



**World Customs Organization  
East & Southern Africa  
Regional Office for Capacity Building  
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**2ND REGIONAL RESEARCH CONFERENCE (THE ESARR CONFERENCE):**

**REGIONAL INTEGRATION: ADDRESSING LEVELS OF INTRAREGIONAL  
TRADE IN EAST AND SOUTHERN AFRICA**

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## **ABSTRACT**

Intra-regional trade levels within East and Southern Africa (ESA) remain low (about 10%, according to UNCTADStat, 2015), despite the various initiatives taken by the regional trading blocs to promote intra-regional trade. RTAs in ESA are mostly made up of countries geographically near each other yet trade is still low, thus to some extent defying the gravity model. This study investigated why levels of intra-regional trade remain low in ESA despite concerted efforts to promote regional integration and proffered solutions on what can be done to improve the intra-regional trade. The study is limited to trade in goods within SADC, COMESA and EAC. Research objectives were fulfilled through interviewing exporters registered to trade under SADC and COMESA trade protocols, Ministry of Trade and Investment Promotion officials in Zimbabwe, as well as members of Shipping and Forwarding Agents Association of Zimbabwe (SFAAZ). Although there have been numerous studies on regional integration, the uniqueness of this study is that it also incorporates exporters' views to explain why intra-regional trade is especially low in ESA. This study will be of paramount importance to policy makers especially as it comes soon after the coming into force of the World Trade Organisation (WTO) Trade Facilitation Agreement (TFA) whose measures will play a pivotal role in promoting regional integration. Exporters interviewed cited high transport costs and strict and cumbersome rules of origin as major challenges they face when they engage in regional trade. Lack of regional value chains, lack of product complementarity, poor infrastructure, cumbersome customs procedures are other factors that hinder trade within ESA. In order to address the low levels of intraregional trade in ESA, governments need to complement infrastructure investments with trade facilitation measures.

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## **ABBREVIATIONS**

ADB	African Development Bank
ASEAN	Association of South East Asian Nations
AU	African Union
CFTA	Continental Free Trade Area
COMESA	Common Market for East and Southern Africa
DRC	Democratic Republic of Congo
EAC	East African Community
ESA	East and Southern Africa
IRT	Intra-regional Trade
NTB	No- Tariff Barrier
OSBP	One Stop Border Post
PTA	Preferential Trade Area
RISDP	Regional Indicative Strategic Development Plan
RTA	Regional Trade Agreement
SADC	Southern Africa Development Community
SADCC	Southern African Development Coordination Conference
SFAAZ	Shipping and Forwarding Agents Association of Zimbabwe
TFTA	Tripartite Free Trade Area
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank
WCO	World Customs Organisation
WTO TFA	World Trade Organisation Trade Facilitation Agreement

## 1. INTRODUCTION

In as much as there has been an increase in the signing and conclusion of preferential trade schemes in Africa, intra-regional trade in East and Southern Africa (ESA) has not grown in proportion. Intra-regional trade levels within ESA trading blocs remain low despite the various initiatives taken by the regional trading blocs, Southern Africa Development Community (SADC), Common Market for East and Southern Africa (COMESA) and the East African Community (EAC) to promote intra-regional trade.<sup>1</sup>

The establishment of One Stop Border Posts (OSBPs), transit corridors, and harmonisation of customs valuation, the Tripartite Free Trade Area (TFTA), the adoption of the SADC Trade protocol and the AU Action Plan for Boosting Intra-African Trade (2012) are some of the collaborative efforts being undertaken to improve intra-regional trade in ESA<sup>2</sup>. This paper will look at why such efforts are not yielding anticipated results and proffer recommendations to address the situation.

UNCTADStat database indicates that over the previous years, intra-African trade has been averaging between 10 to 12 percent which is very low compared to other parts of the world like 40% for intra-Association of South East Asian Nations trade (ASEAN)<sup>3</sup>. The low volumes of intra- African trade in general and intra-ESA trade in particular are attributed mainly to poor infrastructure, lack of regional value chains, electricity shortages and cumbersome customs clearance procedures<sup>4</sup>. Trade facilitation indicators and Logistics Performance Indices (LPI) in ESA are poor compared to other similar trading arrangements in for instance, the EU as highlighted in the WB Ease of Doing Business Trading across Borders indicators. Customs delays cost the EAC and Southern Africa about US\$ 8 million and US\$ 48 million respectively

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<sup>1</sup> Achiume ET, Landau LB. *The African Union Migration and Regional Integration Framework*. Vol 36.; 2015

<sup>2</sup> Grainger(2008). Customs and Trade Facilitation : From Concepts to Implementation. *World Customs Journal*. 2008;2(1):17-30.

<sup>3</sup> Karugia J, Wanjiku J, Nzuma J, et al. *The impact of non-tariff barriers on maize and beef trade in East Africa*. 2009;(29):1-16.

<http://ageconsearch.umn.edu/bitstream/51672/2/598.pdf>.

<sup>4</sup> Buyonge C, Kireeva I(2001). Trade Facilitation in Africa : Challenges and Possible Solutions. *World Customs Journal*. 2011;2(1):41-54.

per year which negatively affects intra-bloc trade as they are an indirect cost to trade<sup>5</sup>.

## **2. BACKGROUND**

### **2.1 The East and Southern Africa (ESA) Region**

The ESA region is made up of 3 main regional blocs which are SADC, COMESA and EAC. SADC is made up of 16 countries, EAC 6 countries and COMESA 19 countries. These 3 regional trading blocs are in the process of negotiating for a TFTA which covers 26 countries whose objective is to boost intra-regional trade. The TFTA is envisaged to account for 58% of Africa's output, 48% of the African countries and 57% of the continent's population making it the biggest FTA in Africa's history.<sup>6</sup>

#### **2.1.1 Southern African Development Community (SADC)**

Prior to 1990, SADC was called the Southern African Development Co-ordination Conference (SADCC). It comprised of 9 Southern African member states namely Angola, Botswana, Malawi, Mozambique, Lesotho, Swaziland, Tanzania, Zambia and Zimbabwe. The main objective of SADCC was to start the process of regional political and economic integration between Frontline States as well as reducing its members' economic dependence on South Africa. In 1990 SADCC transformed to SADC to promote deeper economic cooperation and integration among member states. This was necessitated by inter alia the small size of member states' individual markets, their low-income base, inadequate socio-economic infrastructure coupled with high per capita cost of providing such infrastructure.

Among other objectives, SADC sought to support economic growth and socio-economic development for ultimate poverty eradication, self-sustaining development premised on the interdependence of member states as well as promoting complementarity between national and regional initiatives ([www.sadc.int](http://www.sadc.int)). These objectives were followed by the definition of timelines in the trading bloc's Regional Indicative Strategic Development Plan (RISDP) to meet the envisaged milestones in the region's development that included attainment of a SADC Free Trade Area by 2008, SADC Customs Union by 2010, SADC Common Market by 2012

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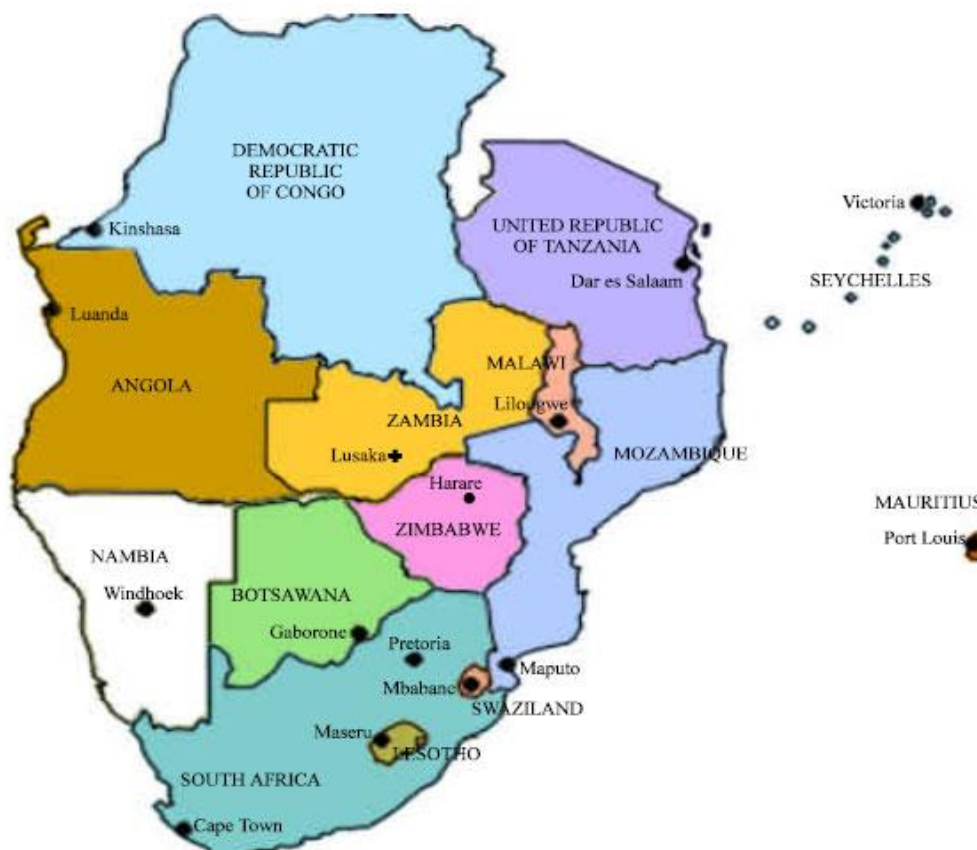
<sup>5</sup> Behar A, Edwards L. *How Integrated Is SADC? Trends in Intra-Regional and Extra-Regional Trade Flows and Policy*. 2011;(April).

