

AFRICAN TRADING BLOCS AND ECONOMIC GROWTH: A CRITICAL REVIEW OF THE LITERATURE

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ABSTRACT: *There is general consensus among scholars, policy makers, and political leaders that the best way for African countries to develop is through regional trade. Regional integration and trading blocs have been suggested as ways that African nations can use to achieve sustained development and increase their participation in the global economy. Therefore, there is a need to evaluate the interrelationship between African trading blocs and economic growth of the African continent. This paper analyzes this link using theoretical and empirical literature reviews. The key findings are that intra-Africa trade is still low, despite the existence of numerous trading blocs, and that few of these contribute to regional trade creation. Poverty rates are still high and GDP does not seem to be positively influenced by the trading blocs. Many social, economic, and political challenges also weaken African trading blocs and their ability to promote integration and trade. Addressing these hindrances would strengthen the continent's trading blocs and enhance their positive impact on intra-African trade and economic growth.*

KEYWORDS: African Trading Blocs, Economic Growth, Regional Integration, International Trade

INTRODUCTION

The renewed interest in regional economic cooperation in Africa has prompted African countries to form trading blocs or economic communities to cooperate in eliminating barriers to engagement, and the flow of products, services, capital, and people. They also wish to reduce the continent's dependence on industrialized economies for a greater part of their international trade. Prior to the explorations of Africa by European merchants in the 15th century, the continent's traders and rulers had established trade links with the Indian Ocean region, western Asia, and the Mediterranean world. Internally, there were local exchanges among African communities themselves. In pre-colonial Africa, local manufacturers already made items of comparable quality to goods from pre-industrial Europe (Collins & Burns 2014).

Therefore, European merchants who started trading along Africa's Atlantic coast found a long-established trading population controlled by experienced local rulers. They rapidly built ties with the indigenous leaders and set up fortified warehouses in coastal areas to store goods. Some merchants from communities like the Portuguese settled near African rivers and coasts where they served as middlemen between African and European traders. Africans benefited from finished goods like cloth, copper, iron, jewelry, and mechanical toys while Europeans obtained textiles, gum, ivory, spices, and carvings. Importantly, they acquired African slaves to provide inexpensive and ready labor for their plantations back home, giving rise to the Transatlantic Slave Trade (Collins & Burns 2014).

Consequently, African economies and trade were structured with the aim of serving as suppliers of cheap labor and non-value-added raw materials to the colonial economies and as markets for manufactured and value-added products. As such, trade benefited the metropolitan nations while marginalizing and impoverishing African nations. Moreover, African economies were fully integrated into the colonial ones, resulting in a one-sided dependency that has largely remained to date. Current African trade patterns reinforce the continent's reliance on the economies of developed markets, primarily the ex-colonial powers (Gekonge 2014). Africa mainly trades with America and Europe and minimally (10-12%) within itself. Most of the trade occurs informally across poorly managed borders. Consequently, it is omitted in the formal trade flows captured by customs authorities (Tafirenyika 2014). The case is different in other continents. For instance, intra-Europe trade is 60% and the same goes for Asia. Intra-North America trade is 40% (The Economist 2013).

African Trading Blocs

There are several regional trading blocs in Africa. Their goal is to realize increased regional integration through customs and monetary unions, free trade areas, and common regulatory and legal frameworks. The main blocs are the Economic Organization of West African States (ECOWAS), Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), and Community of Sahel-Saharan States - CEN-SAD. ECOWAS is composed of western African nations while COMESA encompasses central and eastern African states. SADC brings together southern African countries while CEN-SAD is composed of northern, central, and western African states. Memberships are not exclusive as some states are members of more than one regional trading bloc. For instance, eight nations are members of both COMESA and SADC, and all except one of ECOWAS partner states are members of CEN-SAD. Eight countries are members of both CEN-SAD and COMESA. Other regional trading blocs are the East African Community (EAC), comprising five eastern and central African states, Economic Community of Central African States (ECCAS), with 10 western and central African states, Intergovernmental Authority on Development (IGAD) which has eight eastern African states, and Arab Maghreb Union which is composed of five northern African countries. Four African states are members of the Organization of Petroleum Exporting Countries (OPEC). They include Angola, Algeria, Libya, and Nigeria (The National Law Review 2014).

Some trading blocs have established free trade areas. EAC members (Kenya, Burundi, Rwanda, Uganda, and Tanzania) have a common market for labor, capital, and goods, but they lack a monetary union. Other free trade areas are contained within broad trading blocs. Some SADC partner states (Lesotho, Botswana, South Africa, Swaziland, and Namibia) have formed a customs union, the Southern African Customs Union (SACU), which allows them to trade freely among themselves. All SACU members except Botswana belong to a monetary union. In central and west Africa, some ECOWAS partner nations – Benin, Guinea-Bissau, Burkina Faso, Ivory Coast, Senegal, Mali, Togo, and Niger - have formed a customs union, the West African Economic and Monetary Union (WAEMU). The Central African Economic and Monetary Community (CEMAC) is a customs union formed by some ECCAS members – Chad, Gabon, the Republic of Congo, Equatorial Guinea, and Cameroon (The National Law Review 2014). In his 15th June, 2015 Facebook update, the President of Kenya, H.E. Uhuru Kenyatta noted that he had participated in discussions regarding the proposed launch of the Continental Free Trade Area (CFTA) which would unite three African trading blocs – SADC, COMESA, and the EAC. He added that the CFTA would strengthen the

current tariff liberalization efforts of Regional Economic Communities (RECs). According to the president, the CFTA would also enhance intra-African trade by establishing a 625-million market with a GDP of over \$1trillion and boost economies of scale and competition for African industries, resulting in poverty reduction, increased employment, economic growth, sustainable development, security, peace, self-reliance, and prosperity (Kenyatta 2015). The CFTA is poised to eliminate the continent's overlapping trade zone memberships and bolster intra-Africa trade which is critical to the region's economic prosperity. There are plans to expand the newly formed bloc further to encompass West Africa (Reuters 2015).

Trade Policies in Africa

Regional trade liberalization initiatives in Africa are characterized by key policy changes such as, the elimination of tariff and non-tariff barriers to intra-region trade and procedural barriers to free trade, and avoidance of import bans and levies and export tax and prohibitions. For instance, COMESA, SADC, and EAC have adopted a single program on the elimination of non-tariff barriers while ECOWAS has established National Committees to this end. It consists of a web-based system that member states can use to report NTBs and follow up on the elimination processes. The other trading blocs, however, are yet to set up mechanisms of doing away with NTBs. EAC member states use the Revenue Authorities Digital Data Exchange System (RADDEX) to exchange customs information, especially export and import data. Similarly, ECOWAS runs a Customs Connectivity program whose aim is to link customs software and facilitate the sharing of data on the movement of goods in the region. With reference to the simplification of customs procedures to enhance cross-border trade smoothly and cheaply, COMESA has established the Simplified Trade Regime (STR) to draw small informal traders into the formal trading system and allow them to enjoy the benefits of free trade while enabling authorities to capture the needed statistics of this group. For trade facilitation, most trading blocs – COMESA, EAC, ECOWAS, SADC, and ECCAS - have implemented One Stop Border Posts (OSBPs) whose aim is to reduce delays at cross-border points which are brought about by poor facilities and traffic flow, and manual, lengthy, and non-integrated processes. In this way, OSBPs facilitate the rapid movement of people and goods. Other trading blocs like COMESA have gone further to create a Regional Procurement market (African Union Commission 2013). However, few African trading blocs have developed competition policies to promote fair competition and transparency in the economic sector and increase regional trade and investment in the region. COMESA, for example, has implemented a regional competition policy termed the COMESA Competition Regulations. The EAC enforces the EAC Competition Policy and Law while ECOWAS is working on setting up its Regional Competition Authority (African Union Commission 2013).

