

Petroleum-Gas University of Ploiesti BULLETIN	Vol. LXIII No. 4/2011	19 - 32	Economic Sciences Series
--	--------------------------	---------	-----------------------------

Trade Outcomes in Africa's Regional Economic Communities and Institutional Quality: Some Policy Prescriptions

Evans Osabuohien, Uchenna Efobi

Covenant University, Dept. of Economics & Development Studies, Ota, Ogun State, Nigeria
e-mail: stephen.osabuohien@covenantuniversity.edu.ng, uche.efobi@covenantuniversity.edu.ng

Abstract

The global economic crisis of 2007/2008 that threatened the economic/financial fabrics of most countries has brought again the essence of strong institutional quality to the fore. This is particularly interesting as it impacted on trade outcomes in many countries including those in Africa. For instance, merchandize exports as a percentage of GDP for SSA reduced by 17.9% in 2007. Thus, this paper examines the effectiveness of RECs in Africa with respect to trade outcomes using some indicators, which was achieved using data from African Development Indicators, inter alia (1996-2008). Analyzing the data with descriptive and statistical techniques established, among others, that the respective indicators of trade outcomes, institutional quality were rather low and differed markedly across RECs in Africa. The study recommends that improvement of institutional quality in tandem with enhanced infrastructural facilities will play crucial roles in promoting trade outcomes in Africa's RECs.

Key words: *exchange rate, export, regional economic communities, intra-regional trade*

JEL Code: *E31, F13, G10*

Introduction

Trade outcomes are the benefits that a country/region derives from engaging in trade with the rest of the world. This is synonymously referred to as trade performance, because the performance in any economic activity will result in an economic outcome. Of recent, some of these trade outcomes have raised some issues in Africa with regards to their performance. For instance, the performance of merchandise exports as a percentage of gross domestic products (GDP) for Sub Sahara Africa (SSA), experienced a decline by 17.9% in 2007 (World Bank, 2010; Osabuohien and Efobi, 2010). This scenario has been adduced to the ripple effect of the recent global economic crisis, which affected the trade outcome of most African countries. Another characteristic is that most commodity prices at the world market experienced decrease. These occurrences will have some implications on the trade outcomes of African countries especially share of trade in world market.

Regional Economic Communities (RECs) exist, among other purposes, to promote mutual cooperation among integrating countries and improve their trade outcomes. This is expected to be facilitated through some measures such as removal of tariff barriers to trade within communities; removal of non-tariff barriers; development and enactment of common trade

policies. Another similar measure is development of infrastructural facilities that could enhance intra-regional trade. However, the trade outcomes of RECs in Africa have been subject of debate in recent times, which is one of the motivations for this study. For instance, the average intra-regional export and import of Africa's RECs for the period 2000-2005 was only 8.6% and 10.8, respectively, which is very low (United Nations Economic Commission for Africa-UNECA, 2010).

The poor performance of most African economies with regard to development and trade has been attributed to plethora of factors, namely poor governance, weak infrastructure, poor institutional quality and so on. For example, Fosu (2011) observed that Nigeria's export of crude oil which has risen over the years with her human development indicators been below expectation can be traceable to poor institutions. A similar observation was made by Mehlum et al (2006) who noted that institutional consideration are pivotal to enhancing the performance of Africa in terms of trade and development.

Institutions, which can be defined as the set of formulated arrangement for structuring political, economic and social interactions among economic actors, have been seen to be crucial as they help to reduce uncertainties in any exchange of economic values (North, 1991; Williamson, 2000; Grief, 2006). This includes the 'rules of the game' or the 'regulators of the game'. Institutions as the rules of the game talks about the quality of rules, laws, regulations that is put in place to guide economic behaviours, while the latter includes organs, agencies or bodies that help to control economic activities. In this study, the former concept is followed given the fact that the 'rules of the game' is what the regulators of the game (e.g. RECs) need to work with for effective achievement of set goals. An example is the ECOWAS regional agricultural policy launched 19th January 1995 and the ECOWAS trade liberalization scheme (ETLS), which set some rules and standards that were expected to increase agricultural production and export in the sub-region as well as facilitate trade (Olayiwola, Okodua and Osabuohien, 2011).

From the above backdrops, the research question of this study includes: what is the level of Africa's RECs trade outcomes and to what extent has these trade outcomes been influenced by the institutional quality of Africa's RECs? The research questions was answered using data sourced from African Development Indicators (ADI) for the period 1996 to 2008, which were analysed using descriptive and statistical techniques. In addition, comparison was made among five selected RECs in Africa with a view to ascertaining their trade outcomes and their relative institutional quality. The choice of the selected RECs were based on UNECA (2010) finding that out of the eight RECs recognised by African Union Commission, five of them have established free trade area (FTA). They include: Common Market for Eastern and Southern Africa (COMESA); East African Community (EAC); Economic Community of Central African States (ECCAS); Economic Community of West African States (ECOWAS); and Southern African Development Community (SADC). Other parts of the study are presented in sections in this order: factors influencing trade outcomes; regional economic Communities in Africa; trade outcomes in selected Africa's RECs; institutional quality in selected Africa's RECs; trade facilitation and infrastructural indicators; summary of findings, policy recommendations and conclusion.

Some Factors Influencing Trade Outcomes

RECs are set up to promote mutual cooperation amongst their members and enhance the growth capacity of member states through mutual cooperation leading to subsistence growth and development. These ends can be achieved through several means, which includes human development, growth of capital and investment as well as trade. However, Alemayehu and Kibret (2008) noted that this is not the case with Africa's RECs.

