CHAPTER 3: Factors Against Regional Economic Integration

The success or failure of a regional integration initiative should be evaluated in the context of the objectives it sets to achieve, and the political, economic and institutional context under which it operates. Judged against its objectives, few regional groupings have to date successfully fulfilled the requirements of a functional common market, and in many cases not even that of a customs union. This suggests that more often than not, governments failed to implement the treaties they signed, which in turn suggests problems of ariation in initial condition, compensation issues, real political commitment, overlapping membership, policy harmonization, and poor private sector participation (Geda and Kibret 2002). Furthermore, literature on economic integration and development has pointed out that underdeveloped countries do not satisfy the criteria of customs union theory and that they will not reap the traditional welfare gains from integration (Axline 1997).

While regional economic integration has had insignificant effects on the flow of bilateral trade, as seen from the EU and NAFTA experience, a review of the aforementioned issues indicates that the performance of regional blocs, especially those in developing nations is greatly constrained. These problems seem to have made building successful economic groupings a daunting task, despite its perceived importance in the increasingly globalized world (Geda and Kibret 2002).

The following is a short list of the problems that effect the implementation and cohesion of regional bloc initiatives based on trade theory and empirics (Hansohm 2002):

- Trade diversion
- Lacking global integration
- Multiple schemes
- Multiple objectives
- Persistence of colonial ties
- Concerns about distribution of costs and benefits
- Low priority on policy agendas
- Conflict with domestic policies
- Lacking fiscal resources
- Import substitution
- Vested interests threatened
- Little role for private sector, debate, grassroots support
- Weak states
Most regional integration schemes are also not focused on few key objectives, but overloaded with many tasks. It is therefore not always clear that regional initiatives do have a comparative advantage in the area of intervention (Hansohm 2002).

3.1 – Low Level of Economic Development

The term economic development is somewhat broad in both scope and depth. However, for the purposes of this work, the term reflects the ability of a nation or region to efficiently and effectively manage resources (physical, human and intellectual) with the aim of adequately distributing those resource returns for a sustainable increase in living standards, education, health, etc. In the case of regional blocs, this is key factor to establishing cohesion and a framework that can sustain broader trade and interaction. If the nation states within a regional bloc are lacking in their abilities to effectively or efficiently manage their resources, there tend to be increased bottlenecks to meaningful trade and policy adjustment to match collaborative initiatives within the body.

To further allude to the importance of economic development, we will look at brief statistics from several regional blocs, each one representing a major section of the global economy.

Table 1: Select Regional Bloc Data

<table>
<thead>
<tr>
<th>Regional Bloc</th>
<th>Area (km²)</th>
<th>Population</th>
<th>GDP mUS$</th>
<th>Per Capita</th>
<th>Member States</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>3,977,487</td>
<td>460,124,266</td>
<td>11,723,816</td>
<td>25,480</td>
<td>25</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>5,112,903</td>
<td>251,646,263</td>
<td>342,519</td>
<td>1,361</td>
<td>15</td>
</tr>
<tr>
<td>CSN</td>
<td>17,339,153</td>
<td>370,158,470</td>
<td>2,868,430</td>
<td>7,749</td>
<td>10</td>
</tr>
<tr>
<td>NAFTA</td>
<td>21,588,638</td>
<td>430,495,039</td>
<td>12,889,900</td>
<td>29,942</td>
<td>3</td>
</tr>
<tr>
<td>ASEAN</td>
<td>4,400,000</td>
<td>553,900,000</td>
<td>2,172,000</td>
<td>4,044</td>
<td>10</td>
</tr>
</tbody>
</table>


Table 1 overviews the comparable population sizes of each regional bloc paired against its gross domestic product per capita income. Per capita income is an excellent economic indicator to assess the economic development of a nation or regional bloc as it considers total value of the economic activity within a country’s
borders regardless of whether that activity is a result of foreign or domestic investment. The data reveals that two regional blocs, the EU and NAFTA each have comparable populations of just under 500 million people, though their per capita incomes are over 25,000USD. Both common knowledge and economic indicators reveal that the EU and NAFTA are arguably the most advanced regional blocs in terms of infrastructure and economic activity. Comparing those regional blocs to ECOWAS, CSN (South American Community of Nations) or ASEAN (Association of Southeast Asian Nations), it is clear that their combined per capita incomes are approximately half that of the EU.

An excellent means to ensure economic development within a regional bloc is a robust and strong private sector. An active involvement of the general-public embedded with skills, education, and a tax base are crucial. This aspect of the regional integration process in Africa for example has been singled out as one of the major weaknesses of the ineptitudes of regional blocs on the continent. Country level studies in the SADC (Southern African Development Community) and COMESA reveal that the participation of the private sector is hampered by lack of government resources to ensure full participation, and when some resource are secured, the participation is limited at the level of the chamber of commerce officials (Geda and Kibret 2002). Moreover, lack of adequate knowledge to use existing information at the level of private sector associations is also noted as a major problem. Geda and Kibret (2002) also explain, establishing specific government entities that would promote and administer economic integration at a country level (as some ECOWAS countries – Burkina Faso, Senegal, Ghana, and Nigeria and few others-have done) would also not only show commitment of countries but also enhance the effectiveness of regional blocs.