<sup>6</sup> COMESA Summit Bulletin Number 2.; 2016



and Monetary Union by 2016. Under the SADC Free Trade Area, all tariffs between Member States would be abolished save for external tariffs. The SADC Free Trade Agreement has resulted in the elimination of trade barriers and the lowering of tariffs yet the levels of IRT remain low <sup>7</sup>

Figure 1: SADC member states



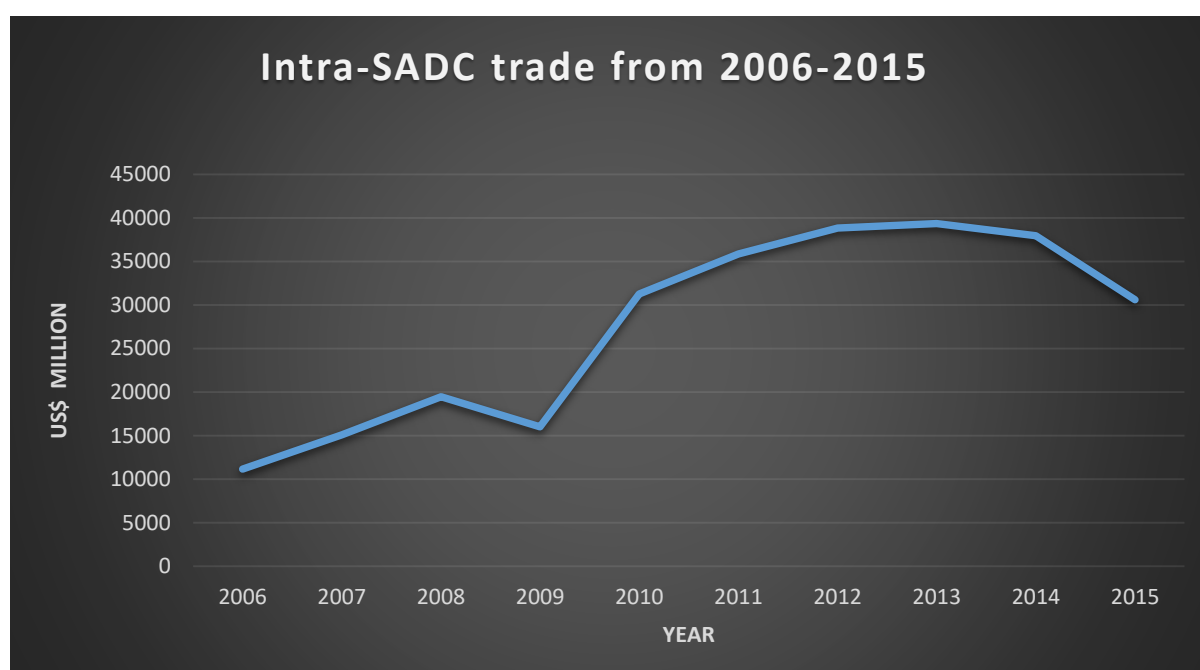
Source: [www.sadc.int](http://www.sadc.int)

Currently, SADC is made up of 16 countries which differ in size and stage of development (*Figure 1*). Dependence on the region for trade divides SADC countries into two groups. Countries like Mozambique, Malawi, Zimbabwe and Zambia heavily depend on SADC, especially for imports<sup>6</sup>. These four countries source more than 50 percent of their imports from other SADC countries and sell in excess of 20 percent of their exports to the region. The other countries in SADC have much stronger trade relationships with the external markets.

<sup>7</sup> EADS. *EADS Analytical brief on trade in West Africa*. 2015

The levels of IRT are not even among the countries in SADC as countries like South Africa dominate the bloc's exports but in turn imports less from the other member states. About 58.7% of all imports into SADC and 46.2% of all exports out of SADC member states are destined for, or respectively originate in, South Africa ([www.sadc.int](http://www.sadc.int)). The top 10 products account for 70% of intra-SADC trade for most of the member states which also highlights the countries' comparative advantage in primary products as well as lack of product diversification.

Figure 2: Intra-SADC trade (2006-2015)



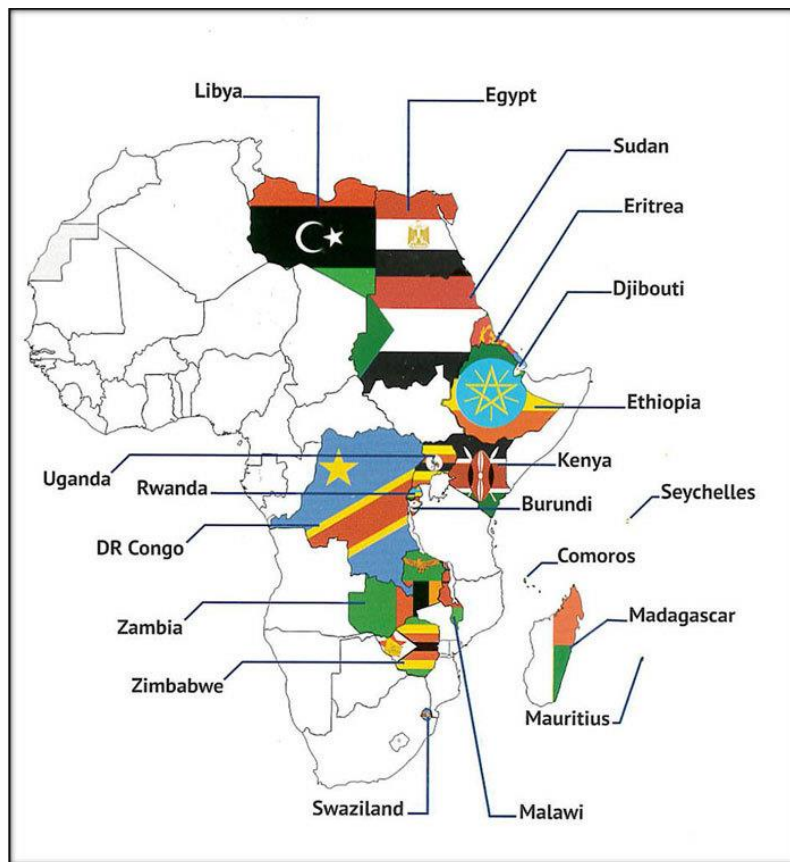
Source: Author's derivation from UNCTADStat 2016

Intra-SADC trade grew significantly between 2006 and 2008 (about 100%), took a dip in 2009 due to the world economic recession and then rose steadily from 2009 to 2014 (**Figure 2**). However, the above trends indicate that from 2014, trade dropped by about 30%.

### 2.1.2 Common Market for East and Southern Africa (COMESA)

COMESA was established in December 1994 as a successor to the Preferential Trade Area (PTA). Its aim was to create a common market within 10 years. COMESA's focus was on increasing the volume of intra-regional trade through trade liberalization as well as enhancing transport systems through formation of inter-state transport systems ([www.comesa.int](http://www.comesa.int)).

Figure 3: COMESA Member states



Source: [www.comesa.int](http://www.comesa.int)

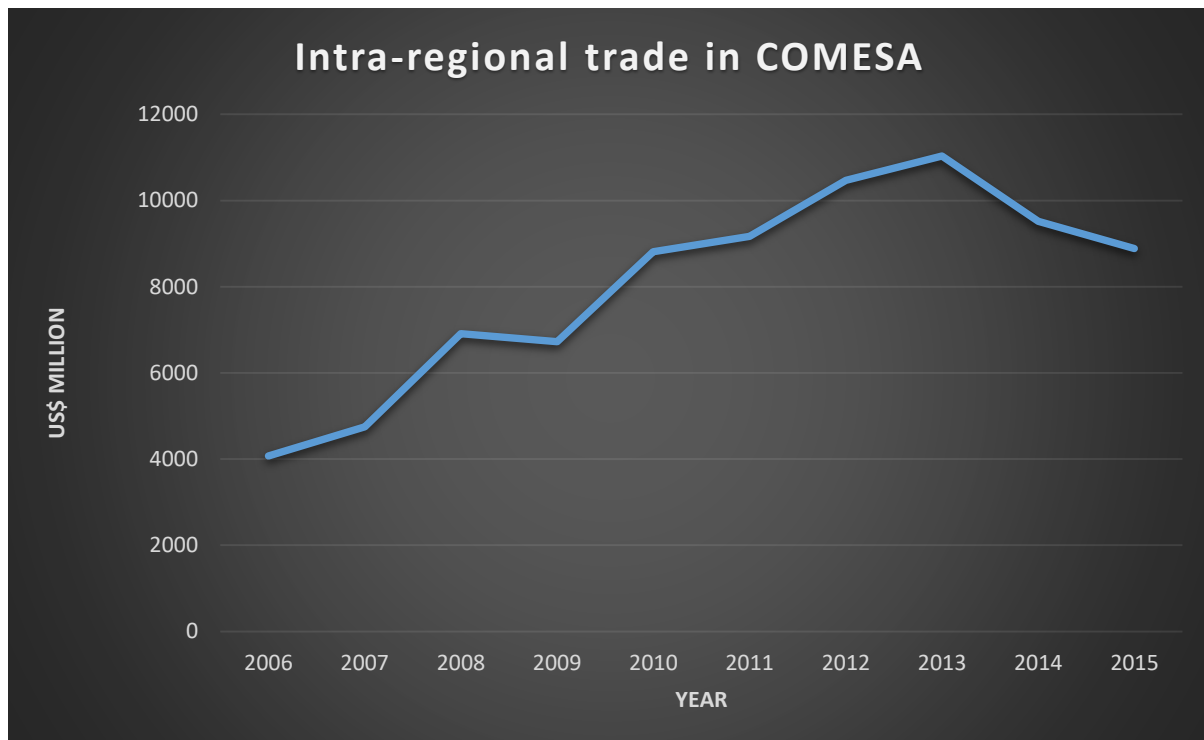
The COMESA region has remained the fastest growing economy in the world with five member States Democratic Republic of Congo (DRC), Djibouti, Ethiopia, Kenya, Rwanda and Uganda recording growth levels of between 5% and 10% in 2015 (*Figure 3*). Egypt and Kenya registered the biggest share of intra-COMESA export market in 2015 with 22% and 17% share respectively ([www.comesa.int](http://www.comesa.int)). Zambia, DRC and Uganda followed with 13%, 12% and 11% respectively. Copper ores and concentrates were the most exported products in value terms (\$760 million) in the region during the period 2011 to 2015 followed by black tea (\$382 million). Cobalt oxides & hydroxides products minerals also performed relatively well in 2015 taking the third slot with an export value of \$172 million<sup>8</sup>

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<sup>8</sup> *ibid*

With regards to intra-COMESA import market share, Zambia registered the biggest share at 24% with goods worth US\$ 2.0 billion in 2015. DRC, Sudan, Uganda, Libya, Kenya and Egypt followed with 11%, 10%, 9%, 8%, 7.4% and 6.7% respectively. Zambia's intra-COMESA imports were mainly copper ores and concentrates and Cobalt oxides and hydroxides from DRC.