Problem Statement

African countries are performing poorly regardless of their strong commitment to regional trade and economic growth. Many African trading blocs are struggling with high and increasing poverty levels among their member countries. This is despite being in trading blocs aimed at improving economies and lifting the people from poverty. Poverty levels are high in COMESA; Poverty rates in the 2003-2012 period ranged from 0.3% in the Seychelles to 87% in the Democratic Republic of Congo. In some countries like Kenya, Zambia and Madagascar, the poverty rate increased during this period (figure 1) (World Bank 2014).

Poverty levels remain high in CEN-SAD. Poverty rates in the 2003-2012 period ranged from 1.2% in Tunisia and 83% in Liberia. In some countries like Cote D'Ivoire, Kenya, and Nigeria, the poverty rate increased during this period (figure 2) (World Bank 2014). Poverty rates are also high in the EAC: In the 2003-2012 period, they ranged from 40% in Kenya to 81% in Burundi. Only Kenya experienced an increase in the poverty rate during this period (figure 3) (World Bank 2014).

Poverty rates are still high in ECOWAS. In the 2003-2012 period, the rates ranged from 10% in Gambia to 83% in Liberia. Cote d'Ivoire, Guinea-Bissau, and Nigeria experienced an increase in the poverty rate during this period (figure 4) (World Bank 2014). Poverty rates remain high in SADC. Between 2003 and 2012, they ranged from 0.3% in Seychelles to 87.7% in the Democratic Republic of Congo. The countries that experienced an increase in their poverty rate were Zambia and Madagascar (figure 5) (World Bank 2014). Apart from the challenge of poverty, economic growth in African RECs differs greatly from country to country as evidenced by GDP differences. The GDP of SADC is US\$ 648 billion. South Africa remains the economic heavyweight with a 67.9% share of SADC's total GDP, whereas the proportions of Swaziland, Lesotho, and Seychelles are extremely low at 0.7%, 0.4%, and 0.3%, respectively (figure 6) (World Bank 2014).

The richest African REC is CEN-SAD with a GDP of US\$ 974 billion. Nigeria accounts for the largest proportion of CEN-SAD's GDP, whereas Sao Tome and Principe, Comoros, Guinea-Bissau, Gambia, and Djibouti make up the smallest share (figure 7) (World Bank 2014).

Total GDP of COMESA is US\$ 588 billion (average GDP per capita is US\$ 690). Egypt makes up the largest share (37.18%) of COMESA's GDP while Seychelles accounts for the smallest share (0.37%) (Figure 8) (World Bank 2014).

In the EAC, the GDP (current prices) is US\$ 147.5 billion, whereas the average GDP per capita is US\$1,014 (EAC 2015). Kenya makes up the largest share (39.29%) of the EAC's GDP, whereas Burundi has the smallest proportion (2.35%) (Figure 9) (World Bank 2014). The GDP of ECOWAS is US\$ 396 billion (average GDP per capita ranges from US\$ 800 in Niger to US\$ 4,400 in Cape Verde (InAfrica24, 2015)). Nigeria accounts for more than half of ECOWAS GDP while Guinea-Bissau, Gambia, Sierra Leone, and Liberia make up for the tiniest share (figure 10) (World Bank, 2014). The reasons for GDP differences among member countries of each trading bloc vary. They encompass diverse factor endowment, different geographical land sizes, variations in population sizes, connections to international trading routes (some countries are landlocked, whereas others are not), differences in the enabling business environment and corresponding government policies.

Poverty levels in the member countries of African trading blocs remain quite high. Thus, they reflect insufficient progress of these RECs toward meeting the MDG target of reducing poverty levels of the 1990s by half by 2015 and their ineffectiveness at enhancing the socioeconomic development of their partners states (ReSAKSS, 2013). This study sought to find out the reasons why the African trading blocs are not effective in promoting intra-regional trade and economic growth.

THEORETICAL LITERATURE REVIEW

The rationale of economic integration and regional trade ensues from the application of classical and contemporary international trade theories to regional trade. These theories try to explain why trade takes place and how it can benefit the parties involved in a trading exchange or trade agreement. The major classical international trade theories are mercantilism, absolute advantage, comparative advantage, and factor proportions or Heckscher-Ohlin theory while contemporary ones are the international product cycle theory, new trade theory, and National Competitive Advantage theory.

Classical International Trade Theories

Mercantilism posits that a country's prosperity ensues from a positive balance of trade which is attained by encouraging exportation while discouraging importation (Cavusgil et. al. 2015). It argues that a nation's wealth is measured by the wealth it has accumulated in the form of gold rather than its citizens' well-being, high living standards, and improved human development. Mercantilism's building blocks include trade policies that support trade surpluses by promoting exports paid for in gold and restricting imports, government intervention in trade to ensure that countries comply with trade policies, colonization to acquire cheap labor and raw materials, and creation of markets for high-value manufactured goods which are exported to the colonies. These practices are some of the main contributors to Africa's poor economic development and political and social instability because over the years, mercantilist nations and former colonizers of the continent have paid African countries little for their raw material exports but charged them exorbitantly for their manufactured imports (Gekonge, 2014).

Adam Smith's absolute advantage theory refers to a nation's ability to generate goods more effectively and efficiently than other countries and trade them for similarly produced goods by other nations. As such, a nation benefits by generating and exporting only those goods that it can produce using fewer resources than another country and importing those that it lacks an absolute advantage in producing (Cavusgil et. al. 2015). For example, West African nations can be said to have an absolute advantage in cocoa because they can produce it more cheaply than India. As a result, trade should not be banned or restricted by quotas and tariffs but permitted to flow in line with market forces (Gekonge, 2014).

David Ricardo's comparative advantage theory suggests that it is profitable for two nations to trade without barriers if one of them is more efficient at manufacturing goods or providing services required by the other (Cavusgil et. al. 2015). According to this theory, a nation has comparative advantage when it is incapable of producing one good more efficiently than other countries but production is more efficient for that particular item than for other goods. This means that trade remains beneficial even when one nation is less efficient in the generation of two goods provided that it is efficient in producing either of them (Gekonge, 2014). EAC members, for example, have a comparative advantage in coffee which is a key contributor to their economies, especially Kenya and Uganda (Ndayitwayeko et. al. 2014). South Africa has a comparative advantage in machinery, equipment, forestry products, and chemicals (Cavusgil et. al. 2015).

Unlike earlier trade theories, Eli Heckscher and Bertil Ohlin's theory emphasizes the importance of the factors of production of each nation. It states that, in addition to differences in production efficiency, variations in the quantity of production factors held by nations also

influence global trade patterns (Cavusgil et. al. 2015). According to this theory, products vary in the amounts and types of factors required for their production, and countries differ in the kind and quantity of production factors that they possess (Cavusgil et. al. 2015). As such, a nation should produce and export goods and services that use factors of production – land, labor, capital, and technology - that can be found in plenty and import those that use resources that are scarce (Gekonge 2014). For example, since South Africa is relatively capital abundant, its export strengths have traditionally been in highly capital-intensive sectors.