The RECs essentially exist to help the region maximise the benefits of engaging in international trade and minimise possible costs that are involved. This is usually pursued through the reduction of trade restrictions and creation of market access. However, the effectiveness of their roles depends on some other factors like external trade barriers, low level of resource harmonisation amongst members (Oyejide, 1997; Elbadawi, 1997; Yang and Gupta, 2007). Similarly, Fosu (2011) noted that another distinguishing factor explaining the performances of one country as against another in promoting their terms of trade is the quality of institutions prevalent in the country. This is because the pivotal force steering the development of trade facilitators like infrastructure, financial development and favourable social economic environment for investment is the strength and quality of the institutions. In this regard, poor institutions, bureaucratic delays and the likes will act as inhibitors to trade (Ndomo, 2009).

Taking this discourse further, some other factors attributed to the poor performance of Africa's RECs include: insufficient complementarity and diversification of production structures, high production cost and the domination of export trading by a few countries (Ndomo, 2009). Furthermore, UNECA (2010) investigated the determinants of trade potential (bilateral trade) between West and Central African region and their major trading partner using the Gravity model. Their result shows, among others, that the difference in per capita income between West African countries and their major trading partner affect bilateral trade. This implies that the growth of income level of the trading partner is able to explain the trade outcomes are poor access to foreign market and poor infrastructural facilities as they limit trade potential. Thus, adequate development of infrastructural facilities will enhance trade potential. Just as Ndomo (2009) observed that poor and non-existence infrastructural facilities pose great impedance to intra-regional trade because it increases the cost of transportation and transaction between countries.

From another perspective, Collier (2008) identified the natural resource trap and the 'landlocked with bad neighbour traps' as one of the factors that inhibit growth and development of African countries in relation to their trade potential. For instance, a country that is highly dependent on natural resources will fall into the tendency of 'Dutch-disease' where the wealth from the natural resources grants opportunity for rent seeking in the country. This will reduce the countries' ability to maximise their trade potential because of over dependence on a particular resource for trade and less emphasis on developing other trade opportunities through diversification. In corroboration with the above, UNECA (2004) noted that one of the major cause of poor trade outcomes of RECs in Africa is over-dependence on natural resources and inability to diversify production. On the other hand, a country capacity to generate huge income in intra-regional trade will also depend on the level of development (e.g. infrastructure, transportation, telecommunication, institutions etc) of neighbouring countries that she trades with.

From the foregoing, all these drawbacks to trade outcome can be effectively managed by good institutions, which makes good institutional quality imperative for any country (Ezeoha and Cattaneo, 2011; Fosu, 2011). This issue is not adequately taken into consideration in many extant studies. This is one of the contributions of this study by investigating trade outcome in Africa's RECs in relation to institutional quality.

Regional Economic Communities in Africa

Integrating national economies into the global framework has become a major issue around the world, which has led to the establishment of regional economic communities (RECs) with a view to maximise economies of scale. In RECs, market and trade integration is usually facilitated through some measures, which include: removal of tariff barriers to trade within RECs; removal of non-tariff barriers; development and enactment of common trade policies

(UNECA, 2010). Another similar measure is development of infrastructural facilities that could enhance intra-regional trade. However, the outcomes of such measures have been subject of debate as their trade facilitation potential is not fully reflected in their trade outcomes.

There are many RECs in Africa as can be observed in Table 1, which is a reflection of the proliferation of regional trade agreements. However, intra-regional trade has remained lower than projections (UNECA, 2010). For example, the average intra-regional export in Africa was only 8.6%, while that of intra-regional import was 10.8% as can be seen in Table 1. In some of the Africa's RECs, intra-regional export was as low as 0.4% (Mano River Union-MRU) and 0.7% (Economic Community of Central African States-ECCAS), while intra-regional import was as low as 1.3% (MRU) and 1.6% (Economic Community of the Great Lakes Countries-CEPGL). Similar low intra-regional trade was observed for trade with the rest of Africa, as the lowest percentage export was 1.8% and that of import was 1.7%. An example of the RECs in Africa that performed relatively better than others in terms of inter-regional trade is SADC as its intra-regional export and import of 19.9% and 33.1% were higher than others. The figures in Table 1 also indicate that the major trade partner of most Africa's RECs is the EU with the average export and import values of 42.7% and 37.2%.

Among the RECs in Africa, eight of them are recognised by the African Union (AU). These include: Arab Maghreb Union (AMU); Community of Sahel-Saharan States (CEN-SAD); Common Market for Eastern and Southern Africa (COMESA); East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), Intergovernmental Authority on Development (IGAD), and Southern African Development Community (SADC) (UNECA, 2010; African Union Commission, 2011; Osabuohien, 2011). The activities of these eight RECs have been examined with respect to their status and efforts in promoting trade. It was noted that five of them (COMESA, ECCAS, ECOWAS, EAC and SADC) have established free trade area (FTA) [UNECA, 2008; 2010].