Figure 4: Intra-regional trade in COMESA



Source: Author's derivation from UNCTADStat 2016

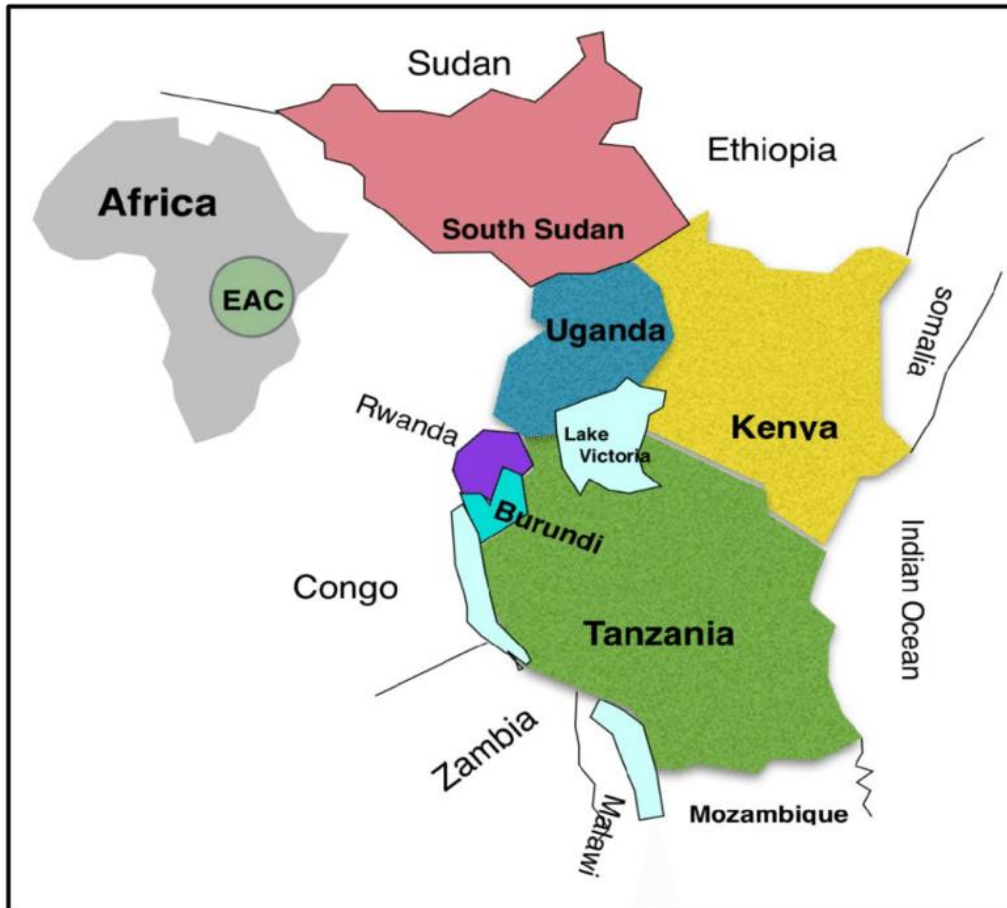
Compared to SADC, intra-COMESA trade has been growing at a slower pace (*Figure 4*) despite COMESA having more members than SADC. The reason for this is that there is more high value industrial activity (manufacturing) in SADC than in COMESA which is more into low value primary goods.

### 2.1.3 East African Community (EAC)

The EAC consists of Rwanda, Burundi, Uganda, Tanzania, South Sudan (all Least Developed Countries) and Kenya (which is a non-LDC) (*Figure 5*). The East African Community (EAC) seeks to deepen regional integration and by so doing launched 3 steps toward its goal of

regional deepening which are the customs union (2005), the common market (2010), and the monetary union (2013). The member states aim to introduce a single currency by 2024<sup>9</sup>.

Figure 5: EAC member states



Source: Journal of Pan African Studies (2016)

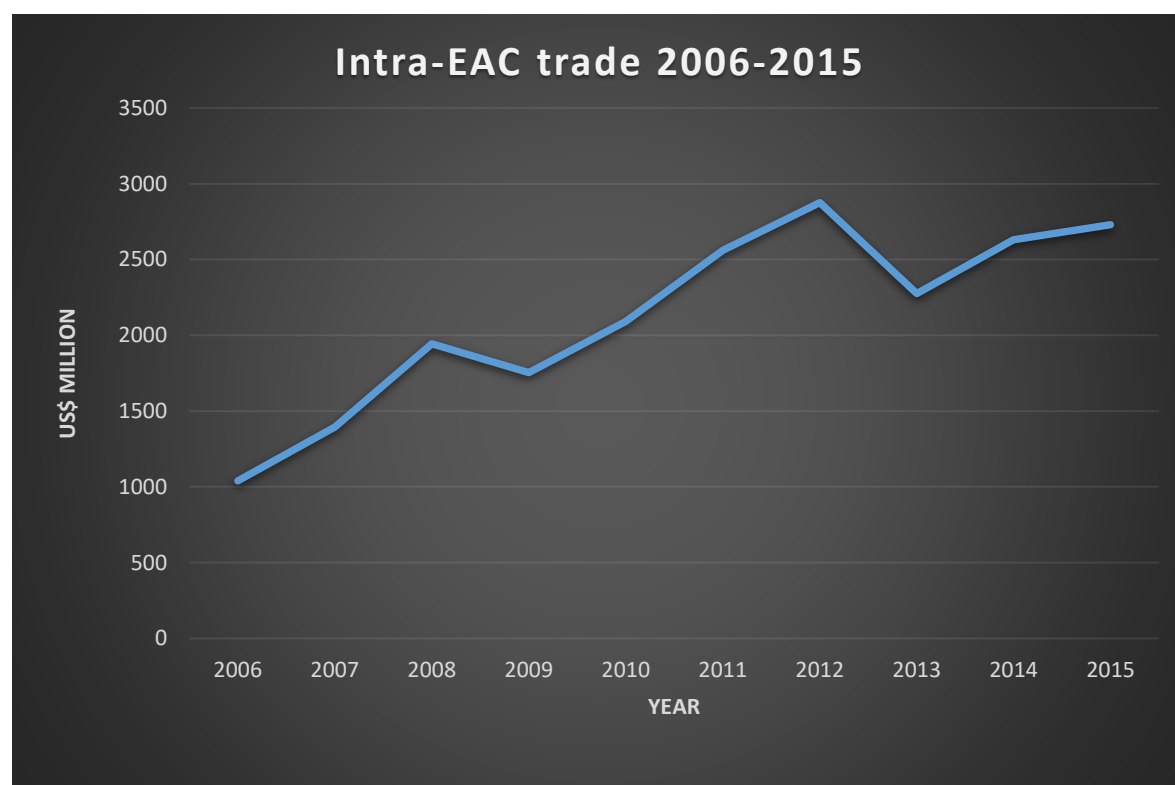
Kenya is the trade hub of EAC and thus dominates intra-regional trade in the region. In 2009, the country accounted for about 32.8% of intra-regional trade in EAC while Tanzania and Uganda accounted for 26.4% and 23.6% respectively (AFDB, 2011:5). The domination by Kenya is viewed as a setback to the integration process as there are fears of economic polarization. The share of Tanzania's exports going to EAC members is only 7.91 percent, demonstrating that most Tanzanian exports are traded more outside the EAC than within.

<sup>9</sup> Reith B, Moritz S. *The East African Community: Regional Integration between Aspiration and Reality*. KAS Int Rep. 2011;9(January):91-107

Rwanda has the lowest share of exports traded among EAC members at 7.34 percent and Uganda has the largest at 23.67 percent<sup>10</sup>.

Kenya's largest exports to the EAC are cement and petroleum and Uganda is the largest importer of these products while Burundi imports the least. Burundi's largest import from Kenya is mineral or chemical fertilizers. Tanzania's largest intra-regionally traded commodities are cereals/maize as well as wadding, felts, and nonwoven materials .Kenya imports the most cereals/ maize from Tanzania at \$94.08 million<sup>11</sup>.

Figure 6: Intra-EAC trade 2006-2015



Source: Author's derivation from UNCTADStat 2016

<sup>10</sup> Lebale N. Economic Development in Africa Report 2009 ; *Strengthening Regional Economic Integration For Africa's Development*. New York. 2009:126.  
[http://www.unctad.org/en/docs/aldcafrica2009\\_en.pdf](http://www.unctad.org/en/docs/aldcafrica2009_en.pdf).

<sup>11</sup> Above n

Form the UNCTAD statistics, it can be concluded that among the 3 trading blocs under study, IRT in EAC is the lowest. The global financial crisis in 2008 did not spare the region as it affected the EAC members' GDP growth between 2008 and 2009.

The launch of Trade Africa in 2013 was aimed to inter alia double intra-regional trade in the EAC, reduce average time taken to export or import a container from Mombasa by 15 percent and reduce transit times. Despite this initiative, IRT in the Community remains low and exports to the US actually increased by \$223 million<sup>9</sup>. Countries still focus on exporting primary commodities to external parties' due to poor infrastructure among other challenges. The EU is one of the largest recipients of goods from the EAC with trade increasing by 65 percent since 2006<sup>12</sup>.

## 2.2 Regional Integration

Regional integration has long been viewed by African decision-makers as a way of enhancing social and economic development<sup>13</sup>. Many African governments embraced regional integration after their independence mostly for political reasons. Later they began to view it as a development strategy meant to overcome landlinkedness, their small markets and to take advantage of economies of scale brought about by a larger market and efficiency in production.

Regional integration is viewed as the most promising approach to unite the many fragments of Africa which were brought about by colonialism. The once connected economic spaces, now divided into small economic entities, currently struggle to deal with their smallness which is resulting in market limitations. For instance, a third of all the African countries are each inhabited by less than three million people while about 70% of them have populations less than 15 million each<sup>14</sup>. Regional integration thus brings with it a larger population thereby increasing the demand base or market size which stimulates production, investment and competition in global trade. This will also bring about efficiencies in production associated with economies of scale.

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<sup>12</sup> Hartzenberg T. *Regional Integration in Africa*. Staff Work Paper. 2011;(October):1-26. doi:10.2139/ssrn.1941742

<sup>13</sup> *ibid*

<sup>14</sup> Geda A, Kebret H(2008). Regional economic integration in Africa: A review of problems and prospects with a case study of comesa. *Journal of African Economics*. 2008;17(3):357-394. doi:10.1093/jae/ejm021.

