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Assessing Regional Economic Integration and its Impact on Global Trade Patterns in Central Region of Malawi

Godfrey Hezekiahdi Kamanga[1], Sr. Dr. Fatima Mary[2]

[1]MBA Finance & International Business, DMI St. Eugene University, Lusaka, Zambia

[2]Doctor of Philosophy, DMI St. Eugene University, Lusaka, Zambia

ABSTRACT

This study assesses the state of regional economic integration and its subsequent impact on global trade patterns, with a specific focus on the Central Region of Malawi. The research investigates the effectiveness of Malawi's key trade partnerships and evaluates the policies governing its participation in regional economic communities. A mixed-methods approach was adopted for data collection, utilizing both primary and secondary data sources. Quantitative data on trade flows were supplemented with qualitative insights to provide a comprehensive analysis. Data were analysed using Statistical Packages for the Social Sciences (SPSS) as well as econometric models. The findings reveal a significant implementation gap. While policies for regional economic integration exist on paper, their execution is severely hindered by a multitude of constraints. A critical factor identified is a widespread lack of awareness of these policies among relevant stakeholders. Consequently, the potential benefits of integration for enhancing Malawi's global trade patterns remain largely unrealized. The study concludes that for Malawi to better leverage regional integration for global trade advantages, a concerted effort towards policy awareness, capacity building, and addressing implementation barriers is urgently required.

Keywords Regional Economic Integration, Global Trade, Trade Policy, Mixed Methods, SPSS

1. Introduction

According to Mohammed (2018), Africa’s growth and trade performances have been dwindling over the past years in terms of their share of world trade and world output. Several reasons have been attributed to Africa’s poor economic performance ranging from institutional, political and geographic factors. Rodrik (1998), suggests that one of the major obstacles to the economic prosperity is with the trade restrictions that are imposed on the products in and outside the African region, which makes them less competitive at the global level. For these reasons, countries have initiated regional economic integration (REI) schemes to improve their trade and economic performance (Mohammed, 2018). The quest for REI dates back to the 1950s, when leaders such as Nkrumah of Ghana, Touré of Guinea, Kaunda of Zambia, Nasser of Egypt and Nyerere of Tanzania proposed the continent’s REI. However, the majority of African leaders were of the opinion that the continent’s REI was overly ambitious and thus recommended sub-regional groupings (Mohammed, 2018).

In 1991, the Abuja Treaty established a framework for the African Economic Community (AEC), outlining a roadmap for continent-wide integration by 2028 (Alemayehu & Haile, 2002). Despite these efforts, intra-African trade remained low compared to other regions globally, accounting for only 17% of total African trade in 2017, compared to 59% in Asia and 69% in Europe (UNCTAD, 2019). Recognizing the need for deeper economic integration, the African Union launched the African Continental Free Trade Area (AfCFTA) in 2018, a landmark agreement aiming to create a single market for goods and services across Africa. The AfCFTA was expected to boost intra-African trade by 52.3% by 2022, according to the United Nations Economic Commission for Africa (UNECA, 2018).

Despite the potential benefits of RTAs in Africa, several challenges have hindered their effectiveness, leading to fragmented markets and limited economic integration. One major issue has been the persistence of protectionist policies among member states. While RTAs aim to reduce trade barriers and promote intra-regional trade, many countries have retained tariffs and non-tariff barriers to protect their domestic industries. This protectionism not only stifles competition but also limits the benefits of regional integration, as countries remain reluctant to fully embrace trade liberalization (Oyejide, 2017). Another significant challenge has been the fragmentation of markets across the continent. Africa comprises a diverse array of economies, each with unique trade regulations, currencies, and standards. This diversity can lead to inefficiencies, as businesses face difficulties navigating multiple regulatory environments. The lack of harmonization among different RTAs further complicates the situation, creating a patchwork of agreements that can confuse traders and inhibit cross-border commerce. For example, businesses operating within the EAC may find themselves facing different tariffs and regulations when trading with countries in SADC (Miyandazi, 2019).