Table 1. Africa's RECs Trade Direction (Mean % of Exports and Imports 2000-2005)

Trade Direction	Intra-REC		Rest of Africa		China		European Union		United States		Rest of the world	
	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.
AMU	2.5	3.1	4.5	1.7	1.0	3.9	70.4	60.3	5.1	3.9	13.1	19.6
CEMAC	0.9	5.2	2.7	8.9	11.6	2.8	36.1	52.4	28.9	13.0	7.4	11.6
CEN-SAD	12.2	13.0	4.5	6.4	6.0	6.1	35.5	39.1	8.7	4.9	18.3	17.5
CEPGL	2.7	1.6	4.7	35.5	3.9	3.7	39.8	33.5	7.0	4.1	22.2	14.7
COMESA	8.7	11.1	8.6	17.2	6.0	6.2	41.5	26.3	8.1	4.7	17.5	20.8
EAC	12.6	18.7	7.2	9.9	3.6	5.1	30.4	24.5	3.7	4.8	26.8	22.5
ECCAS	0.7	3.8	2.2	14.0	10.1	3.1	42.5	50.6	23.6	11	11.5	9.7
ECOWAS	13.9	15.8	5.5	5.2	4.2	6.8	40.4	40.7	7.3	4.3	10.0	13.7
IGAD	21.5	15.2	5.8	3.6	11.8	8.3	19.9	19.7	2.8	5.0	28.2	30.9
IOC	3.0	3.6	1.8	15.1	0.8	6.4	63.8	32.9	16.6	3.0	4.1	21.1
MRU	0.4	1.3	3.9	9.4	1.4	5.6	68.7	38.7	6.5	4.5	12.4	13.6
SADC	19.9	33.1	2.3	2.6	6.3	3.8	40.7	25.2	9.4	5.4	11.2	16.7
UEMOA	11.5	14.9	18.6	13.7	6.8	4.9	25.2	40.3	3.0	3.0	9.0	13.3
Average	8.5	10.8	5.6	11.0	5.6	5.1	42.7	37.2	10.1	5.5	14.8	17.4

Note: AMU-Arab Maghreb Union CEMAC-Economic and Monetary Community of Central African; CENSAD-Community of Sahel Saharan States; CEPGL-Economic Community of the Great Lakes Countries; COMESA-Common Market for Eastern and Southern Africa; EAC-East African Community; ECCAS-Economic Community of Central African States; ECOWAS-Economic Community of West

African States; IGAD- Intergovernmental Authority on Development ; IOC-Indian Ocean Commission; MRU-Mano River Union; SADC-Southern African Development Community; UEMOA-West African Economic and Monetary Union. RECs in bold are those that have established FTA and are recognised by African Union.

Sources: UNECA (2010); UNCTAD (2010).

In North Africa, AMU was founded in 1987 after the treaty setting it up was signed by the Heads of States of the five member countries namely: Algeria, Libya, Mauritania, Morocco and Tunisia. The main objective of the AMU's Treaty is to strengthen all forms of ties among member states in order to ensure regional stability as well as enhance policy co-ordination. The treaty equally introduced gradual free circulation of goods, services, and factors of production among member countries. Common defence and non-interference in the domestic affairs of the partners are also key aspects of the Treaty. Unlike AMU, CEN-SAD has countries that cut across different sub-regions in Africa. CEN-SAD was established in 1998 with the main objective of integrating member countries and striving towards complementary development especially human and physical capital. The membership of CEN-SAD include: Benin, Burkina Faso, Central African Republic, Chad, Djibouti, Egypt, Eritrea, Gambia, Libya, Mali, Morocco, Tunisia, Niger, Nigeria, Senegal, Somalia, Sudan and Togo.

The Treaty establishing the Common Market for Eastern and Southern Africa, COMESA, was signed 5th November 1993 in Kampala, Uganda but ratified 8th December 1994. The main objective of the Treaty was the need to take advantage of a larger market size, to share the region's common heritage and enhance greater social and economic co-operation. It has 19 members, which include: Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe. On the other hand, the EAC is the regional intergovernmental organisation that is made up of Burundi, Kenya, Tanzania, Uganda, and Rwanda. The treaty that established EAC was signed 30th November 1999 with the major aim of widening and deepening co-operation among members.

In the Central African sub-region, ECCAS was founded in 1983 with 11 members, including: Angola, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon, Rwanda, and Sao Tome Principe. While in West Africa, ECOWAS was inaugurated in 1975 and it has 15 members, namely: Benin, Burkina Faso, Cape Verde, Cote D'Ivoire, Gambia, Ghana, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo. Furthermore, IGAD, which is a regional community established in 1986 with the basic objective that was geared towards a unified regional cooperation for handling drought and other natural disasters within the region. The member countries include: Djibouti, Ethiopia, Kenya, Somalia, Sudan and Uganda. Eritrea exited from IGAD in 2007. On the other hand, SADC was established in 1992 with 14 members when it transformed from the Southern African Development Coordination Conference (SADCC). The member countries of SADC include: Angola, Botswana, Democratic Republic of Congo, Madagascar, Malawi, Mauritius, Mozambique, Lesotho, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe (UNCTAD, 2006; 2008a; WTO, 2008; 2009; UNECA, 2010; African Union Commission, 2011).

This study focuses on the five RECs amongst the eight recognised by AU. The five selected for the study have established FTA. They include COMESA, EAC, ECCAS, ECOWAS and SADC and are bold letters in Table 1. This is with a view to exploring the possible interplay between trade outcomes and institutional quality as well as make policy recommendations.

Trade Outcomes in Selected Africa's RECs

The trade outcomes in the selected RECs in Africa especially with respect to intra-regional trade as a percentage of total Africa and world trade for the period 2000-2007 are reported Table 2. The Table shows the percentage of intra-REC export as share of export in Africa and the world in Segment A while intra-REC import as percentage of Africa and world total import is shown in Segment B.

As evident in Table 2, SADC relatively had greater intra-REC export both as a percentage of total Africa's export and that of the world compared to other RECs, while the lowest is recorded in ECCAS followed by EAC, COMESA and ECOWAS. In effect, ECCAS experienced some degrees of reduction between 2001 and 2007 where its value of intra-REC export as a share of total Africa's export declined from 1.69% to 1.15% and that of intra-REC export as share of total world export decreased from 0.14% to 0.10%. The values for intra-REC export in EAC declined between 2000 and 2007 where the share of its export in total Africa export reduced from 5.74% to 4.46% and the share in world export experienced reduction from 0.45% to 0.40%.