African countries have entered into various regional integration agreements (RIAs) such that currently there is no country on the African continent which is not a member of at least a regional economic arrangement<sup>15</sup>. This has resulted in effect an overlap of membership (the “spaghetti bowl”) resulting in conflicting ideologies especially in policy harmonization in the areas of SPS and TBT within the RECs. Regional integration groups currently in place in Africa include the Economic Community of West African States (ECOWAS) in West Africa, the Economic Community of Central African States (ECCAS) in Central Africa, the East African Community (EAC) in East Africa, the Common Market for Eastern and Southern Africa (COMESA) in Southern and Eastern Africa and the Southern African Development Community (SADC).

Various definitions of regional integration have been put forward. Winter<sup>14</sup>, and Mengesha,<sup>15</sup> define regional integration as any policy designed to reduce trade barriers between a group of countries regardless of whether those countries share a common border or are even close to each other. However, many international regional integration agreements comprise of neighbouring countries hence the term “regional”. Mambara<sup>16</sup> defines regional integration as the creation of closer economic linkages amongst countries that are geographically near each other particularly by forming preferential trade agreements (PTAs). This paper will adopt the latter definition<sup>16</sup>.

### *2.2.1 Efforts to promote regional integration*

In a bid to promote IRT in ESA, numerous initiatives have been put in place. According to political economic analysts, the initiatives have however not resulted in the desired results. This section looks at some of the initiatives and why they have not achieved the desired results.

In ESA, One Stop Border Posts (OSBPs) have been designed to improve customs clearance processes which in turn would boost IRT. Examples of OSBPs in the ESA region include the Chirundu OSBP between Zimbabwe and Zambia, Busia and Malaba between Kenya and Uganda and the Namanga OSBP between Tanzania and Kenya. OSBPs are associated with

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<sup>15</sup> Ibid

<sup>16</sup> Mambara J. *Assessment of benefits of regional integration in SADC and COMESA-a gender analysis*. Trade Development Studies Centre. 2007



faster border clearances as is the case at Chirundu, where a recent study by the African Development Bank indicates that there has been a reduction in duplication of processes between Zimbabwe and Zambian customs resulting in time taken by commercial trucks to cross the border being reduced from 3 days to 2 hours<sup>17</sup>. Chirundu OSBP, however is mostly the conduit of world imports to the rest of Africa and hence has not led to improved IRT in ESA but to faster movement of traffic to the rest of Africa and not particularly to ESA.

In another effort to improve IRT in ESA, transit corridors have been introduced so as to involve landlinked countries in regional trade. Transit corridors like the Northern Corridor which link Kenya with Burundi, Uganda and Rwanda, aim to ensure secure and efficient transit along defined routes in order to benefit land linked transit countries. The Northern Corridor has helped in reducing transit time between Mombasa and Bujumbura from 30 days to about 15 days<sup>18</sup>.

In order to augment transit corridor operations, a unified customs transit document (the road customs transit document) was adopted in 2012, which later on was substituted by the COMESA/SADC customs document. Some ESA countries have gone further to introduce standard road transit fees, a regional vehicle insurance scheme as well as a cargo tracking systems. All these efforts point out to trade facilitation which involves the harmonisation, simplification and standardisation of processes and procedures relating to international trade and are aimed at improving IRT in ESA.

In addition to other efforts to improve IRT in ESA, The SADC Protocol on Trade was launched by heads of SADC states in 1996 to liberalise further intra-regional trade and was amended in 2016 with the objective to eliminate barriers to intra-SADC trade. It is surprising to note that all the 3 regional blocs aim to facilitate trade and eliminate trade barriers in order to improve intra-bloc trade but the situation on the ground points out to the contrary. The decrease in non-tariff barriers has been offset by an increase in tariffs, which defeats the goal to promote intra-bloc trade.

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<sup>17</sup> Africa S. *For Inclusive and Dynamic Development in Sub-Saharan Africa*. 2011.

<sup>18</sup> UNCTD. *World Investment Report 2003 FDI Policies for Development: National and International Perspectives.*; 2003.

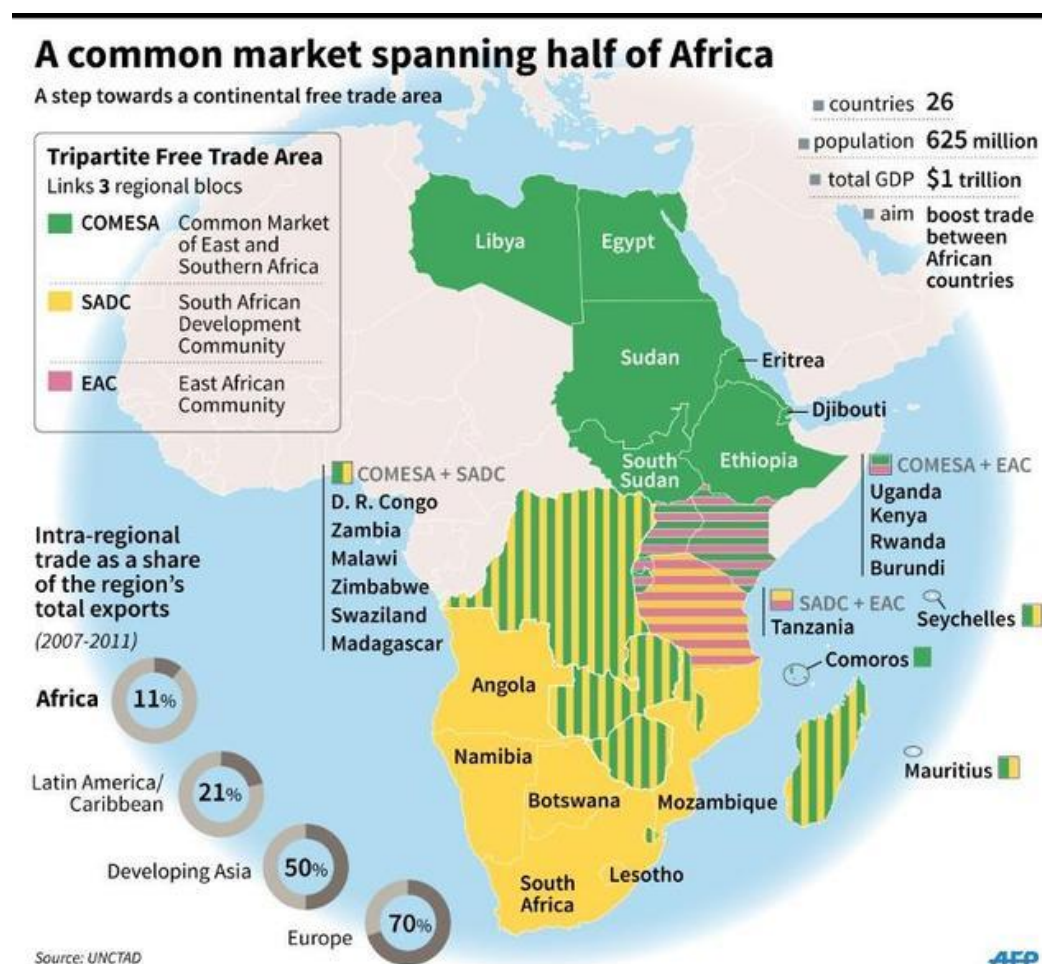
Leaders at the African Union (AU) Summit in 2012 backed a proposal to set up a Continental Free Trade Area (CFTA) by 2017. The envisaged CFTA would become a key component of the AU's plan to augment intra-regional trade by at least 25-30 percent in the next decade (International Centre for Trade and Sustainable Development, 2012). Currently, EAC, COMESA and SADC are in negotiations to the establishment of an Expanded FTA, the COMESA-EAC-SADC FTA which is also known as the Tripartite FTA (TFTA). The main goal of the TFTA, as depicted in *Figure 7* below, is to expand intraregional trade and investment resulting in economic development and growth<sup>19</sup>. The TFTA will account for 58% of Africa's output, 48% of the African countries and 57% of the continent's population making it the biggest FTA in Africa's history<sup>20</sup>.

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<sup>19</sup> Ndomo A. *Regional Economic Communities in Africa. A Progress Overview*. 2009;(May):39. [http://www2.gtz.de/wbf/4tDx9kw63gma/RECs\\_Final\\_Report.pdf](http://www2.gtz.de/wbf/4tDx9kw63gma/RECs_Final_Report.pdf).

<sup>20</sup> UNCTAD UNC on T and D. *Global Value Chains and South-South Trade: Economic Cooperation and Integration among Developing Countries.*; 2015

Figure 7: The Tripartite Free Trade Area



Source: UNCTAD 2015

The TFTA has been developed to pursue the general benefits of liberalized trade more widely in Africa and to deal with the problems of overlapping membership. This objective includes eliminating non-tariff barriers (NTBs) applicable to intraregional trade within the broader eastern and southern African region. However, the TFTA does not yet exist as a formally established arrangement with its own agreement. To the extent that these three RECs are in the meantime cooperating in addressing NTBs (while also negotiating the TFTA), it does not yet happen as part of a binding agreement

Although import duties or trade tariffs have gradually declined over the years in SADC, especially since 2001 when most countries started implementing the regional tariff phase down (in line with SADC Protocol on Trade obligations) which resulted in the bloc becoming a free trade area (FTA) in 2008, other non-tariff measures (NTMs) or non-tariff barriers (NTBs) like TBT and SPS measures have however offset the benefits which were supposed to be enjoyed as a result of the FTA status. In an effort to deal with these NTMs/NTBs, most regional members, both on individual capacity and at SADC regional level have started considering ways of removing these barriers through trade facilitation<sup>21</sup>.

### 2.3 Problem Statement

RTAs in ESA are mostly made up of countries geographically near each other. According to the Gravity Model, countries sharing borders are most likely to trade more with each other. Therefore, intra-regional trade in ESA is expected to be high but it is not the case. As a result, this paper seeks to investigate why the levels of IRT remain low in ESA despite concerted efforts to promote regional integration and to proffer solutions on what can be done to improve the IRT.

### 2.4 Objectives

- To investigate why levels of IRT are low in SADC, COMESA and EAC
- To proffer solutions on what can be done to promote IRT in SADC, COMESA and EAC

### 2.5 Scope

The paper will be limited to trade in goods within SADC, COMESA and EAC.

### 2.6 Justification

Although there have been numerous studies on regional integration, a few of these studies focus on why IRT is low in specifically ESA using exporters' views. This study will be of paramount importance to policy makers especially as it comes hard on the heels of the coming into force of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) whose measures

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<sup>21</sup> Makochekanwa A. *Assessing the impact of trade facilitation on SADC 's intra -trade potential*. 2013:1-26.

will be useful in supporting the regional integration agenda. Moreover, it will add to the existing body of knowledge on regional integration.