3.2 – Inadequate Infrastructure

A strong precondition for regional economic integration is adequate infrastructure. The dynamics of a robust economy that effectively and efficiently utilizes its resources is dependent upon its infrastructure\(^1\). Economic gains prompted from

\(^1\) For the purposes of this work, infrastructure is referred to as the basic physical and organizational
regional integration are highly dependent upon the ability of the system to move resources, people, capital, and information seamlessly from the sourcing areas to production hubs and finally to distribute its products efficiently.

In order to quantify the importance infrastructure to regional blocs, a compiled table of select data from the United States, France and Japan are compared to the combined established infrastructures of the ECOWAS region. The US, France and Japan each represent economic powerhouses in their respective regions and they represent a benchmark as each nation is regarded as wealthy and highly industrialized.

### Table 2: ECOWAS vs. Select Industrialized Nations

<table>
<thead>
<tr>
<th></th>
<th>America</th>
<th>France</th>
<th>Japan</th>
<th>ECOWAS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>People per Communications</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Line Telephone</td>
<td>1.61</td>
<td>1.78</td>
<td>1.79</td>
<td>116.42</td>
</tr>
<tr>
<td>Mobile Line</td>
<td>1.85</td>
<td>1.45</td>
<td>1.47</td>
<td>34.46</td>
</tr>
<tr>
<td>Internet Host</td>
<td>2.54</td>
<td>25.21</td>
<td>9.82</td>
<td>27,656</td>
</tr>
<tr>
<td>Radio Station</td>
<td>28,388</td>
<td>17,054</td>
<td>391,793</td>
<td>669,271</td>
</tr>
<tr>
<td>Television Station</td>
<td>195,351</td>
<td>103,466</td>
<td>603,473</td>
<td>5,242,630</td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Railways (km)</td>
<td>228,464</td>
<td>32,175</td>
<td>23,705</td>
<td>9,900</td>
</tr>
<tr>
<td>Total Highways (km)</td>
<td>6,406,296</td>
<td>894,000</td>
<td>1,161,894</td>
<td>411,422</td>
</tr>
<tr>
<td>Commercial Waterways (km)</td>
<td>19,312</td>
<td>8,500</td>
<td>1,770</td>
<td>16,673</td>
</tr>
<tr>
<td>Ports / Harbors</td>
<td>22</td>
<td>16</td>
<td>21</td>
<td>43</td>
</tr>
<tr>
<td>Total Airports</td>
<td>14,807</td>
<td>477</td>
<td>174</td>
<td>355</td>
</tr>
</tbody>
</table>


As displayed in Table 2, the combined 15-nation ECOWAS is completely eclipsed by each of the highly industrialized nations mentioned. Furthermore, the transportation criteria displayed in the chart represent infrastructure that are most often built and

structures and facilities, buildings, roads, equipment, and so on, needed for the operation of a society.

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maintained by government and are highly dependent upon the consumption of electricity, fossil fuels, and a tax paying user base. From these data, it can be inferred that meaningful economic integration in ECOWAS may be greatly hindered due to relatively scarce communication and physical infrastructure to accommodate the flow of people, goods, and information.

While the shift to regional economic integration has seen a steady increase over the past 25 years in every region of the earth, the daunting task of developing nations is to improve their capabilities in promoting the efficient movement of goods, people, and information through adequate infrastructure. According to World Bank 2004 economic statistics, approximately 2 billion people (35% total population) live on a per capita budget of under 2,400US$ a year. The nations that represent these people are predominantly South Asian and Sub-Saharan African, most likely than not regarded as low income and highly indebted to various world organizations and charities. They also rank among the least developed in terms of infrastructure or telecommunications abilities. With these nations severely lacking in adequate infrastructure or the means to initiate meaningful economic development for their populations, the impetus to forming cohesive regional blocs is somewhat unrealistic.

3.3 – Competitive Economies

History reveals that early regional economic blocs were formed when most of the respective members were implementing import substitution growth strategies. While such strategies could be conducive to regional cooperation in order to expand market size, its focus on encouraging domestic production may hamper division of labor and specialization among countries. This is particularly true when the initial trade structure among regional bloc members is similar. For example, research indicates that members of COMESA export nearly similar primary products such as coffee, minerals and textiles, and import manufactured goods form their main trading partner, the Europeans Union. This reveals a rather non-complementary and somewhat

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2 Specialization is implied by regional integration as economic theory postulates that goods and services best suited for a particular production hub should be moved and centralized to promote economies of scale and scope.
competitive nature of COMESA intra-regional trade (Geda and Kibret 2002).

The essence of dealing with a competitive economy within a regional bloc is ensuring that meaningful integration establishes appropriate mechanisms for economic gains to be enhanced and losses to be minimized. Gainers must compensate losers in the medium term and losses must be minimized in the long run. Tax revenue loss is a particular case in point. Many economies in South East Asia, South America and Sub-Saharan Africa are highly dependent upon the exportation of natural resources and basic commodities. If a nation is asked to reduce or restructure its exportation of a particular commodity due to a competitive advantage of another member, that member must in some way be compensated for its revenue loss. Such a situation of immediate and direct loss may create hesitation among member countries unless they foresee an immediate benefit from the integration process (Geda and Kibret 2002).