Table 2. Intra-RECs Trade as % of Total Trade in Africa and World

(A)	Intra-REC exports as % of total export in Africa					Intra-REC export as % of total export in the World				
	COMESA	EAC	ECCAS	ECOWAS	SADC	COMESA	EAC	ECCAS	ECOWAS	SADC
2000	17.65	5.74	1.51	22.62	35.79	1.38	0.45	0.12	1.77	2.80
2001	18.13	4.66	1.69	19.60	33.93	1.54	0.40	0.14	1.66	2.88
2002	17.92	4.49	1.42	23.88	32.97	1.67	0.42	0.13	2.22	3.07
2003	17.93	4.61	1.18	19.46	35.15	1.61	0.42	0.11	1.75	3.16
2004	18.45	4.93	1.15	22.73	33.90	1.59	0.43	0.10	1.96	2.92
2005	19.94	4.66	1.09	23.72	32.10	1.62	0.38	0.09	1.92	2.61
2006	12.32	4.56	1.17	21.24	30.18	0.99	0.37	0.09	1.71	2.43
2007	12.85	4.46	1.15	20.64	32.83	1.14	0.40	0.10	1.83	2.91
(B)	Intra-REC Import as % of total import in Africa					Intra-REC Import as % of total import in the World				
2000	16.61	3.63	1.78	21.24	33.64	1.45	0.32	0.16	1.85	2.93
2001	16.36	4.03	1.76	21.67	31.33	1.57	0.39	0.17	2.09	3.02
2002	16.89	3.97	1.41	18.78	32.15	1.55	0.36	0.13	1.72	2.94
2003	17.49	4.05	1.38	21.14	30.35	1.54	0.36	0.12	1.86	2.67
2004	16.21	3.94	1.16	22.47	32.98	1.47	0.36	0.11	2.03	2.98
2005	15.85	3.81	1.12	23.50	32.02	1.44	0.35	0.10	2.14	2.91
2006	15.52	4.44	1.08	20.65	30.21	1.49	0.43	0.10	1.98	2.90
2007	12.76	4.41	1.08	20.36	32.36	1.20	0.42	0.10	1.92	3.06

Source: Authors' Computation using Data from IMF- DOTS (2009) and UNECA (2010)

Similarly, the value of intra-REC import across the selected RECs as percentage of total Africa and world import as shown in Table 2 indicate that the level of intra-REC import in SADC was still higher than other RECs. The performance of intra-REC import both as share of African and world import was lowest in ECCAS, which reduced significantly between 2001 and 2007. This is followed by EAC, COMESA and ECOWAS both for intra-REC as a percentage of total import of Africa and world.

In addition, the trends in Intra-regional trade (export) across the selected RECs are reported in Figure 1. It could be observed that the trends of the intra-regional export in of the RECs had a similar pattern with the peak in 2008 and experienced sharp decline in 2009. This might have

resulted from the aftermath of the global economic crises. The trend for SADC was above others while the value for ECCAS was many times lower than the rest of the RECs.

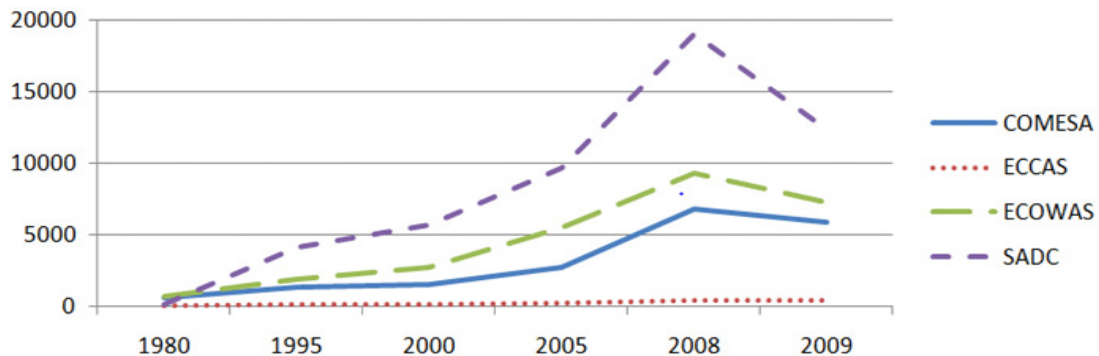


Fig. 1. Trend in Intra-Regional Trade (Exports in Millions of Dollars)

Note: Values for EAC were not available

Source: Authors' Computation using data from UNCTAD (2010)

From the foregoing, it could be inferred that the trade outcomes based on the analysis above in Africa's RECs are quite low as observed from the low percentage intra-REC export and import. Furthermore, SADC seems to have experienced better trade outcomes in comparison with other selected RECs in Africa. The reason for this may be linked to SADC's tariff reduction scheme that allowed member countries to choose the products on which their tariff will be based in tandem with the overall goal. On the other hand, ECCAS during the period presented experienced the least performance in trade outcomes, which may be traceable to the challenges in establishing a common tariff system that were expected to abolish duties and other non-tariff barriers such as quotas, prohibitions and administrative obstacles to intra-regional trade. The challenges were said to have also resulted from political upheavals and security challenges in some of the member states, which acted against the regional integration process (African Development Bank, 2005; Ndomo, 2009).

Institutional Quality in Selected Africa's RECs

In the light of foregoing, this study presents and discuss some indicators of institutional quality in the five selected RECs in Africa as reported are reported in Figures 2 to 4.