## 2.7 Structure of Paper

The rest of the paper is structured as follows: Chapter 2 provides the background of the study, which includes the evolution, and objectives of SADC, EAC and COMESA. Chapter 2 also defines regional integration benefits and efforts being done in ESA to promote IRT. Chapter 3 provides a review of various literature on the subject matter. The research methodology follows in Chapter 4. Findings are discussed in Chapter 5 and Chapter 6 concludes the paper and provides recommendations for better intra-regional trade.

### 3. LITERATURE REVIEW

#### 3.1 Theoretical Framework of Regional Integration

The gravity model of international trade is a theoretical economic model used in international relations to evaluate the impact of trade agreements on regional trade. The model has had much empirical success in predicting bilateral trade flows<sup>22</sup>. According to the gravity model, trade between two countries tends to be proportional to the product of their respective GDPs (which generally reflect both their productive capacity and their buying power), and diminishes with the distance between them (which increases the cost of transporting goods). As a result, large countries tend to trade together in especially differentiated goods. ESA countries generally have small economies and it is no surprise that intra-regional trade levels are much lower than in economically larger regions. Therefore, the gravity model does not to a greater extent explain IRT in ESA because most of the countries' GDPs are small and even close countries tend not to trade more due to NTBs like border delays, regulatory requirements and other infrastructural challenges.

Intra-regional trade in ESA is best explained by the Hecksher –Ohlin Theory which is a further development of the Ricardian Theory of Comparative Advantage. According to the Hecksher-Ohlin theory, trade patterns and structure is influenced by relative factor abundance. The theory states that a country which is capital-abundant will export the capital-intensive good. A country which is labour-abundant will export the labour-intensive good. Each country exports that good which it produces relatively better than the other country. In this model a country's advantage in production arises solely from its relative factor abundance<sup>23</sup>.

The nature of IRT in the 3 trading blocs under study is such that countries with an abundance in labour export labour-intensive primary products. This is the nature of trade between countries like Zimbabwe and South Africa. Zimbabwe mostly exports tobacco and minerals to South Africa which in turn exports manufactured goods to Zimbabwe since it is a highly capitalised economy. In EAC, Kenya is the most capital intensive and imports raw materials to use in its industries mostly from Uganda and Tanzania. Since most of the countries in ESA are labour-intensive, they also tend to export labour intensive raw materials mostly agricultural,

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<sup>22</sup> Levinsohn L. *International Trade Theory –Handbook of International Theory*.; 1995

<sup>23</sup> Suranovic. *International Trade Theory and Policy*. 2012. doi:10.1007/978-3-642-37314-5.

which are similar thus resulting in low levels of IRT despite efforts to improve the levels of trade.

The Heckscher –Ohlin model demonstrates that advantageous trade can occur between countries if the countries differ in resource endowment. This is due to the fact that a country that is capital abundant is well endowed with capital relative to the other country. This gives the country a propensity to produce the capital-intensive good. If the two countries were in autarky, the price of the capital-intensive good in the capital-abundant country would be low due to excess supply relative to the price of the good in the other country. Likewise, in the labour abundant country, the price of the labour-intensive good would be bid down relative to the price of that good in the capital-abundant country.

The theory demonstrates that differences in resource endowments as represented by national abundances are a motivator for international trade. The standard Heckscher-Ohlin theory assumes 2 countries with identical technologies as well as aggregate preferences across countries. It also assumes 2 factors of production, labour and capital whose mix varies across countries. Differences in factor endowment is the difference that exists between the 2 countries.

### 3.2 Why Intra-Regional Trade Is Low in ESA Trading Blocs

Although there have been numerous studies on RI, a few of these studies focus on why IRT is low in specifically ESA in spite of the strategies put in place to promote IRT in that region. This study will be of paramount importance especially as it uses a combination of exporters', clearing agents' and Ministry officials' input. The study comes hard on the heels of the coming into force of the WTO TFA whose measures will play a fundamental role in promoting regional integration. Moreover, it will add to the body of knowledge on regional integration.

Despite the long history of regional integration on the continent, the level of intra-African trade remains low in comparison with other regions. About 10-12% of Africa's trade takes place amongst African states<sup>24</sup>. Intraregional trade in ESA trading blocs has not been very impressive either despite the various regional integration initiatives<sup>25</sup>. Various schools of thought put across various arguments on the reasons for the low levels of intraregional trade in ESA ranging

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<sup>24</sup> Grainger(2008). Customs and Trade Facilitation : From Concepts to Implementation. *World Customs Journal*. 2008;2(1):17-30.

<sup>25</sup> *ibid*

from lack of regional value chains, product complementarity, poor infrastructure, energy challenges to other NTBS.

There are various types of determinants of intra-regional trade. These include economic variables, like complementarities in trade structures and differences in factor endowments, to policy variables such as tariffs and Non-Tariff Barriers<sup>26</sup>. Geographical location, among other factors may also serve as a non-tariff barrier to having access to particular markets. Similar production structures may be conducive to intra-regional trade between high-income countries but can be a hindrance to intra-regional trade for low-income countries<sup>27</sup>.

The AU 2015 attributes low intraregional trade in ESA mostly to the slow or weak implementation of RTAs (*figure 8*) which are meant to rid the continent of tariff and NTBs. For instance, the SADC Free Trade Area that was launched in 2008 is still not having all SADC member states participating in the FTA. Some member states have not lowered their tariffs in line with the required tariff reductions in the FTA due to their reliance on tariffs for economic projects<sup>28</sup>.

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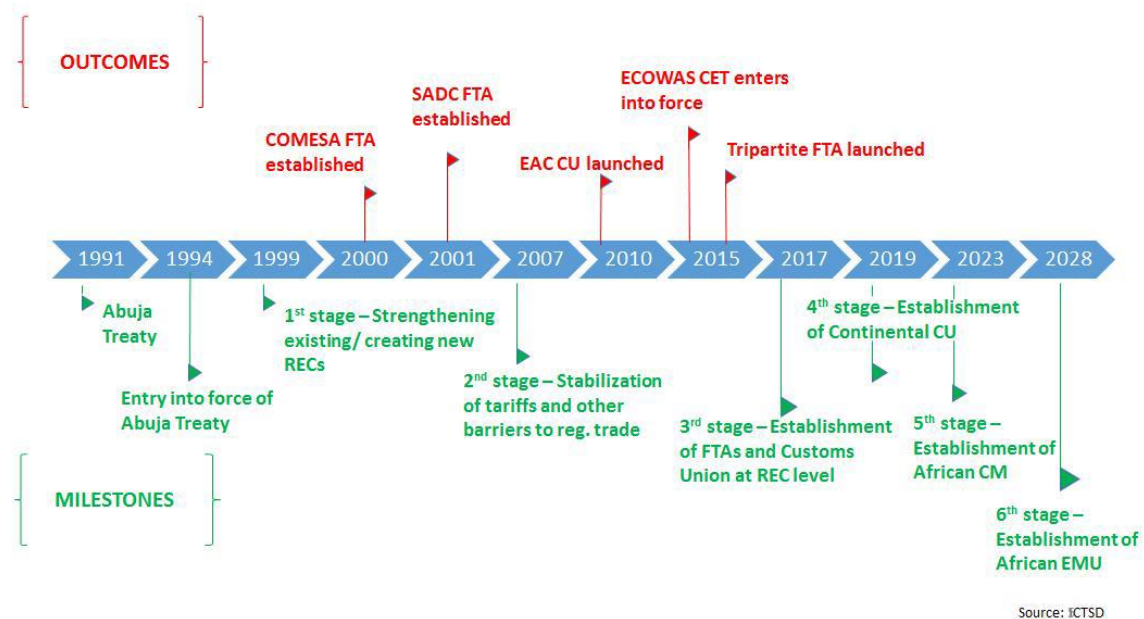
<sup>26</sup> Keane, j;Massimiliano, c;Kennan J. *Impediments to Intra-Regional Trade in Sub-Saharan Africa*.; 2010.

<sup>27</sup> *ibid*

<sup>28</sup> Tanyanyiwa VI(2014). Challenges and Opportunities for Regional Integration in Africa: The Case of SADC. *IOSR Journal of Humanitarian & Social Sciences*. 2014;19(12):103-115. <http://www.iosrjournals.org/iosr-jhss/papers/Vol19-issue12/Version-4/P019124103115.pdf>.



Figure 8: African regional integration process: key milestones



Source: ICTSD

Doing away with national interests and protectionism and as a result acting regionally, is a difficult strategy for African countries to adopt. Many of the agreements are not implemented or are only loosely implemented. Most African governments feel defensive and vulnerable when it comes to trade policy, due partly to structural imbalances and inequitable rules governing agricultural trade. Unilateral trade policy reforms are not widely embraced while regional agreements are often partial and shallow.

The UNDP (2016) argues that lack of value addition and beneficiation in most COMESA, SADC and EAC member states affects intra-regional trade in the regions. This is due to the fact that most of the trade in ESA is in low value primary products like mineral ores, fuel and agricultural produce which are found in most of the member states and whose prices are susceptible to price shocks. Consequently, there is no room to take advantage of comparative advantage associated with the traded products due to lack of product complementarity.

Generally, manufactured products are vital to intra-African trade since most countries are producers of raw products. Manufactured products attract higher prices on the international market compared to primary commodities. The export of capital equipment will enable

manufacturing to take place in ESA and thereby enhance ITR since there will be product complementarity.

Africa in general and ESA in particular is characterised by a plethora of RTAs resulting in multiple and overlapping membership. This leads to different regulations and policy disharmony in the different trading blocs which discourages IRT. Overlapping mandates among the regional trading blocs lead to duplication of activities and in some cases disharmony of policies and standards. Different RTAs often have different transit regulations, local content requirements reflected in rules of origin as well as other regulatory requirements like weighbridges and axle loads. Such differences bring about high compliance costs thus discouraging regional integration efforts.<sup>29</sup>

Although the UNDP (2016) argues that lack of value addition is a cause of low IRT in ESA, Behar et al,<sup>30</sup> argue that high transport costs coupled with inadequate physical infrastructure are a major barrier to trade in most ESA regional blocs<sup>31</sup>. Costs associated with transport are a major determinant of the overall competitiveness of firms. In ESA, all forms of transport are expensive including feeder roads which link farmers to markets<sup>32</sup>. Transport cost in Africa is more than 60% higher than the average in developed countries owing to poor infrastructure. Studies show that high transport costs can isolate markets, lower economies of scale and consequently discourage trade. A study by ADB (2013) revealed that it costs an average of \$100 to \$300 per tonne to move goods along Africa's major trading corridors. Due to the predominantly agrarian economies of ESA where smallholder farmers dominate production, the extent of intra-regional trade depends critically on the transport network.