Contemporary International Trade Theories

Raymond Vernon's International Product Cycle theory explains international trade from the viewpoint of the evolutionary process that takes place in product development and diffusion around the world. It posits that technical innovations tend to originate from developed nations that possess plenty of capital and research and development (R & D) capabilities. Each product and manufacturing technology passes through three evolutionary stages: introduction, growth, and maturity. In the introduction phase, the new product is produced locally and enjoys some monopoly. In the growth stage, the product's creators mass-produce the item and begin exporting it to external markets (Gekonge 2014). In the maturity phase, foreign companies begin manufacturing the standardized product, resulting in the innovating country losing its initial competitive advantage (Cavusgil et. al. 2015). The maturity phase marks the standardized product or mature-decline stage in which production may be relocated to developing nations, with goods being shipped to the home nation and other markets (Kaynak 2014). For instance, Chinese authorities in the province of Hebei have begun relocating some of the steel, glass, and cement production activities to Africa. The nation's largest steel and iron producer, Hebei Iron & Steel, is building a plant in South Africa and intends to commence operations in 2017 after shutting its mills in Hebei (Roberts 2014).

Paul Krugman's New Trade theory maintains that network effects and economies of scale, with the relevant market structures in major industries determine international trade patterns. Two nations may not have any opportunity cost differences but if one of them specializes in a given industry, it may gain network benefits and economies of scale through specialization. For example, in West Africa where countries differ in their access to international trade, historical conditions, consumer preferences, and technological accumulation, there is a good potential for specialization (Gandolfo & Trionfetti 2014).

Michael Porter's National Competitive Advantage theory suggests that nations can position themselves for international business success. A nation's competitive advantage depends on the collective competitive advantages of its firms. This relationship becomes reciprocal over time; the nation's competitive advantages facilitate the development of new companies and industries with these same strengths. Since competitive advantage ensues from innovation, the more innovative companies a country has, the stronger its competitive advantage (Cavusgil et. al. 2015). South Africa's competitive advantage and that of its firms partly stems from a stable and efficient debt capital market characterized by low interest rates and potentially high yields that attract institutional investors (Minney 2013).

In sum, international trade theories are definitely relevant to the regional integration process and business activities in Africa. They provide a framework and foundation on which the strategies and plans to conduct business in Africa are designed and implemented.

Importantly, they are critical to the creation of African trade regions and regional integration schemes, and promotion and sustenance of inter-African trade (Gekonge 2014).

Theories of Economic Growth

Trading blocs are informed by theories mentioned under Classical and Contemporary International Trade Theories. However, they are established for purposes of achieving economic growth through linkages to market access, trade creation, economies of scale, transfer of vital information and protection from cheap imports. The theoretical analysis of economic growth determinants is based on the neoclassical/exogenous and endogenous growth theories.

Neoclassical growth theories posit that economic growth is mainly shaped by external rather than internal factors. These external factors are capital accumulation, population growth, and increased productivity. These theories predict that in steady-state equilibrium, the level of GDP per capita will be shaped by the existing technology and exogenous rates of saving, population growth and technical progress. The main assumption is that technical progress is exogenous and the same technological opportunities are available across nations. This implies that steady state growth only depends on exogenous population growth and technical advancement. In the short-range, therefore, economic growth results from changes in capital investment, labor force expansion, and the depreciation rate.

In the long-range, economic growth is only achievable through technological progress. Consequently, government policies can improve a nation's growth rate if they lead to more intense competition in markets and stimulate process and product innovation. In addition, returns to scale from capital investment increase in infrastructure and investment in health, education, and telecommunications. Additionally, private sector investment in research and development is a key source of technical progress. Moreover, patent and property rights protection is important in providing incentives for entrepreneurs and businesses to engage in R & D. Further, human capital investment or labor force quality is crucial to economic growth and government policy should support entrepreneurship as a means of creating new businesses, jobs, investment, and innovation (Njoroge, 2010).

Endogenous growth theories posit that economic growth is primarily determined by internal rather than external factors. They argue that long-run economic growth is shaped by the accumulation of knowledge. Therefore, technology is endogenous rather than exogenous. By assuming aggregate production functions that display non-decreasing returns to scale, endogenous growth models have provided mechanisms through which social and economic policies can impact long-run growth through their effects on physical and human capital accumulation. The implication is that human capital is endogenous, and there need not be diminishing returns to investment. According to endogenous theories, therefore, economic growth is promoted by policies that embrace competition, openness, innovation and change. Conversely, policies that restrict or slow change by protecting or favoring particular companies or industries are likely to eventually decelerate growth to the nation's disadvantage (Njoroge 2010).

The theoretical analysis of the impact of trading blocs or regional integration can be traced to the neoclassical and endogenous growth theories. Under the neoclassical growth theory, regional integration, economic policy measures and other institutional elements have no effect on the steady state growth rate, which is only determined by the exogenous rate of

technological advancement. Institutional transformations, efficiency increments, or changes in investment ratios after regional integration have only temporary impacts on the economic growth rate. Medium-term or temporary growth effects result from shifts in the general productivity level caused by the formation, deepening, or broadening of a regional integration agreement. In turn, the productivity shift triggers speedy physical capital formation that slowly diminishes towards its long-term steady state. Consequently, economic integration is seen as any other significant economic policy change that impacts economic growth solely on the transition path leading towards the steady state (Njoroge 2010).

Since endogenous growth theories assume non-diminishing returns to the accumulation of broadly defined capital, they predict long-term or permanent effects of economic integration. Thus, if the introduction of human capital keeps up with other investments and knowledge flows freely, it is possible to sustain returns and transfer technology through trade patterns. Increased accessibility to a larger technological base through integration arrangements may speed up economic growth. Economic integration is also viewed as broadening the consumer base which may, in turn, increase competition and mitigate redundancy in R & D to induce growth. Moreover, economic integration may lead to international and intersectoral reallocation effects (Njoroge 2010).

EMPIRICAL LITERATURE REVIEW

Studies show that some African trading blocs have fostered intra-trade creation while others have not. The findings of MacPhee & Sattayanuwat (2014) reveal that three out of the five African trading blocs studied have generated intra-bloc trade, despite serious economic and political problems. These blocs are SADC, ECOWAS, and EAC. They have been able to do so by maintaining peace and embracing multilateral trade liberalization. The blocs that have not created intra-bloc trade are WAEMU and CEMAC. The findings also show that SADC is the only African trading bloc among those that the researchers investigated which has increased both external exports and imports. Likewise, in their investigation of trade determinants and direction within the AMU, Abdullah et. al. (2014) established that the bloc's member states – Algeria, Tunisia, Morocco, Libya, and Mauritania – have bolstered their trade integration into the global economy. However, their trade openness has not resulted in significant intra-trade, inter-trade, and economic growth compared to other developing nations in Asia, Latin America, and the Middle East.

Similar findings were established by Ebaidalla & Yahia (2013) in their study on intra-trade integration within COMESA. They found that COMESA countries trade below their potentials and perform poorly in terms of regional trade integration compared to ASEAN member states. As such, they proposed the adoption of effective trade facilitation measures to bolster economic and trade integration. In a similar study, Tumwebaze & Ijjo (2015) investigated economic integration and growth within COMESA over a 20-year period. They found that COMESA members experienced economic growth primarily because of population growth, increments in capital stock and global GDP, and increased openness to global trade. However, integration under this bloc did not result in significantly positive economic growth for member states. They recommended the implementation of policies that favor the openness of COMESA members to international trade, especially the lowering of barriers that hinder trade between the bloc and the rest of the world, and reduction of tariff levels for capital goods imports and local innovation.