In Figure 2, the average score for the selected RECs on Corruption Perception Index (CPI) for the period 2000 (when the data was stratified by Transparency International) to 2008 on a scale of 0 (highly corrupt) to 10 (very clean-not corrupt) is presented. The information in the figure reveals that with the exception of SADC, all other RECs had a score that is lower than 3.00 all through the period. In effect SADC had scores that ranged from 3.89 to 5.04, which had relative improvement over the years except in 2002 when there was a reduction from 4.10 to 3.75 but it increased afterwards. This may imply that the control of corruption in SADC had experienced some improvement compared to other RECs although the degree of such increase was moderate.

For others, ECCAS appears to have the least score with the values that ranged from 1.82 to 2.33 which means that the severity of corruption was highest in ECCAS compared to other RECs. This was followed by EAC (ranging from 2.03 to 2.62), ECOWAS (with values between 2.42 and 2.89) and COMESA (ranging from 2.63 and 3.07).

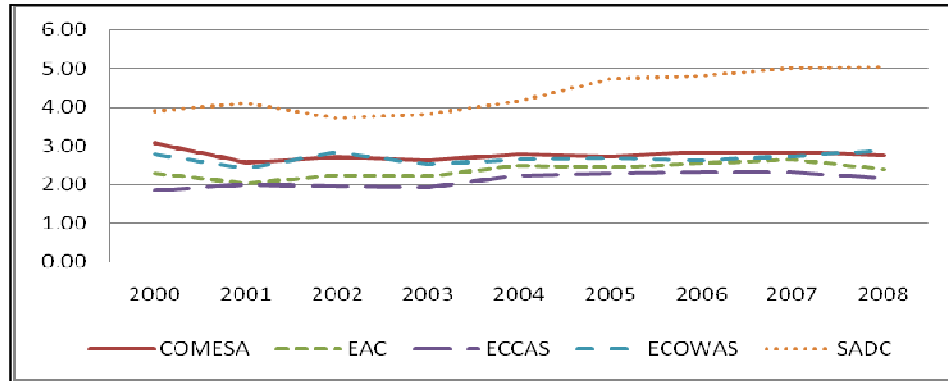


Fig. 2. Average Corruption Perception Index across RECs

Note: The average value for the respective RECs in the given period is used.

Source: Authors' computation using Data from African Development Indicators-ADI

The policy implication of the above finding is that the perceptions of corruption in Africa RECs are very high. This means that policies are needed to be put up with more renewed interests in the fight against corruption. In this wise, the various RECs as broad economic organ can assist in the vanguard against corruption by imploring their member states on the need to sincerely fight the menace of corruption. This can be achieved by setting benchmarks in the same way macroeconomic convergence criteria and tariff removals are spelt out.

Another indicator of institutional quality in the RECs as reported in Figure 3 is regulatory quality.

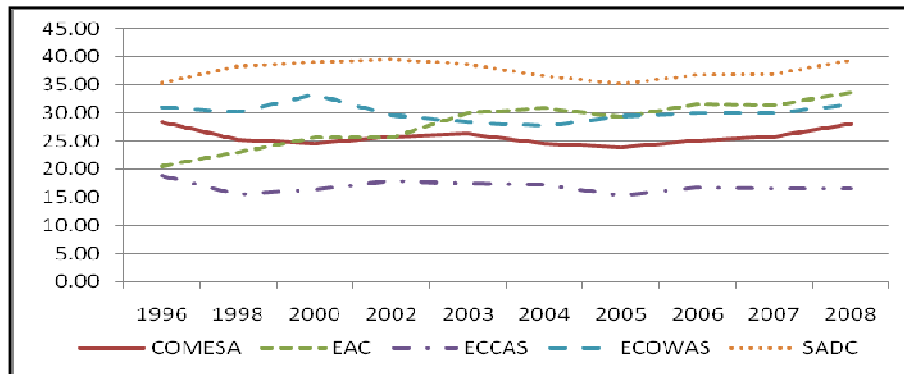


Fig. 3. Regulatory Quality (percentile rank 0-100)

Note: The average value for the respective RECs in the given period is used.

Source: Authors' computation using Data from African Development Indicators-ADI

This measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. As shown in Figure 3, the five RECs had scores that are less than 40. In other words, on the score of 100 maximum, all the RECs scored less than 40 percent which is reflection of poor regulatory quality across the RECs in Africa. Specifically, ECCAS had the lowest score in regulatory quality with values between 15.35 and 18.35. This is closely followed by EAC (20.50 to 33.58), COMESA (23.81 to 28.36), and ECOWAS (27.62 to 31.51). Again, SADC fared relatively better with values that ranged from 35.16 to and 39.61.

In figure 4, government effectiveness, which measures the quality of public services, the quality and degree of independence from political pressures of the civil service, the quality of policy formulation and implementation, and the credibility of the government's commitment to such

policies (World Governance Indicators –WGI, 2010; African Development Indicators -ADI, 2011) is reported.

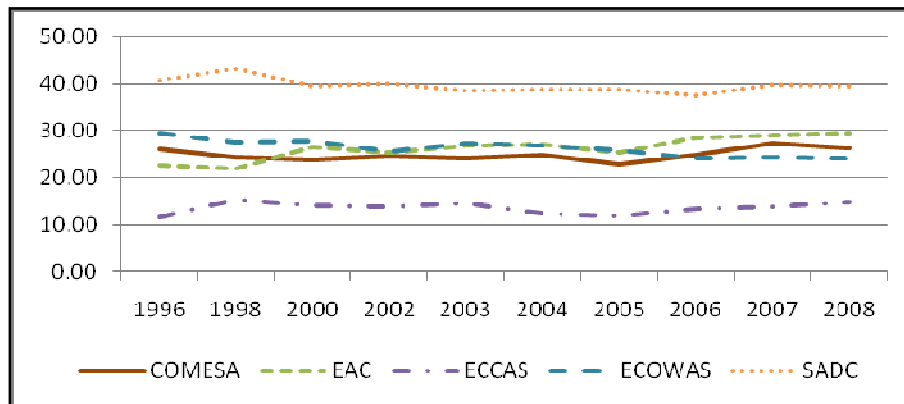


Fig. 4. Government Effectiveness (percentile 0-100)

Note: The average value for the respective RECs in the given period is used.