A background paper by the African Development Bank in collaboration with World Bank (2013) attributes low intraregional trade in ESA to the shortage of electricity which is supposed to play a vital role in manufacturing. Electricity shortages affect industrial production and result in high production costs. ESA's power infrastructure delivers a small fraction of the service

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<sup>29</sup> Mbekeani KK. *Understanding the barriers to regional trade integration in Africa*. 2013

<sup>30</sup> COMESA Summit Bulletin Number 2.; 2016

<sup>31</sup> Barka H. *Border Posts, Checkpoints, and Intra-African Trade: Challenges and Solutions*. 2012

<sup>32</sup> Keane, J;Massimiliano, C;Kennan J. *Impediments to Intra-Regional Trade in Sub-Saharan Africa*.; 2010.

compared to other parts of the developing world. Unreliable power supply results in frequent power cuts which halt production, damage machines and in some cases, lead to the whole batch under production (e.g. plastics) going to waste which drives up operating costs. Use of alternative sources of energy like generators is very expensive as it is 3-5 times more expensive than electricity. In as much as ensuring a reliable supply of electricity is a priority in most ESA countries, addressing the problem requires huge and costly new investments<sup>27</sup>

A desk study combined with in-depth interviews by Tanyanyiwa et al, to study the challenges hindering trade in SADC revealed that the reluctance or lack of private sector participation in trade issues in SADC greatly affects trade<sup>24</sup>. Private sector plays a very insignificant part in SADC negotiations which are normally dominated by senior government officials. When represented, the private sector is usually by Chambers of Commerce which offer inadequate advice. The private sector is a very vital sector of the economy as it contributes a lot in investments and government revenues and as such should be actively involved in trade decisions.

Non-tariff barriers mostly in the form of cumbersome customs procedures, corruption, roadblocks, multiple border agencies and restrictive rules of origin as well as lack of harmony in regional policies further compound the challenges to intraregional trade in ESA and in the process stifle trade facilitation<sup>33</sup>. For example, SADC's restrictive ROO on clothing and textile (double transformation) reduces the ability of countries to benefit from the trade agreement. This leads to low trade as importers prefer buying from suppliers who furnish them with certificates of origin<sup>34</sup>. Barka agrees that customs procedures play a leading role in affecting trade flows. While conducting studies on challenges to intra-African trade, Barka, identified that customs procedures are lengthy in many African border posts<sup>35</sup>. This, the researcher noted was due to the fact that there was little or no use of modern technology to support customs clearance processes at many African border posts.

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<sup>33</sup> Viljoen W. *Non-tariff barriers affecting trade in the COMESA-EAC-SADC Tripartite Free Trade Agreement. Cape to Cairo - An Assess Tripart Free Trade Area.* 2011:189-212.

<sup>34</sup> Keane, J;Massimiliano, C;Kennis J. *Impediments to Intra-Regional Trade in Sub-Saharan Africa.*; 2010.

<sup>35</sup> Barka H. *Border Posts, Checkpoints, and Intra-African Trade: Challenges and Solutions.* 2012.

An analysis by Jodie Keane et al, on the effects of NTMs on intraregional trade in SADC using Botswana, Namibia, South Africa and Swaziland as a sample and making use of UNCTAD TRAINS database, affirms that trade-related administrative NTBs divert imports from the region to non-regional partners<sup>36</sup>. The analysis revealed that introducing one or more NTMs in a particular sector stifles imports from other SADC countries to the benefit of non-SADC members in that sector. As a result, intraregional trade in SADC is affected.

Trudi Hartzenberg attributes low intraregional trade in ESA to focus being directed on border measures whilst neglecting behind the border issues like investment and services (deeper integration)<sup>37</sup>. Trade facilitation measures are in most ESA countries directed mostly at efficient border management in the form of OSBPs while issues like creating a conducive atmosphere for investment are neglected. Intra- regional trade thus requires complementarity of on the border and behind the border measures.

#### **4. RESEARCH METHODOLOGY**

Regional integration plays a crucial role in trade creation, creating demand and ultimately economic development, thus it was of paramount importance to investigate the levels of IRT in ESA.

In order to investigate why levels of IRT remain low in ESA despite concerted efforts to promote regional integration and to proffer solutions on what can be done to improve IRT in ESA, both primary and secondary data were used. The researcher gathered data through interviewing Ministry of Trade and Investment Promotion officials in Zimbabwe, exporters registered to trade under SADC and COMESA trade protocols as well as Shipping and Forwarding Agents of Zimbabwe (SFAAZ) members. This was meant to get a firsthand appreciation of the hassles that Zimbabwean exporters and importers go through in order to export or import their goods to and from other SADC and COMESA member states and solicit their views on what can be done to improve the situation. To complement the primary data, the researcher also interrogated trade databases like the UNCTAD Statistics and WB Development

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<sup>36</sup> Above n

<sup>37</sup> Hartzenberg T. *Regional Integration in Africa. Staff Work Pap.* 2011;(October):1-26.  
doi:10.2139/ssrn.1941742.

Indicators as well as reviewing of existing literature on the subject. In order to get a balanced research, both primary and secondary data were used.

## 5. FINDINGS

### 5.1 Herfindahl Hirschman Index of diversification

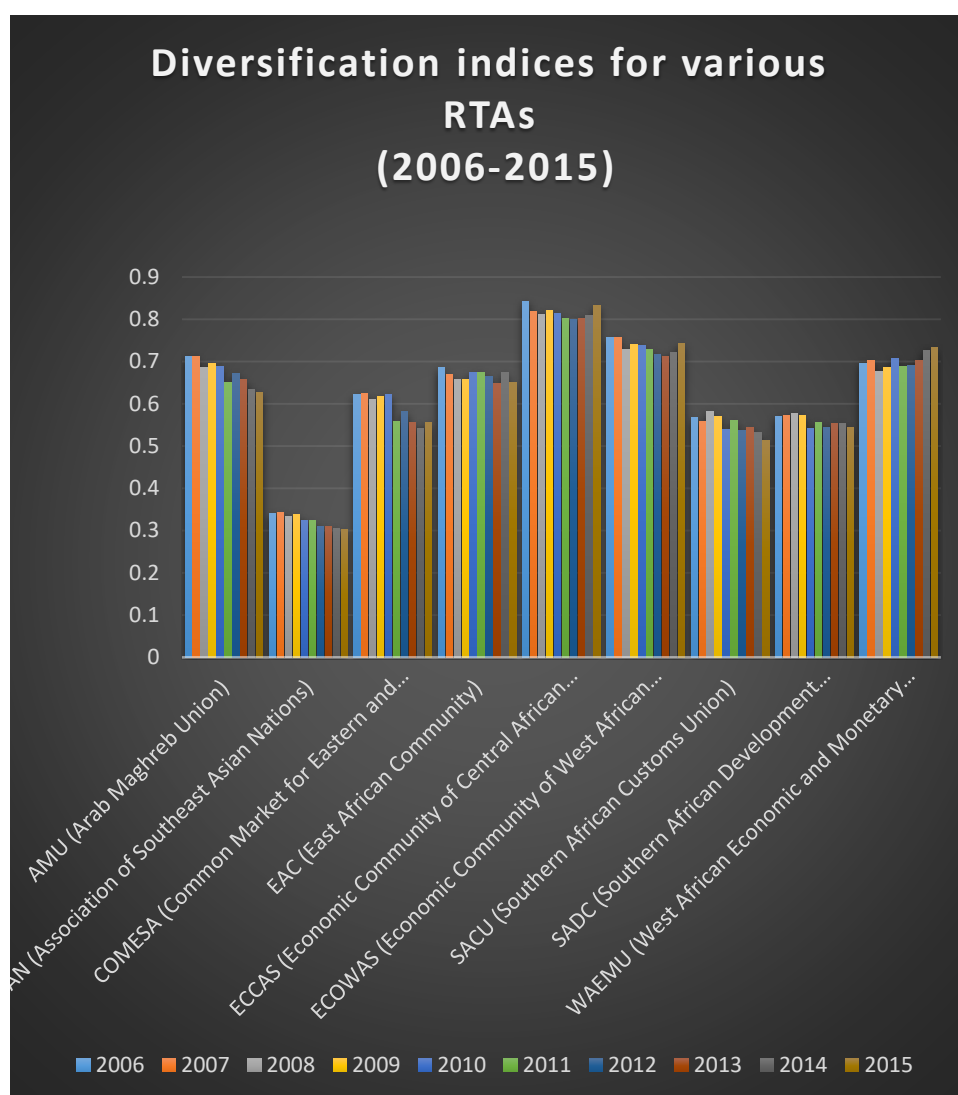
The Herfindahl Hirschman Index is a measure of how diversified a country's export basket is. An index closer to 0 indicates that the country's exports are diversified while an index closer to 1 indicates that the country's exports are concentrated, that is a few products dominate the country's export basket.

Table 1: Diversification Indices for various RTAs

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
AMU (Arab Maghreb Union)	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6
ASEAN (Association of Southeast Asian Nations)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
COMESA (Common Market for Eastern and Southern Africa)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6
EAC (East African Community)	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7

ECCAS (Economic Community of Central African States)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
ECOWAS (Economic Community of West African States)	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
SACU (Southern African Customs Union)	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
SADC (Southern African Development Community)	0.6	0.6	0.6	0.6	0.5	0.6	0.5	0.6	0.6	0.6
WAEMU (West African Economic & Monetary Union)	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7

Source: UNCTADStat 2016



Source: Author's derivation from UNCTADStat 2016

From the diversification indices analysis of the RECs (*figure 9*), it can be concluded that the 3 blocs under study are less diversified as all of them are above 0.5. SADC is the most diversified of the ESA blocs which also proves why it performs better than EAC and COMESA. COMESA is more diversified than EAC. The Association of South East Asian Nations (ASEAN) was used as a benchmark since it is one of the best performing RECs in terms of IRT in the world. ASEAN exports are much diversified as the HI is closer to 0 than to 1. From the analysis, one can conclude that export diversification is fundamental for IRT.