In the context of Malawi’s Central Region, regional economic integration, particularly within blocs like SADC, presents both opportunities and challenges. The region’s agricultural base and emerging urban centres position it well to benefit from increased trade. However, persistent issues such as logistical barriers and regulatory misalignments hinder full participation in global markets. This study aims to assess how regional integration influences global trade patterns in the Central Region of Malawi. By analysing trade flows and integration mechanisms, the research seeks to identify strategies that strengthen Malawi's role in international trade.

2. Literature Review

The historical context of trade theory dates back to ancient civilizations, with evidence of sophisticated trade networks existing as early as 5,200 years ago in Southern Mesopotamia, where the city of Uruk housed the first class of middlemen and trade intermediaries within a cooperative network that set patterns enduring for millennia (Saylordotorg.github.io). However, modern theoretical frameworks began emerging during the mercantilist period in the 16th century, with subsequent developments responding to both empirical observations and changing geopolitical realities. The contemporary global economy is characterized by simultaneous processes of globalization and regionalization, where nations pursue multilateral trade liberalization while also forming deeper regional partnerships, creating a complex web of economic relationships that theorists continue to analyze and interpret (Weiss, 1999; CIAO Test).

From a theoretical perspective, regional integration can be understood as a second-best outcome when multilateral liberalization proves politically difficult to achieve. The theory of second best developed by Richard Lipsey and Kelvin Lancaster suggests that when multiple market distortions exist, removing only some distortions (through regional rather than global liberalization) may not improve welfare. This insight helps explain why economists often display ambivalence toward regional trade agreements despite their proliferation (ECA, 2004).

The relationship between trade theory and integration theory has evolved over time. Early customs union theory drew heavily on traditional trade models, while contemporary analyses of regional integration increasingly incorporate elements from new trade theory, such as economies of scale, imperfect competition, and agglomeration effects. This theoretical integration reflects the recognition that regional integration affects not just inter-industry trade based on comparative advantage but also intra-industry trade based on product differentiation and scale economies (DeRosa, 1998).

It is worth noting that African regional integration efforts represent a concerted response to the continent's historical fragmentation during the colonial era and its subsequent challenges in the post-independence period. The foundational principle behind these initiatives has been to overcome the limitations of small, fragmented national markets by creating larger economic spaces that can foster economies of scale, enhance trade, strengthen global negotiating positions, and promote peace and security. The historical context of these efforts, dates back to the immediate post-colonial period when newly independent states sought to extend liberation movements and build economically viable and politically united geographical entities. This integration dynamic reflected the prevailing European experience, which emphasized free trade within a common external tariff area as a pathway to prosperity and stability (Bégoto &Djimbaye, 2019)

Challenges and Opportunities in African Regional Integration

Challenges

African regional integration faces several persistent challenges that have limited the effectiveness of various initiatives across the continent. To begin with, the regions have been faced with political instability and governance issues such as coups d'état, civil conflicts, and political transitions have disrupted regional integration processes in multiple regions, particularly in West and Central Africa. The persistence of authoritarian governance in some countries has also complicated democratic accountability within regional organizations (Bégoto &Djimbaye, 2019; Statement on South Africa's Foreign Policy Engagements and Diplomatic Achievements, 2025). Secondly, the tendency of overlapping memberships characterizes the African Region Integration. Many African countries belong to multiple Regional Economic Communities with sometimes conflicting agendas and obligations. This membership duplication strains administrative capacity and financial resources while creating coordination challenges (AU, 2025). Also, the African Regional Integration faces infrastructural deficits such as inadequate transportation networks, energy grids, and communication infrastructure which physically constrain regional integration by limiting the movement of goods, services, and people across borders (Bégoto &Djimbaye, 2019). Additionally, many RECs suffer from inadequate funding and technical capacity to implement their ambitious agendas, leading to gaps between policy adoption and actual implementation. Another challenge which the RECs face is usually the external influences. In this regard, former colonial powers and emerging global powers like China and Russia continue to exert influence that sometimes undermines regional cohesion and prioritizes bilateral relationships over regional integration (Chikhaoui, 2024).