Source: Authors' computation using Data from African Development Indicators-ADI

This indicator has almost the same distribution across the RECs with SADC (37.68 to 43.26) still relatively above others and ECCAS (11.62 to 14.81) maintaining its lowest position followed by EAC (21.92 to 29.48), COMESA (22.88 to 26.33), ECOWAS (24.04 to 29.55), accordingly.

The major inference to be made from the above analysis is that institutional quality in Africa's RECs are rather lower than the general average (on scale of 100, median is 50). The policy implication that can be drawn from this is that there is urgent need to enhance and strengthen the institutional quality in African within RECs framework. This is needful as the Africa's RECs should not limit their activities to issues relating to trade facilitation (which is good) but much more than that help their integrating member countries on the ways of enhancing institutional quality especially regulatory quality and government effectiveness. This is essential for any meaning economic activities including trade as strong institutional quality will help to reduce the effects of adverse selection, non-adherence to procedures, transaction time and cost.

Trade Facilitation and Service Infrastructural in the Selected Africa's RECs

This section discusses some indicators of service infrastructure and trade facilitation across the selected RECs in Africa. This is because of the role of infrastructure in enhancing trade as well as the expected role of RECs in facilitating trade especially within the region. The levels of internet and telephone users per 100 persons across the selected RECs are reported in Table 3 for the period 1996 to 2008. The values in the Table provides the information that the level of infrastructure experienced some measures of improvement over the period presented. The figures were less than unity (1) prior to the year 2000 for internet users per 100 persons and across the RECs with the exception of SADC. Some significant increase can be observed beginning from the period 2001, which could be traced to the era when there was relative liberalisation of the telecommunication sector in most African countries.

Table 3. Indicators of Infrastructure across the Selected RECs

Year	Internet users per 100 people						Telephone users per 100 people				
	COMESA	EAC	ECCAS	ECOWAS	SADC	World	COMESA	EAC	ECCAS	ECOWAS	SADC
1996	0.06	0.00	0.00	0.03	0.10	1.46	0.18	0.02	0.1	0.07	0.35
1997	0.11	0.02	0.01	0.08	0.20		0.37	0.03	0.15	0.09	0.67
1998	0.31	0.04	0.06	0.19	0.49	3.99	0.69	0.07	0.14	0.19	1.2
1999	0.68	0.08	0.10	0.40	0.83		1.78	0.12	0.17	0.52	2.31
2000	0.98	0.17	0.6	0.62	1.40	8.21	3.06	0.38	1.48	1.03	4.3
2001	1.37	0.28	0.8	0.92	1.75		4.61	1.07	2.47	1.91	6.2
2002	2.00	0.49	1.04	1.23	2.28	13.89	5.87	1.89	4.03	3.34	7.82
2003	2.57	1.08	1.45	1.69	2.84		7.36	3.44	5.30	4.18	10.34
2004	3.75	1.25	1.93	2.29	3.73	18.66	9.28	4.51	7.83	6.52	13.1
2005	4.84	1.60	2.35	2.84	4.32		12.07	7.08	11.81	9.77	18.45
2006	6.34	2.93	2.71	3.18	4.84	23.02	16.61	10.97	16.4	15.88	24.36
2007	7.33	3.33	3.17	3.87	5.39		22.71	16.89	23.34	24.08	31.62
2008	8.47	4.66	3.67	7.79	5.93	23.38	30.76	26.43	31.52	35.62	39.39

Note: The values are the average for Regional Economic Communities and the World

Source: Authors' compilation from World Development Indicators (2011)

The values for the presented indicators of infrastructure are quite low across selected African RECs compared to the world average. For instance, the world average increased from 3.99 in 1998 to 23.38 in 2008 for internet users per 100 persons. Whereas across the RECs, it increased from 0.31 to 8.47 in COMESA, 0.04 to 4.66 in EAC, 0.06 to 3.67 in ECCAS, 0.40 to 7.79 in ECOWAS and 0.49 to 5.93 in SADC within the same period. This implies the need for improvement of infrastructure in the respective RECs in Africa. Some of the RECs have the development of regional infrastructure in their agenda; however, the ways to expedite the process and the implementation is suggested.

Furthermore, the indicators of trade facilitation especially the number of days to prepare documents for export and the number of documents needed for export are presented in Table 4 for the period 2006 to 2009. As it is evidenced in Table 4, the longest period in terms of number of days to process documents for export across the RECs was in ECCAS, where it took as much as 54.33 days in 2006, followed by COMESA, where it took 48.20 days to process documents for export. Between 2006 and 2009, there was some improvement as the number of days reduced considerably but ECCAS still remaining the region with the longest period to process documents. A similar observation can be made for the number of documents that are required for exports. The number of documents required was highest in ECCAS with 9.56 documents in 2006, which was closely followed by COMESA that requires 9.47 documents.