## 5.2 Local exporters, SFAAZ and Ministry of Trade and Investment Promotion

According to exporters interviewed in Zimbabwe, the process of getting registered for SADC or COMESA is lengthy and bureaucratic. It involves submission of the following documents

or information to the customs administration, the Zimbabwe Revenue Authority before an inspection is conducted and registration of the exporter is done:

- a. A formal application letter (on company letterhead/logo) to be registered under the agreement.
- b. A certified copy of the certificate of incorporation.
- c. A valid tax clearance certificate.
- d. List of contact persons together with their cell numbers and physical addresses.
- e. A list of products intended for export (tariff headings optional)
- f. List of raw materials used and where they are sourced from (tariff headings optional).
- g. A detailed step by step description of the manufacturing process for each product.
- h. A sketch plan of your factory showing machinery layout.
- i. A certified copy of title deeds or lease agreements for the premises together with any copies of utility bills incurred in the last 3 months.
- j. A factual cost analysis of the products you intend exporting as well as calculation of local or import content.
- k. List of employees involved in the manufacture of the product(s)
- l. Wage sheets for the employees
- m. Job descriptions for the employees
- n. Proof of overheads e.g. rent bills, electricity bills, etc.
- o. Any other documents that may be required

After submission of the above documentation to ZIMRA, an inspection is then carried out to verify whether the manufacturing being carried out by the potential exporter is acceptable under SADC or COMESA Trade Protocols. The inspection of manufacturing process is carried out by one office whilst registration is carried out by another office, thereby increasing red tape.

However, for trade agreements with non-African countries like the Generalised Scheme of Preferences (GSP) and EURO, there is no need for registration and inspection by Customs. An exporter just completes the EURO 1 or GSP certificate, presents it to customs for authentication and verification of the origin of the goods and off they export. This makes trade with non-African countries to be more than with African countries. This is consistent with what Trudi Hartzenberg (2015) observation that more than 80 percent of Africa's exports are still destined



for outside markets like the European Union (EU), the United States and China. Subsequently, Africa imports more than 90 percent of its goods from outside the continent.

SADC and COMESA registrations only cater for registered companies meaning that unregistered SMEs are not able to export to SADC and COMESA. They would rather export to EU and other international countries where no strict rules apply.

Due to the emergence of China as a global economic powerhouse, there is not much manufacturing taking place in SADC and COMESA. Exporters cite that it is cheaper to import ready-made goods like clothing from China instead of manufacturing locally citing expensive overhead costs.

Exporters also cited that rules of origin are stricter for manufactured products than for wholly produced goods like agricultural produce and minerals. For example, in order to be registered to export refrigerators (HS code 8418 under SADC, the value of imported components should not exceed 50% of the ex-works value of the final product. However, to be registered as a minerals exporter, the mineral should be wholly produced in Zimbabwe. This is the end results in exporters being able to export primary goods which are also produced by the other member states, making trading with the international market more sensible than with the regional market.

Lack of industrial capacity for diversified manufactured goods, high transport charges, poor rail and road linkages, too many regulations, too many roadblocks and bribes by the police, cumbersome customs procedures were also cited as barriers to IRT. According to a recent Freight Forwarders meeting in Tanzania in August 2017, freight forwarders bemoaned police roadblocks and bribes as well as exorbitant transit charges at Beitbridge as a barrier to goods transiting through Zimbabwe. One exporter cited that it takes them 53 days to export paint to Uganda from Zimbabwe by ship. The shipment is consigned through Beira, Dubai then Dar es Salaam and later on transported by road to Uganda.

Table 2: Road freight rates for various SADC destinations

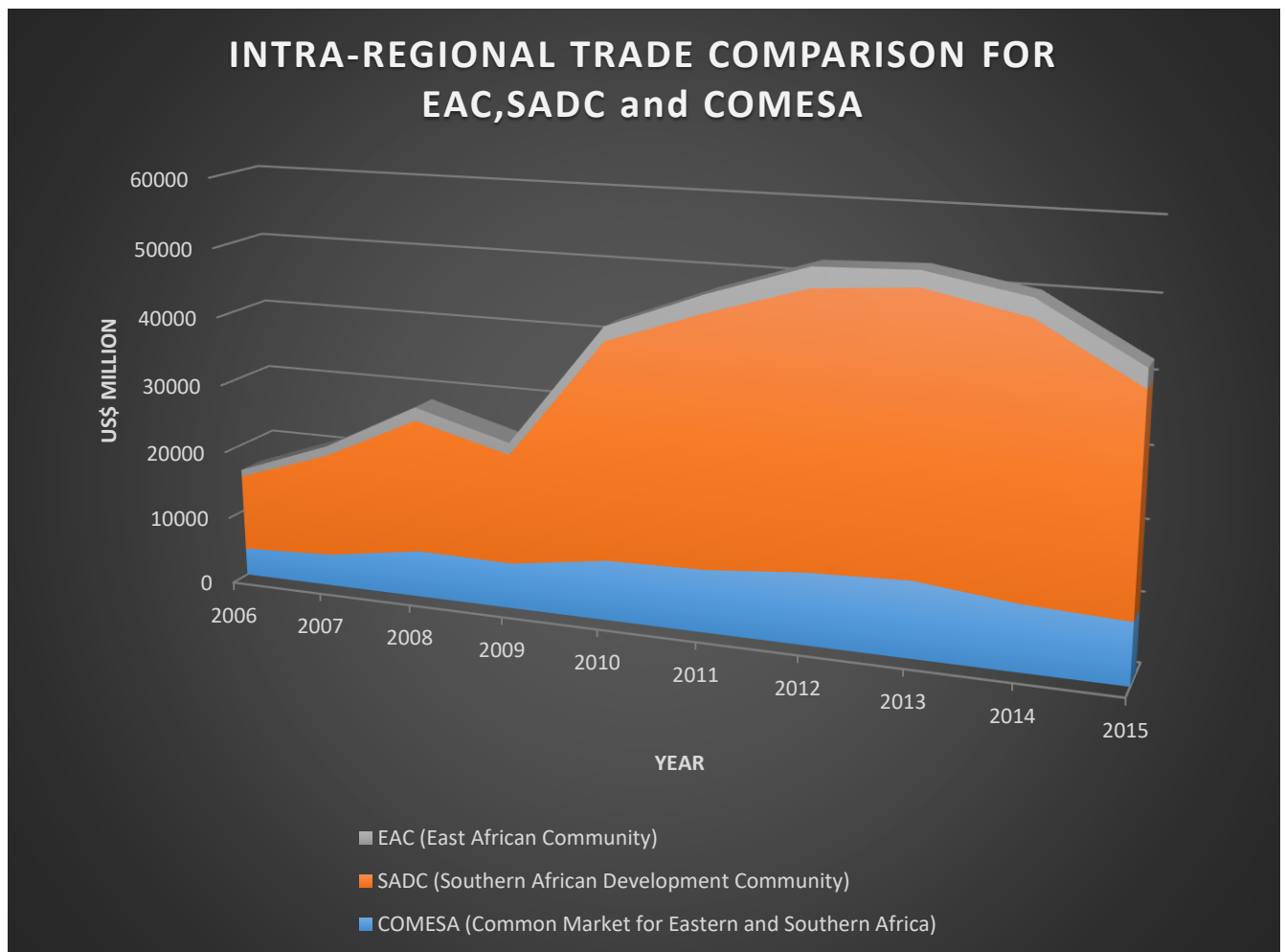
<b>DESTINATION</b>	<b>COST(USD) PER TONNE</b>
Durban	70
Johannesburg	50
Gaborone	70
Lubumbashi	100
Lusaka	60
Copperbelt	75
Blantyre	60
Lilongwe	75
Beira	35
Maputo	85

SOURCE: Compiled from information provided by several truckers

The rates shown in Table 2 are based on cargo moving in loads of 30 tonnes. The transport charges depend on distance from origin to destination, availability of back or return loads and the level of trade between the 2 countries. Where backloads are available, the rate per running kilometre is reduced. The less the level of trade, the higher the trucking charges.

### 5.3 UNCTADStat and WB

Figure 11: A comparative analysis of intra-regional trade in SADC, COMESA and EAC

