Chapter 5
The African Regional Integration and Trading Blocs

ABSTRACT

This chapter is perhaps the most important and significant chapter in the book. This is because of the great importance attached to increasing regional integration and trade as an enlargement of regional markets. The chapter focuses on the perspectives of international trade as a foundation for regional integration, regional integration schemes and their processes, and the African regional integration and its regional trading blocs. The trading blocs are meant to enlarge African markets and to be pillars and building blocks of the African economic community. The chapter also examines the importance of proximities—geographic, economic, political, and administrative—in helping to promote regional trade. Regional trade has grown faster than international trade in the last five decades, and successful regional trading countries are the wealthiest in the world today. Those with low or limited regional trade—like countries in the African and the Middle East regions—are the poorest countries today. The seven major African trading blocs are fully described in the chapter.

DOI: 10.4018/978-1-4666-4570-7.ch005

1. INTERNATIONAL TRADE THEORY AND PERSPECTIVES AS A BASIS FOR REGIONAL INTEGRATION IN AFRICA

Regional integration and regional trade agreements—meant to create regional trading blocs and bigger markets—are accelerating and changing the landscape of the global marketplace today (Han et al., 2008). The process whereby countries, in a geographic region, cooperate to eliminate barriers to engagement, the flow of products, services, people, and capital, among themselves, is called regional integration and trade (Wild et al., 2008).

A group of nations in a geographic region undertaking regional integration is called a regional trading bloc. The goal of regional integration and trade is not only to increase markets and cross-border trade, flow of people, increased employment, and investment, but also to considerably improve the living standards of the people of the countries involved in the integration and the trade process through creation of high value jobs (Wild et al., 2008).

Geography helps in creating greater regional integration and bigger markets. Cluster theory, for instan*ce*, suggests that geography will continue to matter regardless of new forms of communication. Groups that are closer physically, culturally, administratively, economically, and socially are more likely to trust one another, easily exchange information and assets and enter into trade agreements, engage in complex competitive production processing, financing, marketing, and export/import arrangements (Porter 1998; Juma 2011). Geography increases the potential of African regional integration and trade because all African countries are neighborhood states through the African Union.

1.1. Classical Theories of International Trade

The rationale of economic integration and regional trade originates from the application, to regional trade, of the classical and contemporary theories of international trade. These theories attempt to explain why trade occurs in the first place and how trade can benefit both parties to an exchange or trade agreement. Over the years, scholars have postulated many such theories of international trade. Wild et al. (2008) have described the following as the major theories in international trade to date. These theories are listed and discussed below in the order of their postulation, from the 16th century to date:

1.1.1. Mercantilism

Mercantilism is the international trade theory that describes the position that a nation should accumulate financial wealth, usually in the form of gold, by encouraging exports and discouraging imports. The measure of a nation's wealth is its