When compared to the world average both number of days and documents required for export were higher in the selected Africa's RECs than the world average. For example in 2008, it took 37.68, 31.00, 45.18, 29.57 and 36.64 days to prepare documents in COMESA, EAC, ECCAS, ECOWAS and SADC, respectively, compared to the world average of 24.68. Similarly, the number of documents needed to process export in 2008 was 7.84, 7.25, 8.45, 8.00, and 7.57 in COMESA, EAC, ECCAS, ECOWAS and SADC, respectively, whereas it took 6.73 for the world average within the same prepared.

Table 4. Number of Days and Documents Required for Export

	Days for export				Documents for Export			
	2006	2007	2008	2009	2006	2007	2008	2009
RECs								
COMESA	48.20	40.84	37.68	36.53	9.47	9.47	7.84	7.68
EAC	38.00	31.00	31.00	31.00	8.75	8.50	7.25	7.25
ECCAS	54.33	46.36	45.18	45.27	9.56	8.91	8.45	8.55
ECOWAS	37.80	29.71	29.57	28.29	8.80	8.00	8.00	7.57
SADC	40.08	38.00	36.64	36.43	8.23	8.14	7.57	7.57
World	26.86	25.69	24.68		7.15	6.90	6.73	

Note: The values are the average for Regional Economic Communities and the World

Source: Authors' compilation from World Development Indicators (2011)

The major fallout from this discourse is the need to reduce the bureaucratic delays in the processing of documents for export. This can be achieved by the use of modern telecommunication technologies such as adopting online registration process where the potential exporter can initiate the process and then the respective agency of the government such as the customs can process without delay. This will go a long way to reduce delays associated with export and trade in general. In this regard, the process and cost of trade (transaction) will be significantly reduced.

Summary, Policy Recommendations and Conclusion

This study set out to investigate trade outcomes and institutional quality in Regional Economic Communities (RECs) in Africa. This was achieved using five selected RECs that have been able to establish free trade area (FTA) from the eight RECs that are recognised by African Union which includes; Common Market for Eastern and Southern Africa (COMESA); East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS) and Southern African Development Community (SADC). The data sourced from African Development Indicators, among others, were discussed using descriptive and statistical techniques. From the analysis carried out in the study, the following findings and policy recommendations were made.

The indicators of trade outcomes in the selected Africa's RECs were found to be low given the fact that the percentage of intra-RECs export and import in total export and import of Africa and the world were low. One of the factors alluded to the low trade outcomes as was seen in the case of ECCAS was the challenge of establishing a common tariff system that is supposed to reduce non-tariff barriers such as custom duties, quotas, prohibitions and administrative obstacles to intra-regional trade. A related reason was the issue of political uncertainties in some of the member states in the selected RECs.

It was also found that the institutional quality in Africa's RECs was low using some indicators such as: corruption perception index, regulatory quality and government effectiveness. Precisely, the study noted that, except for SADC, all other RECs investigated had scored less than 3.00 on a 10.00 scale in corruption perception index, which is an indication of severe corruption level throughout the period 2000 to 2008. On a related note, it was found that regulatory quality, which measures government's ability to formulate and implement sound policies and regulations that permit and promote private sector development, was equally low. On 100 percentile scale, the selected RECs scored less than 40 with others such as ECCAS having the lowest score that revolved between 15.35 and 18.35 from 1996 to 2008. A similar finding was made for government effectiveness where ECCAS scored between 11.62 and 14.81 within the same period.

The policy implication of the above findings is that urgent policies are needed to be put in place with frantic and sincere efforts based on renewed interests to combat the *monster* of corruption. It is thus recommended that the various RECs in Africa as broad economic *umbrella* should play a more proactive role in the vanguard of fighting corruption, which can be achieved by imploring their member states with concrete benchmarks in the same way macroeconomic convergence criteria and tariff removals are spelt out. It is also recommended that there is urgent need to enhance and strengthen the institutional quality in Africa within RECs framework. This is imperative as RECs in Africa need not limit their oversight functions mainly to issues relating to trade facilitation but more importantly, should help their member states on the ways of enhancing the quality of their institutions especially regulatory quality and government effectiveness. When this is in place, it will help to reduce the effects non-adherence to procedures as well as cost of transaction that are associated with trade.

The study also assessed some indicators of infrastructure and trade facilitation across the selected RECs in Africa given their possible role is enhancing trade as well as the expected role of RECs in facilitating trade especially within the various regions. It was found that the infrastructural facilities in the selected RECs in Africa were quite low compared to the world average. In effect, it was observed the world average increased from 3.99 in 1998 to 23.38 in 2008 for internet users per 100 persons, whereas across the RECs it increased for less than one-quarter of the world average within same period. The indicators of trade facilitations especially the number of days and documents for export for the period 2006 to 2009 were also found to create bureaucratic delays as they were rather too high and more than the world average. It took up to 45.18 and 37.68 days in 2008 to export in ECCAS and COMESA, respectively compared to the world average of 22.15 days.

The implication of the above findings is the need for improvement of infrastructure in the respective RECs in Africa. Some RECs have the development of regional infrastructure in their agenda but the ways to accelerate the process and the implementation is strongly recommended. A complementary recommendation is the need to reduce the bureaucratic delays in the processing of documents for export, which can be achieved by the use of modern telecommunication technologies. The process should include the use of online registration and application where a potential export can initiate the process to the respective agency of the government for approval without delay. This will help to reduce delays and costs in trade transactions.

The study concludes that improvement of institutional quality especially regulatory quality and government effectiveness, in tandem with enhanced infrastructural facilities such as a broad-based internet provision that will reduce bureaucratic delays, will play crucial roles in promoting trade outcomes (intra-regional trade) in Africa's RECs.

Acknowledgements

The authors appreciate Trade Policy Training Centre in Africa (TRAPCA) for sponsoring full cost of participation at the TRAPCA's Trade Policy Research Forum 2011, Arusha, Tanzania, 8-9th August, 2011. Useful comments from participants at the Forum are also appreciated.