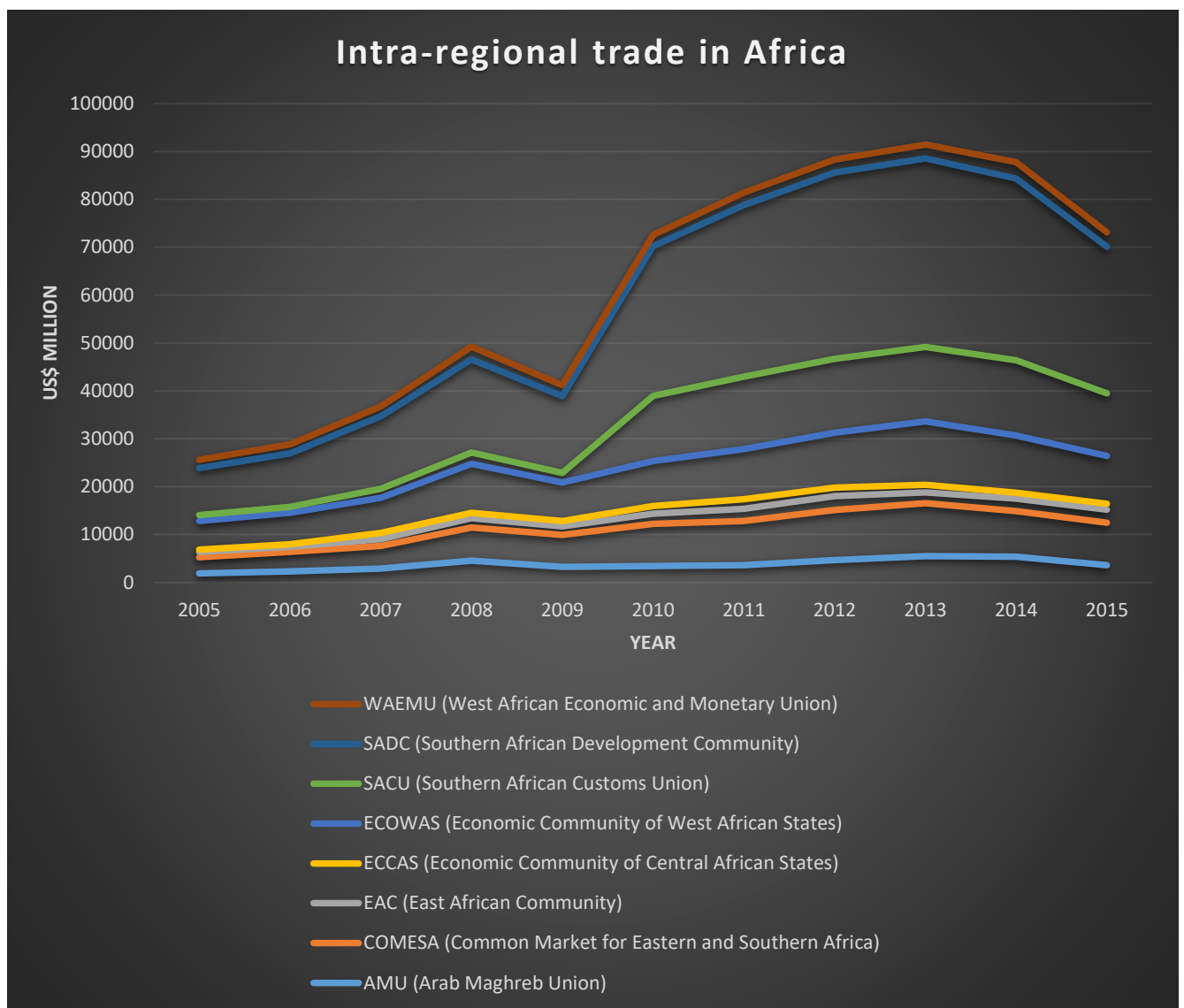


Source: Author's derivation from UNCTADStat 2016

Of the 3 trading blocs in ESA, SADC performs the best, followed by COMESA then EAC (*Figure 11*). Although intraregional trade in ESA is mostly made up of primary products, SADC's economies are more diversified resulting in more demand for the region's products unlike in COMESA and EAC where product complementarity is low.

On a continental platform, the ESA trading blocs, especially COMESA and EAC, do not perform well compared to other trading blocs (*Figure 12*)

Figure 12: An analysis of intra-regional trade in Africa



Source: Author's derivation from UNCTADStat 2016

## 5.4 The World Bank Logistics Performance Index (LPI)

5.4.1 Table 3: *LPI for COMESA*

COUNTRY	LPI RANKING	2016 SCORE	CUSTOMS	INFRASTRUCTURE	INTERNATIONAL SHIPMENTS	LOGISTICS COMPETITIVENESS
Libya	137	2.26	1.88	2.04	2.4	2.5
Egypt	49	3.18	2.75	3.07	3.27	3.2
Sudan	103	2.53	2.23	2.2	2.57	2.36
Eritrea	144	2.17	2.01	2.06	2.16	2.25
Djibouti	134	2.32	2.37	2.3	2.48	1.96
Ethiopia	126	2.38	2.6	2.12	2.56	2.37
Kenya	42	3.33	3.17	3.21	3.24	3.24
Burundi	107	2.51	2.02	1.98	2.42	2.46
Comoros	98	2.58	2.63	2.36	2.58	2.6
Madagascar	147	2.15	2.33	2.12	2.17	1.93
Uganda	58	3.04	2.97	2.74	2.88	2.93
Rwanda	62	2.99	2.93	2.62	3.05	2.87
DRC	127	2.38	2.22	2.01	2.33	2.33
Zambia	114	2.43	2.25	2.26	2.51	2.42
Zimbabwe	151	2.08	2	2.21	2.08	2.13

5.4.2 Table 4: *LPI for SADC*

COUNTRY	LPI RANKING	2016 SCORE	CUSTOMS	INFRASTRUCTURE	INTERNATIONAL SHIPMENTS	LOGISTICS COMPETITIVENESS	TRACKING AND TRACING	TIMELINESS
Angola	139	2.24	1.8	2.13	2.37	2.31	2.21	2.59
Botswana	57	3.05	3.05	2.96	2.91	2.74	2.89	3.72
Mozambique	84	2.68	2.49	2.24	3.06	2.44	2.75	3.04
Lesotho	154	2.03	1.91	1.96	1.84	2.16	1.92	2.35
Tanzania	61	2.99	2.78	2.81	2.98	2.6992	2.98	3.44
Zambia	114	2.43	2.25	2.26	2.51	2.42	2.36	2.74
Zimbabwe	151	2.08	2	2.21	2.08	2.13	1.95	2.13

South Africa	20	3.78	3.6	3.78	3.62	3.75	3.92	4.02
Namibia	79	2.74	2.65	2.76	2.69	2.63	2.52	3.19
DRC	127	2.38	2.22	2.01	2.33	2.33	2.37	2.94

5.4.3 Table 5: *LPI for EAC*

COUNTRY	LPI RANKING	2016 SCORE	CUSTOMS	INFRASTRUCTURE	INTERNATIONAL SHIPMENTS	LOGISTICS COMPETENCE
Uganda	58	3.04	2.97	2.74	2.88	2.93
Kenya	42	3.33	3.17	3.21	3.24	3.24
Rwanda	62	2.99	2.93	2.62	3.05	2.87
Burundi	107	2.51	2.02	1.98	2.42	2.46
Tanzania	61	2.99	2.78	2.81	2.98	2.92

The World Bank Logistics Performance Index (LPI) was used in this study to assess whether trade logistics affect intra-regional trade in ESA. The 2016 LPI for the different countries in the SADC, COMESA and EAC were analysed. The LPI is a benchmarking tool created to assist countries in assessing their trade logistics performance and ways to improve the performance if need be. The LPI is the weighted average of country scores on the following dimensions: efficiency of clearance processes by border authorities including customs, quality of trade and transport related infrastructure, ease of arranging competitively priced shipments, competence and quality of logistics services, ability to track and trace shipments and timeliness of shipments in reaching destination within the expected delivery time. The LPI ranges from 1 to 5, with 1 being the worst and 5, the best. The 2016 LPI allowed for comparisons across 160 countries.

From the SADC LPI analysis, most member states' averages are below 3. South Africa was the best SADC performer in 2016 with an average of 3.78 whilst Lesotho was the worst with 2.03. In COMESA, Kenya was the best performer (3.33) whilst Zimbabwe was the worst (2.08). In EAC, Kenya was the best with 3.33 whilst Burundi was the worst with 2.51. A comparative analysis of the RECs LPIs indicate that EAC is the best with an average of 2.97, followed by SADC with 2.64 and COMESA with 2.55. The low LPIs for the three RECS are related to the low levels of IRT in the region.

## 6. RECOMENDATIONS AND CONCLUSIONS

### 6.1 Addressing the Low Levels of Intraregional Trade in ESA: Recommendations

Urgent practical interventions are required to deal with the various barriers to regional trade integration in Africa thus in the process facilitating the smooth flow of goods and services<sup>38</sup>.

- In addition to infrastructure development, ESA member states need to seriously act to implement regulatory reforms and to integrate the services market in order to address non-tariff barriers.
- Political will and implementation are the major interventions which do not even require huge investments or finances. Other measures will however need further financial and technical support.
- To enhance value addition and produce complementary products, there is need for SADC, COMESA and EAC countries to engage in Regional value chains whereby each country specialises in the manufacture of components that they can do competitively. For example, in EAC, Tanzania can specialise in production of sugar, refining it and exporting to Kenya for production of chocolates. Uganda can grow coffee then export it for further processing into chocolates since Kenya is the industrial hub of the bloc. In SADC, countries should take advantage of South Africa as the industrial hub for manufacturing and processing of minerals. Countries should take advantage of their comparative advantage as propounded by the Hecksher Ohlin model.
- In order to address the low levels of intraregional trade in ESA, governments need to complement infrastructure investments with trade facilitation measures. There is need for ESA to adopt trade facilitation measures as stipulated in the WTO TFA. This will lead to harmonisation, simplification and standardisation of trade processes and procedures. The WB Ease of Doing Business, Trading Across Borders indicators as well as LPI for ESA are poor and can be improved by ensuring that trade laws and procedures are published which results in transparency and predictability which is vital for planning.
- There is also need for countries to reduce border delays through automation processes and reducing bureaucracy which breeds corruption and other rent-seeking behaviour. Most borders are characterised by a multiplicity of agencies each playing their own role

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<sup>38</sup> Mbekeani KK. *Intra-Regional Trade in Southern Africa : Structure , Performance and Challenges*. 2013;(2)

which may be duplicated by another agency, thus border agency cooperation and the introduction of Single Window may result in quicker clearance and movement of goods in the RTAs.

- The use of risk management techniques, pre-arrival processing, post clearance audits, advance rulings, authorised economic operators, as well as simplified and standardised transit procedures will make IRT smooth and thus increase trade flows.
- Good and reliable transport infrastructure is the backbone of trade and thus IRT cannot happen without good transport linkages. Thus, there is need for improvement of transport infrastructure especially roads, railway and port facilities. These however require a huge financial investment and call for public private partnerships
- For RTAs to be effective, there's need to have services liberalization to keep pace with trade liberalization<sup>27</sup>.
- Bottlenecks are created by regulatory and administrative failures which prevent infrastructure assets from intended service delivery. Therefore, there's need for regulatory harmonization to be implemented together with physical integration. As long as administrative procedures and regulatory frameworks are not harmonized to allow the free flow of services across national boundaries, physical integration of infrastructure networks will not be effective<sup>39</sup>. There is no point in opening borders to trade in goods when the same goods cannot be moved from one country to another or when traders do not have the means to effectively communicate.
- Existing rules of origin in the 3 ESA trading blocs are too restrictive thus improving market access is critical to encourage greater intra-industry trade within Africa and attract more foreign direct investment. Reforms are needed to hasten the process of registering exporters for trade protocols and do away with a lot of documentation, simplify rules of origin and mutually recognize and harmonize standards.
- There is need for regional blocs to pool their resources and harmonise their objectives and activities in order to achieve their targets.
- In as much as most ESA countries have rich mineral deposits as well as good climatic conditions favouring agriculture, there is need for the member states to diversify their export baskets to improve IRT. Mutual and beneficial trade only takes place when countries produce complementing products.

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<sup>39</sup> *ibid*



## 6.2 Conclusion

Despite various initiatives to promote intra-regional trade in ESA, the levels still remain low compared to other regional blocs. Poor infrastructure, cumbersome customs procedures, high transport costs, lack of regional value chains and lack of product complementarity are some factors that hinder trade within ESA. There is thus need to complement infrastructure investments with trade facilitation measures in order to address the low levels of intraregional trade in ESA. Above, there is need for political will and prioritization of implementation of the regional integration agenda.

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