In the literature, African trading blocs have been found to face a number of challenges that have hampered their ability to contribute positively to intra-Africa trade and economic growth. Melo & Tsikata (2014) cite the absence of complementarities among the policy preferences of African member states and declining revenues from resource exploitation which have hindered these countries from developing policies that can enhance the economic integration of the region. Another challenge is the uneven resource distribution which has increased the benefit-cost trade-off of shared policies that African countries need to put in place to overcome cross-border externalities. The researchers add the incomplete goods-market integration by African trading blocs caused by the inadequacy of adjustment funds to correct the uneven benefit distribution across member states. In their investigation of barriers to economic integration among the Less Developed Countries, Essien & Dickson (2014) mention mixed integration efforts, internal socioeconomic structures that hinder the exchange of complementarities, economic dependence on the former colonial powers, and regional military rivalries and civil wars. For example, Rwanda, Congo, Mozambique, and Somalia are COMESA members that have been raged by civil war.

African trading blocs face a number of difficulties. The trade links within the continent are very weak. The low levels of intra-African trade are attributable to the landlocked nature of most of the continent's nations, poor energy, transport, and IT infrastructure, numerous trade agreements and overlapping bloc memberships (The Economist 2013; Clisse 2015), weak economies, small local markets, conflicting and complex trade rules, behind-the-border and cross-border restrictions like ineffective legal systems and excessive regulations, and numerous non-tariff barriers such as, prohibitive transaction costs, lack of empowerment of border officials, and lengthy immigration, import, and export licensing procedures (Tafirenyika 2014; Gekonge 2014; Global Times 2015). Another cause of low intra-African trade is the production of goods and services that the continent does not consume and consumption of those that it does not produce (Tafirenyika 2014). Although African political leaders have established 14 trading blocs for regional integration purposes, they are recalcitrant to empower them and implement trade agreements for fear of losing sovereignty. As a result, the blocs remain weak and are restricted to the execution of administrative tasks (Tafirenyika 2014; UN Conference on Trade and Development 2013).

Other impediments to regional economic integration and trade in Africa are the continent's debt problem, economic recessions and global financial crises, corruption and bribery, skewed and insufficient foreign direct investment, unwillingness of leaders to reconcile national with regional interests, piracy and armed robberies, terrorism, and the deleterious consequences of disease, war, and drought (Muuka & Ezumah 2015). Africa also relies heavily on primary or commodity exports like coffee, cotton, copper, and cocoa, which are marked by slow growth, long-term trade deterioration, and price instability (Muuka & Ezumah 2015). The weak intra-regional trade in Africa is also the result of the regional integration approach used by the continent. Trading blocs have overlooked domestic entrepreneurship and the development of their productive capacities for trade due to the focus on eliminating trade barriers. Moreover, the private sector has played a limited role in regional integration efforts (UN Conference on Trade and Development 2013).

In his study, Buigut (2012) assessed the trade effects of the customs union of the EAC on partner states. He applied a modified gravity model to make the trade effect estimates and analyzed bilateral import data for 70 likely trading partners of the EAC member countries. He found that the customs union has not had uniform effects on intra-bloc trade. Kenya, Rwanda,

and Uganda have witnessed a significant increase in their exports within the EAC but only the intra-EAC imports of Kenya and Tanzania have grown considerably. Buigut's findings are similar to those of MacPhee & Sattayanuwat (2014) on the positive effect of the EAC on intra-bloc trade. Unlike Buigut, however, MacPhee & Sattayanuwat (2014) did not differentiate the EAC's impact on member countries' exports and imports.

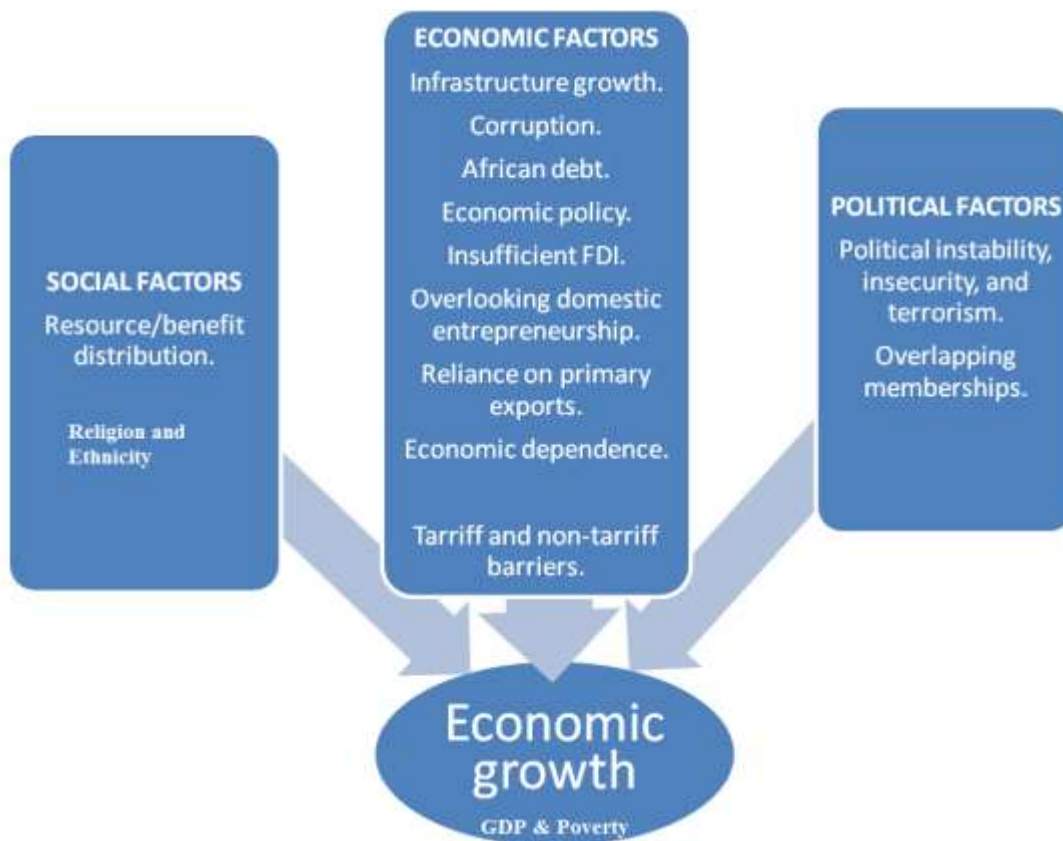
Jordaan & Kanda (2011) conducted a study in which they analyzed the trade effects of the SADC and EU-SA preferential trade agreements. They found that the EU-SA PTA has significantly expanded trade between South Africa and countries belonging to the EU, but they could not conclusively state the actual trade effects of the SADC because it is not fully operational in some of its partner states. Consequently, the researchers could not analyze the significance of the SADC to South Africa as they lacked official data on the trade flows among SADC member countries. They recommended more support from South Africa for regional integration initiatives like the SADC because the country is an economic hub in its region. Another recommendation was the improvement of South Africa's trade policy to ensure multilateral liberalization. The authors' findings contrast with those of MacPhee & Sattayanuwat (2014) who found that the SADC has increased intra-bloc trade and economic growth of its partner states.

Mutai (2011) compared the regional trade integration strategies of the EAC and SADC. He found that both trading blocs have liberalized the intra-regional movement of goods through the creation of FTAs, removal of non-tariff barriers, non-discrimination of domestic goods and imports, preventing unfair trade practices through anti-dumping and countervailing duties, trade facilitation, and maintaining good external relations. However, Mutai pointed out some challenges facing the SADC and EAC with regard to trade liberalization, resulting in impaired integration and economic growth. They include overlapping trade agreements, ambiguous language and unrealistic time frames, and capacity limitations with regard to human and financial resources. He recommended that the SADC and EAC make an effort to decrease trade barriers, increase implementation and monitoring capacities, and streamline and converge their integration initiatives.

