By Célestin Monga

When Kwame Nkrumah, under whose leadership Ghana became the first African country to claim independence in 1957, was overthrown by a military coup in 1966, few of his fellow citizens shed a tear for his regime. But one aspect of his legacy remains relevant to this day and merits careful consideration.

Nkrumah was a visionary and charismatic leader whose focus was on modernizing Ghana and on campaigning for Africa's political unity. His most brilliant idea was to integrate the continent and create the United States of Africa. But he favored the development of costly, capital-intensive projects, which led to unsustainable foreign debt and deficits while creating few employment opportunities. Economic contraction led to widespread unrest and to a loss of credibility for the idea of African integration, and to a fallout with his famous economic adviser, the future Nobel laureate W. Arthur Lewis.

Nkrumah's intuition about the potential benefits of Africa's integration was based on a sound economic rationale, which he failed to articulate convincingly. With 16 landlocked countries, Africa is more fragmented than any other continent. The small size of many countries and the resulting fragmentation of domestic markets result in various diseconomies of scale, impeding economic development. In 2017, more than three-quarters of African countries had fewer than 30 million people, and about half had a GDP of less than $10 billion.

After Nkrumah's fall from power, other African leaders took up his goal of building the United States of Africa, based on the Organization of African Unity. The OAU subsequently adopted a series of treaties to make economic integration a reality. The African Economic Community was created in 1991, and, after the OAU was disbanded in 2002, leaders adopted the African Union Agenda 2063 in 2015. The continent's leaders also created a large number of regional institutions to make incremental progress toward Nkrumah's goal.

Unfortunately, overlapping and often contradictory regional economic communities have constituted a mostly ineffective "Spaghetti bowl" of institutions with little authority and weak analytical capacity. This has made African integration sound like an empty political promise used by leaders who have little will to make it happen.

Moreover, researchers have cast doubt on the goal of integration. All African economies combined still represent only about 3% of global GDP, and purchasing

power remains low. Why, then, devote limited financial resources to building costly infrastructure aimed at integrating the continent? While creating a single African market is a desirable goal, pursuing it must not distract national policymakers' attention from the huge potential gains to be had from integration into the global economy.

A new study from the African Development Bank provides evidence that both objectives are not mutually exclusive; in fact, they could be mutually reinforcing. The report also examines the potential gains from regional public goods, such as synchronizing financial governance frameworks, pooling power, opening skies to competition, and opening borders to free movement of people, goods, and services.

The study shows that a borderless continent that enables agricultural and industrial production across national boundaries is the foundation of a globally competitive African market, because it would offer economies of scale to investors, while creating much bigger markets and providing new opportunities for small firms and large. It would also help eliminate monopoly positions and enhance cross-border spillovers between coastal and landlocked countries.

Moreover, integration can improve regional security, because the expansion of international trade often correlates with a reduction of conflict. Deeper market integration for goods, infrastructure services, and key factors of production (labor and capital) is especially important – both economically and strategically – for Africa's small and fragmented economies.

In a world where 60% of trade occurs through global value chains, Africa must industrialize to diversify away from natural resources and create jobs for its fast-growing young population. By boosting intra-continental trade, consumption, and investment, regional integration can be a strong vector for improving productivity, building manufacturing powerhouses, and developing credible African brands. Open regionalism could also stimulate connections between small and medium-size enterprises and international value chains, thereby enabling these firms to enter global markets.

In particular, five trade measures could bring total gains worth 4.5% of Africa's GDP, or $134 billion a year – almost the amount of all official development aid in 2017. The first is elimination of all bilateral tariffs. Second, country-of-origin rules (needed to determine the source of a product) should be kept simple, flexible, and transparent. Third, all nontariff barriers on trade of goods and services should be

removed on a most-favored-nation basis. Fourth, the World Trade Organization’s Trade Facilitation Agreement should be implemented to reduce the time it takes to cross borders and the transaction costs associated with nontariff measures. Lastly, tariffs and nontariff barriers applied to trade with other developing countries should be reduced by half on a most-favored-nation basis.

The economic rationale for Nkrumah’s dream was stronger than previously thought. The adoption of the African Continental Free Trade Area by African leaders in 2018 is giving it new momentum. With the right balance of audacity and pragmatism, regional integration could yield large dividends for Africa and the world alike.

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