More than revenue loss, however, most developing counties are concerned about fierce competition from relatively large and industrialized developing nations such as Brazil, Nigeria, Russia, South Africa, India, and China; because the few industries they have may migrate to these relatively more advanced nations. COMESA for instance identifies that the weakest members suspect that stronger countries will take advantage of them. And in an integration scheme where countries are at different levels of development and hence the gains from integration are disproportionate, the commitment to implement agreed upon treaties could be adversely affected (Geda and Kibret 2002).

With the exception of the EU and NAFTA, few regional blocs have composed or meaningfully addressed industrialization programs of their national economies to deal with complementarity or competing industries. Further, even if gainers agree to compensate losers in principle, setting up an agreeable mechanism and implementing it in a sustainable manner, is a complex exercise. And because such issues, in many cases, have not been addressed adequately or proposed solutions not implemented properly, they have contributed to the weak performance of many regional agreements (Geda and Kibret 2002).
3.4 – Political Animosity

Various reasons are suggested as causes for the lack of or hindrance to progress in regional integration efforts, though none are as finicky as political will. According to Henderson (1992), An economically border-less world does not now exist, nor is it in prospect; and the world economy today is further away from full integration than it was before the First World War. Whether and how far the trend towards integration will continue is not predetermined, but depends on governments. Governments are particularly cavalier about making decisions to promote select interests versus what scholars and theorists would argue to be logical or beneficial to the masses. In theory, the benefits of regional integration would greatly outweigh the short-term losses of an individual nation, however the politics of running a nation and pleasing its constituents are extremely delicate. The political dimensions of trade liberalization, the predictability of transparent decision-making or lack thereof; and the credibility of government policy all have to be considered (Weaver 2001). Several of the reasons politics hinders the establishment of meaningful integration are; (i) reluctance to surrender sovereignty of macroeconomic policy making to a regional authority; (ii) avoiding potential consumption costs that may arise by importing from a high cost member country; (iii) reluctance to accept unequal distribution of gains and losses that may follow an integration agreement; and, (iv) reluctance to discontinue existing economic ties with non-members. Furthermore, the subtle yet real element of sentiment of governments within a regional bloc towards one another adds to the list, “political animosity” (Geda and Kibret 2002).

Political animosity is a very old idea as societies battled amongst themselves for wealth, power and ideology. For example, for hundreds of years, in the leading centers of Western Civilization – France and Germany – the highest and most noble vocation and duty was to slaughter one another. That exalted mission came to an end in 1945, but only because the science of war that European civilization had crafted reached such a grotesque level that the next episode would be the last [Weapons of Mass Destruction] (Chomsky 2000). The EU was in earnest formed not because the region wanted peace and collaboration, but because they had so much ill-will towards each other, the next step would have been total annihilation. Furthermore, history reveals much of the hindrances within the European Union’s evolution had been
sparked by rival nations France and Germany whom had long standing political animosities dating as far back as the year 481AD when French clans or Gauls battled Germanic invaders known as Visigoths (Dale and Dale 1978).

The regional integration experience in Africa for example indicates that countries are hesitant to create supra-national bodies and transfer power to them as a sanctioning authority. The secretariats that are formed do not have the legal backing to force countries to fulfill their obligations – such as reducing tariff rates and other trade barriers in accordance to their commitments. When such barriers are largely eliminated owing to liberalization, this reluctance to lose sovereignty is escalating non-tariff barriers, which are becoming major problems in COMESA, for instance. The continent-wide initiative such as the Abuja Treaty and others that flowed from it, could potentially serve that purpose, but has yet to setup the structure to do so. On political commitment, despite the rhetoric, practical commitment is lacking. Ghana’s Minister of Foreign Affairs Honorable Nana Addo Dankwa Akufo-Addo, in his opening remarks at the ECOWAS Foreign Affairs Ministers’ meeting, December 17, 2004, in Accra was concerned about the lack of compliance by Heads of State and Governments to agreed protocols. He noted with concern that, “Peace and security will continue to be a mirage in the region unless real substance is given to the numerous legal instruments and structures put in place to address conflicts by the Heads of State and Government” (Mingle 2003).

It is observed in many regional economic blocs, especially those of developing nations, that countries are committed to other multilateral and bilateral commitments than to regional agreements (Geda and Kibret 2002). In the case of ECOWAS, there are Anglophone sub-regional groups, Francophone sub-regional groups, cross-national ethnic groups, lingering border disputes, and several well documented cases of insurgencies being bred across neighboring states to incite civil conflicts. How could any ECOWAS member government truly express the will of a unified regional bloc with multiple constituents, self-serving interest groups, and sincere distrust across the region?

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3 West Africa is well noted to have lingering colonial ties and/or heavy dependence on a single export commodities to former colonial ties that supersede regional agreements for integration.