Njoroge (2010) investigated how regional integration affects economic growth with a focus on three African trading blocs: COMESA, SADC, and EAC. He used an economic integration index consisting of Most Favored Nations (MFN) tariffs and the degree of regional cooperation in the three blocs. With the aid of the system GMM estimation method, he established that economic integration and trade significantly increase economic growth when combined or examined separately. His findings echo those of MacPhee and Sattayanuwat (2014) on the positive effect of SADC and EAC on economic growth and Ebaidalla and Yahia (2013), who associated COMESA with a similar impact on the economies of its member states. Njoroge adds that intra-regional trade within the three blocs is hampered by numerous obstacles like trade regime distortions and poor customs, transport, and communications infrastructure. He recommends policies like the use of both nondiscriminatory trade liberalization and preferential liberalization to enhance and sustain the positive impact of economic integration on economic growth. He also suggests the need for political will for the effective implementation of trade reforms, coordination of the macroeconomic policies of the partner states in each bloc, and more policies for enhancing political stability.

CONCEPTUAL MODEL

The conceptual model below indicates that factors affecting African trading blocs are social, economic and political in nature, and they have a direct influence on economic growth.



Source: Author (2016)

The political, social, and economic factors affecting African trading blocs form the independent variable while economic growth is the dependent variable.

Political factors and economic growth

The political environment is important in creating an enabling atmosphere for trading blocs. In this connection, the political environment can help in controlling factors such as insecurity and terrorism that slow down trade prospects. Political instability contributes to insecurity and affects trade by discouraging potential investors and destroying infrastructure such as transport and communication networks that facilitate the movement of people and exchange of goods and service delivery. Terrorism and insecurity caused by civil unrest have led to stagnation in trade in some African countries such as Somalia. Many African countries have overlapping memberships. This means that they are in more than one trading bloc. Such memberships may lead to conflict of interest because member states need to participate in the issues relating to each trading bloc. They hamper trade between countries and hinder economic growth. Political factors have been identified as growth determinants and associated with the dismal economic performance of African trading blocs (Njoroge 2010). This brings about the propositions that:

Proposition 1: Political environment affects economic growth

Proposition 2: Overlapping bloc memberships affect economic growth

Economic factors and economic growth

Trade policy is one of the issues that have come out clearly in the studies done. African countries need economic policies that encourage trade. Issues relating to tariffs and non-tariff barriers have to be addressed in trade policy for African trading blocs to reach their full integration potential. In addition, some countries have resources but are unable to realize their true potential because of other factors such as debt and economic dependence. The problem of debt in Africa makes it difficult for trading blocs to achieve their goals. This is because countries that are deep in debt cannot contribute fully to matters relating to trade and economic growth. Similarly, colonialism contributed significantly to economic dependence because African countries started depending on colonial powers after independence. This has led to poverty and stagnation of countries as they keep relying on foreign aid, grants, and loans. In connection to this, ineffective foreign direct investment affects African trading blocs. FDI is on the rise in Africa and its role remains significant with regard to providing the necessary financial, material, or human capital support to the development of member countries of each REC. Without proper policies and regulation in African trading blocs, however, foreign direct investment becomes ineffective as funds are embezzled or diverted for personal gain.

Infrastructure growth is another area that slows down the economic progress of African trading blocs. Africa's infrastructure challenges are many and they have a direct impact on economic growth and trade. Poor transport and communication infrastructure slows the economic growth of African countries and in turn affects African trading blocs. Corruption is another serious issue facing African countries as it makes it difficult for trading blocks to realize their integration mandate. This is because corruption causes only a few individuals to benefit instead of the economy as a whole. Trading blocs should look into these factors and provide viable solutions in order to achieve the true trade potential in Africa. Economic factors have been found to determine trade and growth in African trading blocs (Muuka & Ezumah 2015). This brings about the propositions that:

Proposition 1: Tariff and non-tariff barriers affect economic growth

Proposition 2: Poor infrastructure affects economic growth

Proposition 3: African debt affects economic growth

Proposition 4: Reliance on primary exports affects economic growth

Proposition 5: Corruption affects economic growth

Social factors and economic growth

Africa is endowed with many resources but still has difficulties in relation to resource and benefit distribution. Some countries have a lot of resources while others are disadvantaged. The endowed nations stand a higher chance of achieving significant economic progress as they have resources to exploit and sell abroad. In contrast, the resource-disadvantaged nations are likely to lag economically due to the lack of a diversified revenue portfolio.

Ethnicity is of serious concern in many African countries and has been a hindrance to economic progress. For instance, according to Adeyanju (2014), ethnicity has played a noticeable role in the Nigerian political scene and is perhaps one of the chief causes of conflict and an impediment to the economic growth of the country. In Nigeria, tribalism has been lifted to dictate national dialogue, controls how individuals talk and think, and resolves what they resist or support. It is endorsed by the political elites, passed from generation to generation, accepted by the old, and young and, even has support in the constitution. According to Bannon, Miguel and Daniel (2004), there is a strong connection between the intensity of economic and political rivalry on the one hand and the influence of ethnicity on the other. They insist that as African nations set up market and democratic reforms it becomes critical for governments to extend institutional apparatus and policies that are able to deal with ethnic divisions. They gave an example of Kenya's introduction of multi-party politics in the early 1990s signifying that the reform efforts in Kenya have increasingly turned out to be stuck in tribal politics, including brutal ethnic clashes that left many dead. Tanzania came out as a good example of a country known for its efforts to dampen backward ethnic thinking through policies and institutions that work.

Religion is another social factor that affects economic growth in Africa. Barro and McCleary propose that higher rates of spiritual beliefs encourage growth because they facilitate the sustenance of aspects of a person's behavior that boost productivity. They suppose that higher church attendance depresses growth since it signifies a superior use of resources by the religious sector. Nevertheless, that inhibition of growth is tempered by the degree to which church turnout leads to better religious beliefs, which in turn supports economic growth. They found that their determinants of religiosity are positively linked to education, negatively linked to urbanization, and positively linked to the existence of children. Generally, religiosity has a propensity to go down with economic development. Therefore, this brings about the propositions that;

Proposition 1: Resource/benefit distribution affects economic growth

Proposition 2: Ethnicity affects economic growth

Proposition 3: Religion affects economic growth

SUMMARY AND CONCLUSION

Increased regional integration in trade and investment could bolster intra-Africa trade which could provide a major avenue for the continent to achieve sustainable development and enhance its economic competitiveness in the globe. Trading blocs that have sprouted in Africa were formed with these goals in mind. Contrary to expectation, however, empirical studies on African trading blocs suggest the existence of weak trading links among African countries who are members of the various regional economic communities (RECs). Few blocs are involved in trade creation, in addition to, a myriad of economic, social, and political challenges that undermine the ability of these RECs to increase trade and economic integration among their members. From these findings, it can be concluded that regional trade integration within Africa is yet to reach its fullness and achieve the desired economic growth for individual nations and the continent as a whole.