References

1. African Development Indicators (2011) *African Development Indicators*, Washington DC: World Bank.
2. African Union Commission (2011) *About African Union*, , available at <http://www.au.int/en/>. (Accessed 5th February, 2011).

3. Alemayehu, G., Kibret, H., Regional Integration in Africa: A Review of Problems and Prospects with a case Study of COMESA, *Journal of African Economies*, Vol.17, No.3, 2008, pp.357–394.
4. Collier, P., *The Bottom Billion: Why the Poorest Countries are Failing and what can be done about it*, USA: Oxford University Press, 2008.
5. Elbadawi, I.A., “The Impact of Regional Trade and Monetary Schemes on Intra-Sub-Saharan Africa Trade”, in A. Oyejide, I. Elbadawi and P. Collier (eds.), *Regional Integration and Trade Liberalisation in Sub-Saharan Africa*, pp.210-255, New York : St Martin’s Press, 1997.
6. Ezeoha, A.E., Cattaneo, N., “FDI Flows to Sub-Saharan Africa: The Impact of Finance, Institution and Natural Resource Endowment”, Paper Presented at the *CSAE Conference, Oxford University*, 20th - 22nd March, 2011.
7. Fosu, A.K., *Terms of Trade and Growth of Resource Economies: A Tale of Two Countries*, UNU-WIDER Working Paper, No.2011/28, 2011.
8. Greif, A., *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*, Cambridge: University Press, 2006.
9. Mehlum, H., Moene, K., Torvik, R., Institutions and the Resource Curse”, *The Economic Journal*, Vol.116, 2006, pp.1-20.
10. Ndomo, A., *Regional Economic Communities in Africa: A Progress Overview*, Study Commissioned by GTZ-East African Communities, Germany, 2009.
11. North, D. C., Institutions, *The Journal of Economic Perspectives*, Vol. 5, No.1, 1991, pp. 97-112.
12. Olayiwola, W.K., Okodua, H., Osabuohien, E.S., (2011), *Economic Integration, Trade Facilitation and Agricultural Exports Performance in ECOWAS Member Countries*, Final Report Submitted to ECOWAS Commission, Abuja, July.
13. Osabuohien, E.S., *Analysis of International Trade Performance in Selected SSA Countries: The Impact of Institutional Framework*, Unpublished Ph.D Thesis Submitted to Department of Economics and Development Studies, Covenant University, Ota, 2011.
14. Osabuohien, E.S., Efofi, R., *Empirical Investigation on Role of Infrastructure in Determining Manufacturing Export in SSA*, presented at International Workshop on The Determinants and Effects of Trade and Foreign Direct Investment in Sub-Saharan Africa, RUB-ISSER, Busua, Ghana, 26-28th October, 2010.
15. Oyejide, T. A., Njinkeu, D. (eds.). *Africa and the World Trading System: Country Case Studies*, Vol.2, pp.1-12, New Jersey: Africa World Press, 2007.
16. Oyejide, T.A., *Regional Integration and Trade Liberalisation in Sub-Saharan Africa*, Special Paper No. 28, African Economic Research Consortium, Nairobi, 1997.
17. United Nations Conference on Trade and Development- UNCTAD. *Handbook of Statistics*, Washington DC: United Nations, 2010.
18. United Nations Economic Commission for Africa-UNECA. *Assessing Regional Integration in Africa I*, Addis Ababa: UNECA, 2004.
19. United Nations Economic Commission for Africa-UNECA. *Assessing Regional Integration in Africa IV: Enhancing Intra-African Trade*, Addis Ababa: UNECA, 2010.
20. Williamson, O.E., The New Institutional Economics: Taking Stock, Looking Ahead, *Journal of Economic Literature*, Vol. 38, No. 3. 2000, pp. 595-613.
21. World Bank. *World Trade Indicators 2009/10, 2010 available at <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:22421950~pagePK:148956~piPK:216618~theSitePK:239071,00.html>*. (Accessed 12th February, 2010).
22. World Bank. *World Development Indicators*, Washington DC: The World Bank, 2011.
23. World Trade Organisation. *International Trade Statistics*, Geneva: WTO, 2009.
24. Yang, Y., Gupta, S., Regional Trade Arrangements in Africa: Past Performance and the Way Forward, *African Development Review* , Vol.19, Issue 3, 2007, pp. 399-431.

Rezultatele comerțului din cadrul comunităților economice regionale din Africa și calitatea instituțională: câteva recomandări tactice

Rezumat

Criza economică globală din 2007-2008 care a amenințat structura economico-financiară a multor țări a supus din nou atenției caracterul esențial al unei calități instituționale puternice. Acest fapt are o importanță deosebită întrucât a avut un impact major asupra rezultatelor comerțului din multe țări, inclusiv din Africa. Spre exemplu, exporturile de mărfuri ca procent din PIB-ul SSA s-a micșorat cu 17,9% în 2007. Astfel, articolul de față examinează eficiența REC în Africa în ceea ce privește rezultatele comerțului prin intermediul unor indicatori, lucru posibil în urma preluării de date din cadrul African Development Indicators, printre alte surse (1996-2008). Analiza datelor prin tehnici descriptive și statistice a stabilit, printre altele, faptul că indicatorii respectivi și calitatea instituțională aveau o valoare scăzută și difereau în mod marcant printre comunitățile economice REC din Africa. Studiul recomandă ameliorarea calității instituționale în tandem cu creșterea facilităților infrastructurale, ceea ce va avea un rol crucial în promovarea rezultatelor comerțului din REC Africa.