustainable industrial development, yet industrialisation in Africa still remain at its primary stage [18]. This no doubt is responsible for the continent dwindling share of the global export, which has been dominated by primary product with little or no value addition. The poor state of industrialisation in Africa has also resulted in over 40% of the continent import comprising of consumables only. Despite the inherent potentials embodied in the regional integration strides, the increasing level of insecurity in the continent of Africa will significantly hinder the anticipated result of free movement of people and goods which the integration agenda advocates.

5. POLICY IMPLICATIONS AND RECOMMENDATIONS

To improve the trend of industrial development in Africa through effective regional integration, the regional economic organisations should be reorganised in such a manner that no single country will be allowed to identify as a member of more than one regional economic organisation. For instance, one regional economic organisation should serve only Northern Africa countries, others to serve each of Southern Africa countries, Central Africa countries, Eastern Africa countries, and Western Africa countries. This however is to replace the current multiplicity of regional economic organisation with overlapping membership as identified in appendix 1. Based on the forgoing, we therefore make the following recommendations

1. Introduction of effective and legitimate standards for Africa: The Regional Economic Communities should ensure that sound and legitimate standards are strictly followed by all regions in their production process especially as it concerns the role of origin if the target of industrialisation must be achieved. One of the key strategies to improve industrialisation in African is compliance with sound and legitimate standards, which can be achieved through enhanced trade capacity and competitiveness, facilitation of mutual benefit in industrial products, integration of firms into the regional and global value chain, as well as improved efficiency of production and trade.

2. Reduction in industrial tariff structure: The current level of industrial tariff structured should be reviewed downwards to make African continent more viable and globally competitive. The current level of import-weighted tariff on Africa's intermediates imports are significantly greater than that of the Eastern and South Eastern Asia which are regions with high level of industrialisation and the rest of the world as well. The differences are largely seen in most of the industrial supplies, parts and accessories of capital goods, and parts and accessories of transport equipment, which are all parts of the inputs for the manufacturing industries.
3. Rectification of Continental Free Trade Area (CFTA) by all the countries in Africa: Due to the inherent potentials for trade driven industrialisation which CFTA promises to offer, all the countries in Africa should effectively rectify and sign the trade agreement if the goal of full industrialisation by 2063 will be achieved.
4. Implementation of various advocacy programmes to re-orientate African consumers on the need for increased preference for goods made in African. This will help to revert, the current trend of over 40% import of consumable goods into Africa even with a significant increase in the import tariff on imported goods outside the continent as against goods produced in Africa.
5. Bridging the credit gap that exists among formal sectors, small and medium-sized enterprises: The regional economic communities in collaboration with all the existing regional financial institutions in various regions should seek to prioritise credit facilities to the advantage of micro, small and medium-sized enterprises which has the potential for smooth structural transformation.
6. Improved Infrastructural Facilities: All Heads of State and Government of various countries in Africa should collaborate effectively with the regional economic communities as well as regional development financial institutions in providing funding for the proposed intra-African highways for effective movement of goods and people, energy (electricity) to reduce the cost of productions incurred by firms etc.
7. Restructuring of the current regional economic communities: The current regional economic communities should be reorganised to conform to the provision of Abuja Treaty, (subdivided African continent into five basic groupings) so as to avoid multiple memberships of RECs. By this, we, therefore, suggest that a total of five regional economic communities should exist in line with the five regions created by the Treaty so as to enhance effective participation of member countries.

DISCLAIMER

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COMPETING INTERESTS

Authors have declared that no competing interests exist.

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APPENDIX 1

Five major regions in Africa and their regional economic communities				
West Africa	**Southern Africa**	**North Africa**	**East Africa**	**Central Africa**
Economic Community of West African States (ECOWAS) Community of Sahel–Saharan States (CEN-SAD) Arab Maghreb Union (UMA)	Common Market for Eastern and Southern Africa (COMESA) Southern African Development Community (SADC)	Intergovernmental Authority on Development (IGAD)	East African Community (EAC)	Economic Community of Central African States (ECCAS)
Regional economic communities and their respective member countries				
ECCAS	**SADC**	**COMESA**	**ECOWAS**	**UMA**
Angola Burundi Cameroon Central African Republic Chad Congo Democratic Republic of the Congo Equatorial Guinea Gabon Rwanda São Tomé and Principe	Angola Botswana Democratic Republic of the Congo Lesotho Madagascar Malawi Mauritius Mozambique Namibia Seychelles South Africa Swaziland United Republic of Tanzania Zambia Zimbabwe	Burundi Comoros Democratic Republic of the Congo Djibouti Egypt Eritrea Ethiopia Kenya Libya Madagascar Malawi Mauritius Rwanda Seychelles Sudan Swaziland Uganda Zambia Zimbabwe	Benin Burkina Faso Cabo Verde Côte d'Ivoire Gambia Ghana Guinea Guinea-Bissau Liberia Mali Niger Nigeria Senegal Sierra Leone Togo	Algeria Libya Mauritania Morocco Tunisia
CEN-SAD Benin Burkina Faso Cabo Verde Central African Republic Chad Comoros Côte d'Ivoire Djibouti Egypt Eritrea Gambia Ghana Guinea Guinea-Bissau Kenya Liberia Libya Mali Mauritania	IGAD Djibouti Eritrea Ethiopia Kenya Somalia South Sudan Sudan Uganda	EAC Burundi Kenya Rwanda Uganda United Republic of Tanzania		

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Niger
Nigeria
São Tomé and Principe
Senegal
Sierra Leone
Somalia
Sudan
Togo
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