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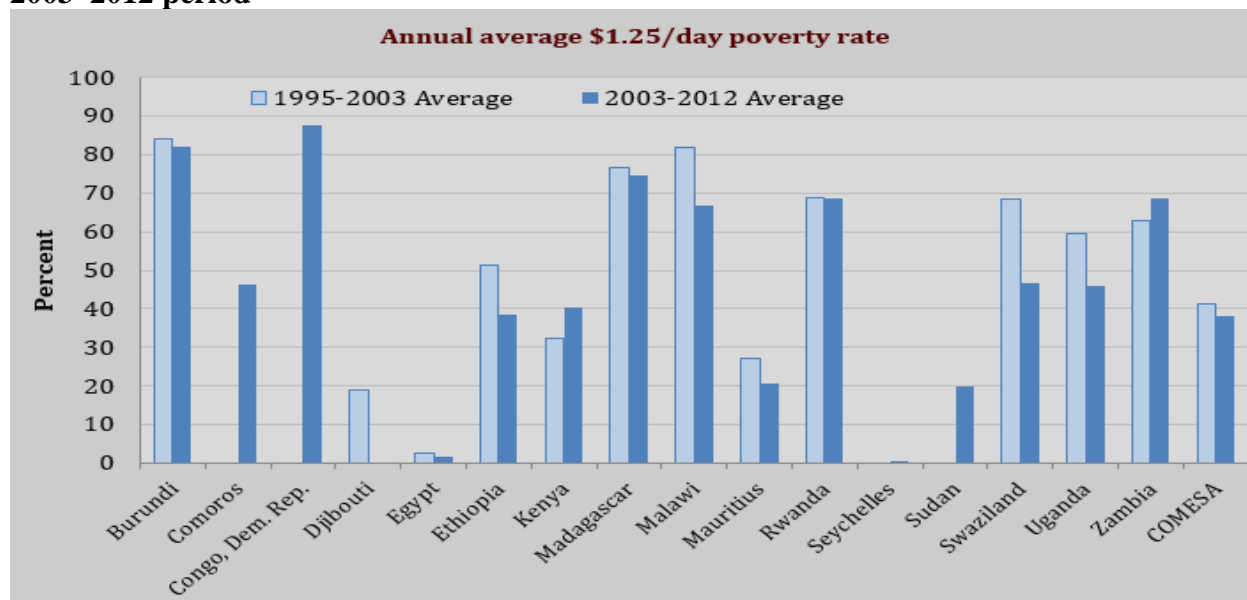
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Appendix 1: African trading blocs'/unions member states

COMESA	ECOWAS	EAC	IGAD	SADC	UDEAC	SACU	AMU/UMA	CEN-SAD	WAEMU/ UEMOA	ECCAS/ CEMAC
Burundi Comoros D. R Congo Djibouti Egypt Eritrea Ethiopia Kenya Libya Seychelles Madagascar Malawi Mauritius Rwanda Sudan Swaziland Uganda Zambia Zimbabwe	Benin Burkina Faso Capo Verde Côte d'ivoire The Gambia Ghana Guinea Guinea Bissau Liberia Mali Niger Nigeria Senegal Sierra Leone Togo	Kenya Uganda Tanzania Rwanda Burundi	Djibouti. Somalia. Eritrea. Sudan. Ethiopia. Uganda. Kenya.	Angola Botswana Democratic Republic of Congo (DRC) Lesotho Malawi Mauritius Mozambique Namibia Seychelles South Africa Swaziland Tanzania Zambia Zimbabwe.	Cameroon Central Africa Republic Chad Congo Equatorial Guinea Gabon	Botswana Lesotho Namibia Swaziland South Africa	Algeria Tunisia Morocco Libya Mauritania	Benin, Burkina Faso Central African Republic Chad Côte d'Ivoire Djibouti Egypt Eritrea The Gambia Ghana Guinea Guinea Bissau Liberia Libya Mali, Mauritania Morocco Niger Nigeria Senegal Sierra Leone Somalia Sudan Togo Tunisia Comoros Kenya	Benin Burkina Faso Cote d'Ivoire Guinea-Bissau Mali Niger Senegal Togo	Angola Burundi Cameroon Central African Republic Chad Congo (Brazzaville) Democratic Republic of Congo Equatorial Guinea Gabon Rwanda Sao Tome et Principe

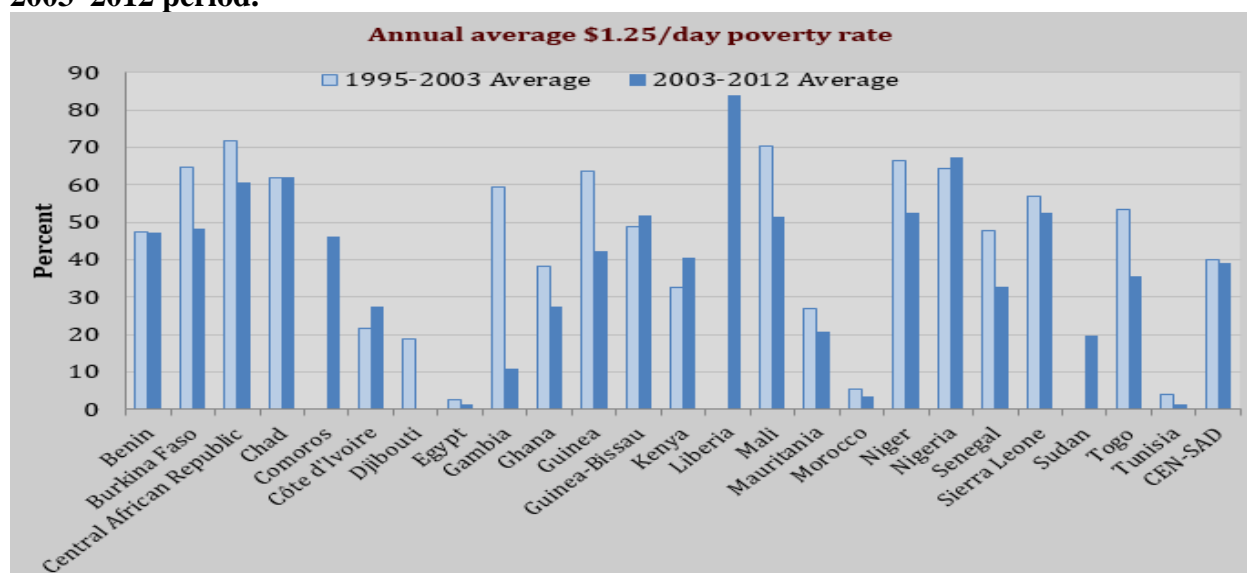
APPENDIX 2:

Figure 1: Annual average \$1.25/day poverty rate for the 1995–2003 period and the 2003–2012 period



Source: ReSAKSS, based on World Bank 2014.

Figure 2: Annual average \$1.25/day poverty rate for the 1995–2003 period and the 2003–2012 period.



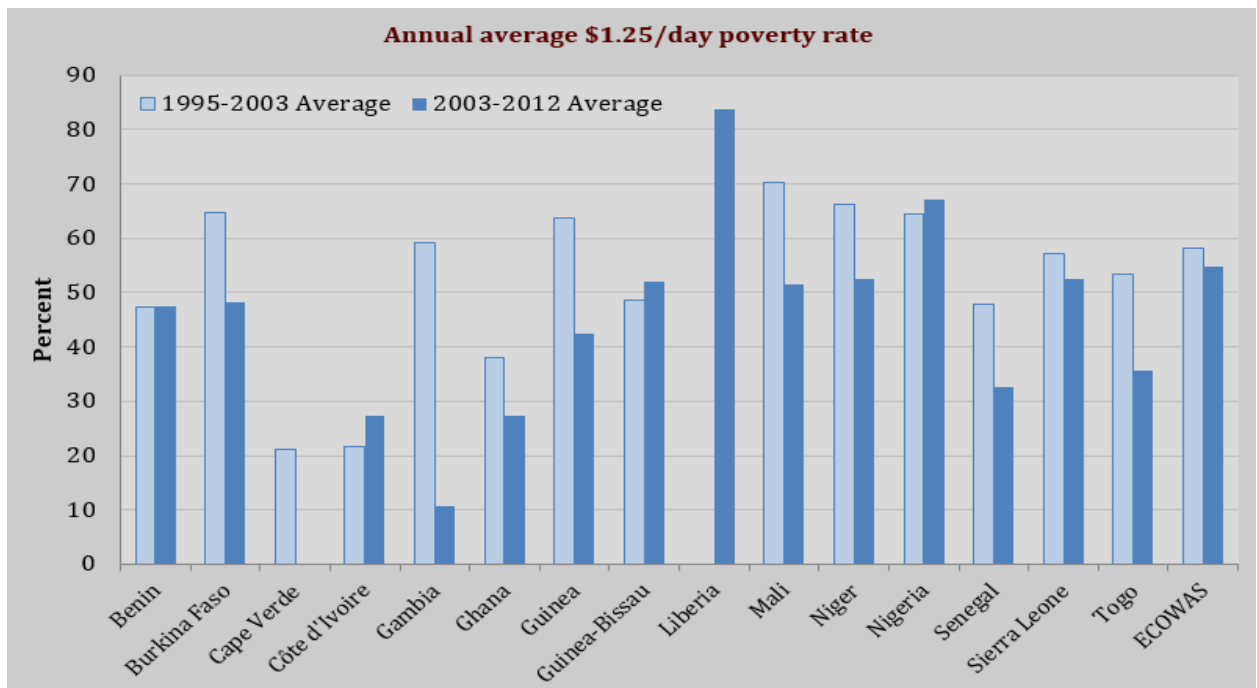
Source: ReSAKSS, based on World Bank 2014.

Figure 3: Annual average \$1.25/day poverty rate for the 1995–2003 period and the 2003–2012 period.



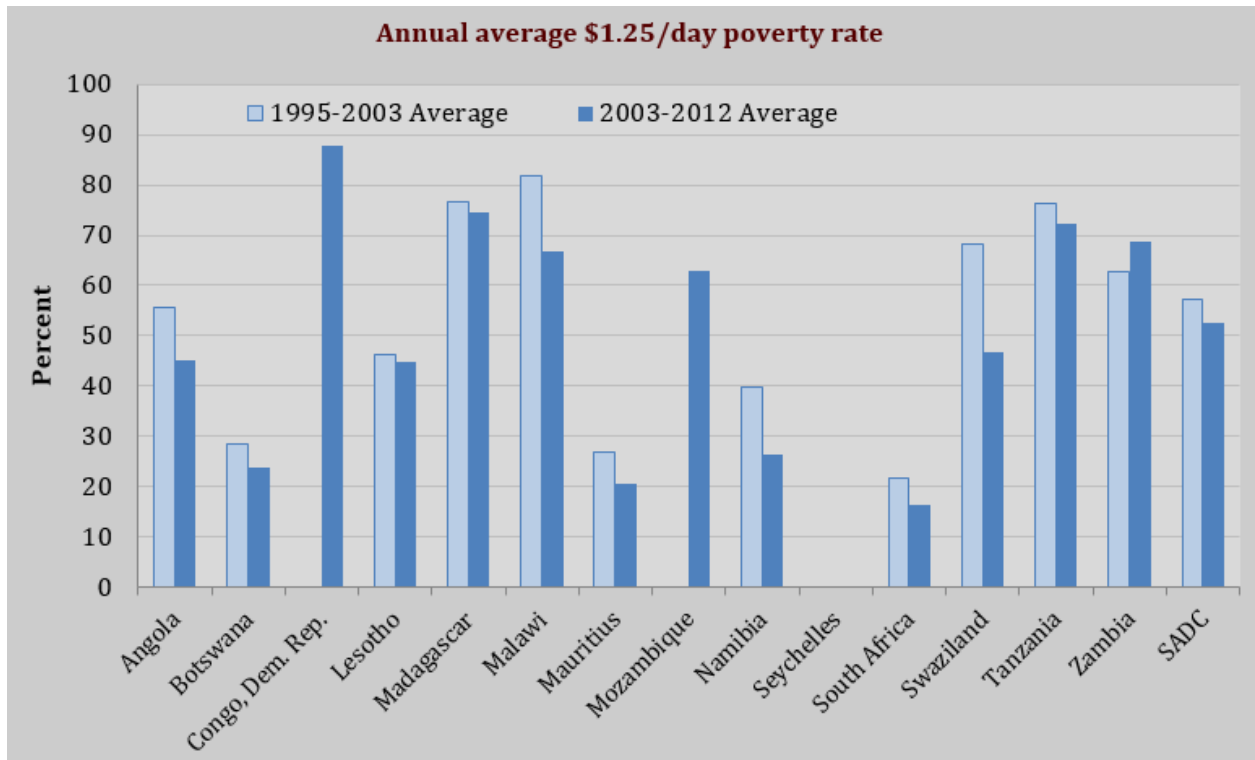
Source: ReSAKSS, based on World Bank 2014.

Figure 4: Annual average \$1.25/day poverty rate for the 1995–2003 period and the 2003–2012 period



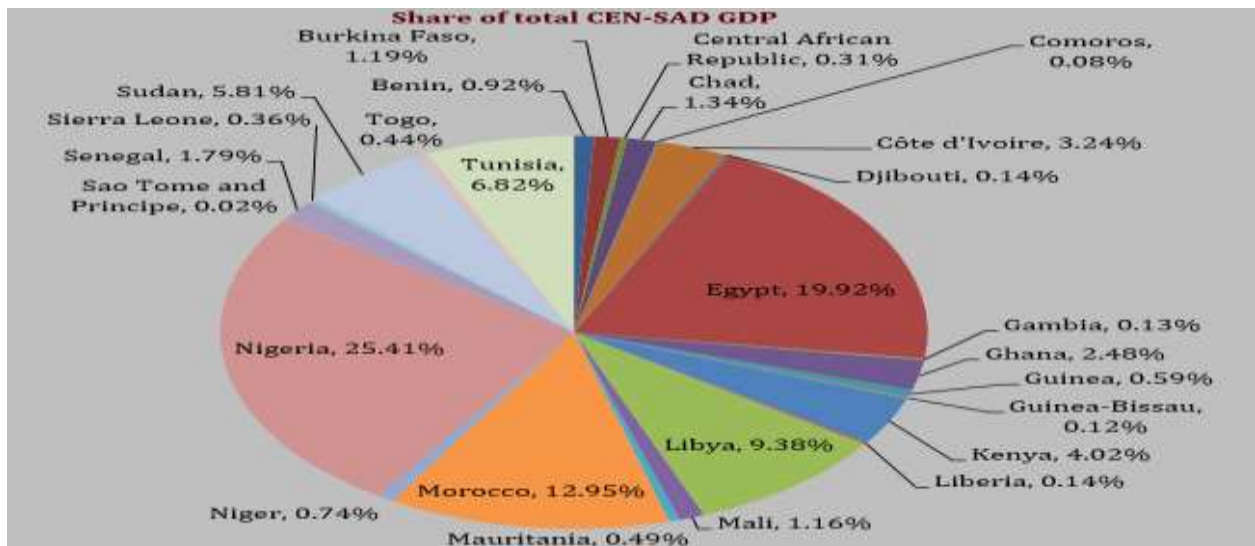
Source: ReSAKSS, based on World Bank 2014.

Figure 5: Annual average \$1.25/day poverty rate for the 1995–2003 period and the 2003–2012 period.



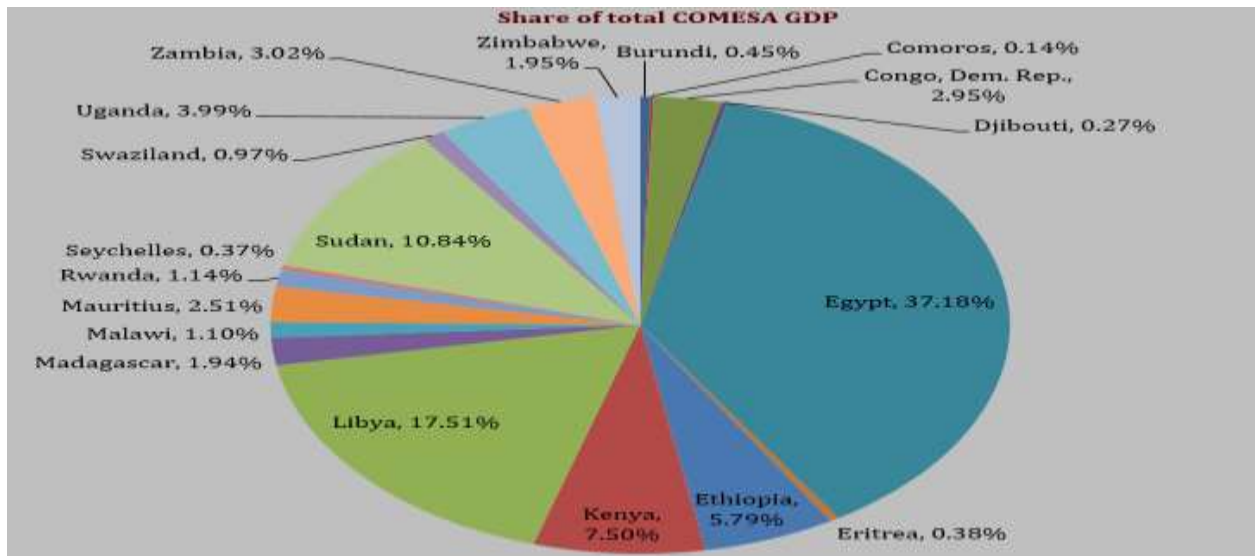
Source: ReSAKSS, based on World Bank 2014.

Figure 7: Share of total CEN-SAD GDP



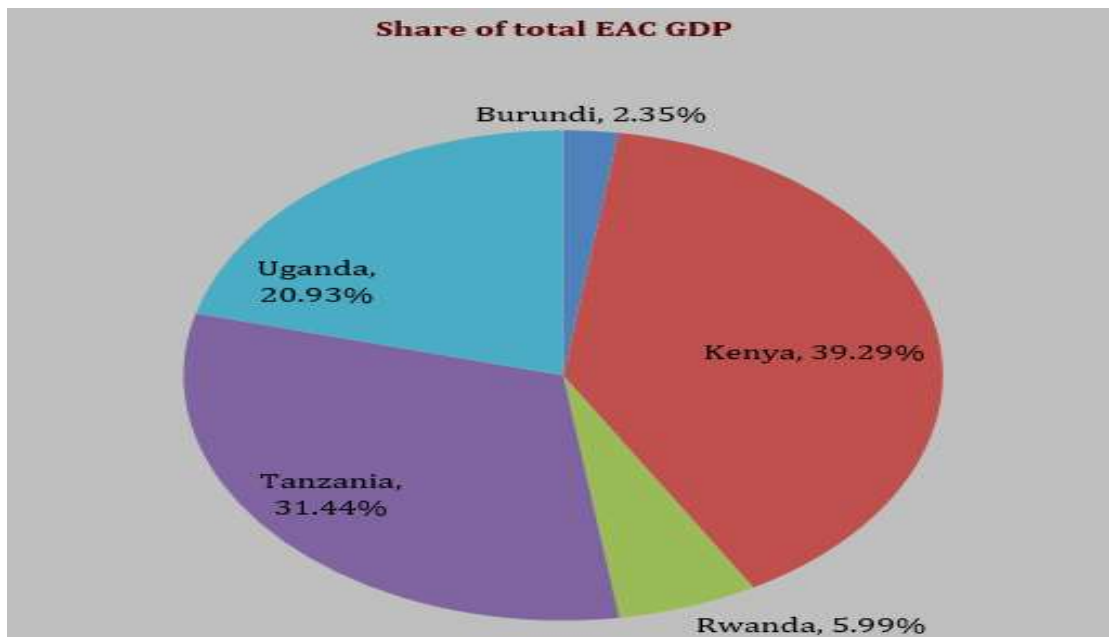
Source: ReSAKSS, based on World Bank 2014.

Figure 8: Share of total COMESA GDP



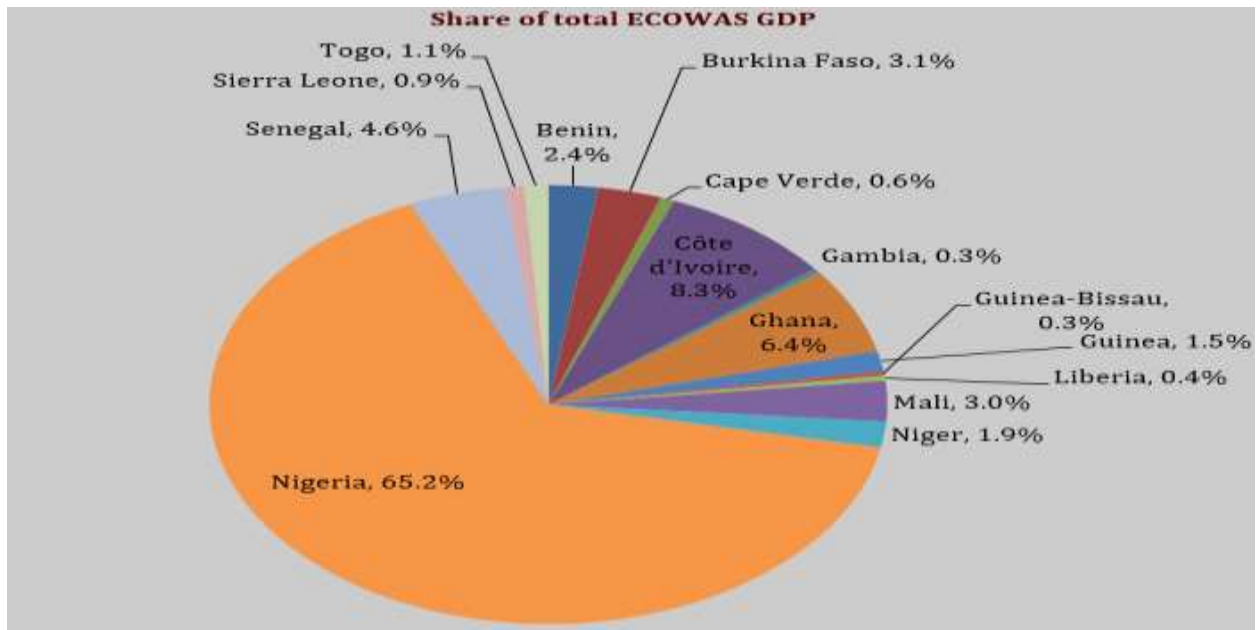
Source: ReSAKSS, based on World Bank 2014.

Figure 9: Share of total EAC GDP



Source: ReSAKSS, based on World Bank 2014.

Figure 10: Share of total ECOWAS GDP



Source: ReSAKSS, based on World Bank 2014