Opportunities

Despite these challenges, African regional integration presents significant opportunities for development and stability. Firstly, there is demographic dividend which implies that Africa's young and growing population represents a potential market and labour force that could drive economic growth if properly integrated and leveraged (Chikhaoui, 2024). Also, the continent's vast natural resources, including minerals, energy resources, and agricultural potential, provide a foundation for complementary economic development if managed cooperatively (Opportunity Listing, 2025). Additionally, rapid technological adoption, particularly in mobile communications and financial services, offers opportunities to leapfrog traditional infrastructure constraints and foster digital integration. Furthermore, regional cooperation on climate change mitigation and adaptation, as exemplified by Central Africa's Forest conservation initiatives and Southern Africa's climate-resilient health systems, represents both an ecological imperative and an opportunity for sustainable development (WHO, 2025; Opportunity Listing, 2025).

African regional agreements have evolved significantly since the immediate post-colonial period, developing from loosely coordinated groupings to increasingly institutionalized frameworks with ambitious integration agendas. While progress has been uneven across regions and sectors, the overall trajectory has been toward deeper cooperation and more comprehensive approaches to addressing common challenges. The institutional landscape is characterized by a complex ecosystem of Regional Economic Communities recognized by the African Union as building blocks for continental integration (AU, 2025)

Trade creation and trade diversion

Viner (The Customs Union Issue, 1950) spearheaded a field of study that has itself become a specialist in international economics combining theoretical and empirical aspects of the subject matter. Viner initiated the terms trade creation and trade diversion and stated that regional economic integration could lead either to trade diversion or trade creation. Trade creation occurs when some domestic production of a customs union's member is replaced by another member's lowest cost imports Carbaugh (2004). Its effect consists of a consumption effect and a production effect. Some researchers suggest that if the effect of trade creation is not above the effects integrative process brings in terms of removing protections in future partner countries, then Viner's theory is debatable, and therefore, just a sheer extension of free trade (Mohammed, 2017).

Trade diversion is where goods are imported from a low-cost supplier not belonging to the union as replacement for a higher cost supplier within the union. Trade creation and trade diversion have since been treated as synonymous with the impact of a customs union and other regional economic integration agreements following Viner's book, particularly if trade barriers between neighbouring countries are reduced, it is often argued that customs unions and free trade areas could increase economic efficiency in the allocation of resources, by gradually contributing to the strengthening of trade internationally (Mohammed, 2017). If a Regional Integrated Area (RIA's) trade creation is greater than its trade diversion, then the RIA is considered to have a positive contribution to the welfare of member states, in terms of traditional economic surpluses (Mohammed, 2017). However, the emergence of such economic entities, could also promote trade diversions and become a means of economic inefficiency. For example, if the most competitive producers of a product are suddenly removed from the regional market because of the customs union.

3. Methodology

Research Design

Non-experimental research design was used for this study (Ricker-Gilbert et al., 2015). Non-experimental research is used to observe and describe variables of interest without engaging in controlled experiments or trials for the validity of information. This type of research design involves collecting data from individuals or groups through methods such as observation, surveys, and interviews usually in social science research, whereas control trials are conducted in natural sciences. Non-experimental research is used when the researcher wants to describe a particular situation, explore relationships between variables, or make predictions about future events. Therefore, descriptive research was chosen considering the purpose of the study, the research questions, and the magnitude of the target population.

Notwithstanding, apart from the primary data which was collected by the researcher, the study also used secondary data relevant for the study. This data was sourced from United Nations Commodity Trade Statistics Database (UN Comtrade), IMF data, COMESA, SADC and National Statistical Office of Malawi (NSO). This was aimed at strengthening the findings as the study did not use probability sampling

According to Saunders et al. (2009), descriptive research is defined as research aimed at producing an accurate representation of people, events, or situations. This type of research has the advantage of generating a considerable number of responses from a wide range of participants, enabling researchers to explore specific questions of interest or value with greater confidence.

However, there are some weaknesses associated with this method. For instance, it can be time-consuming to ensure that the sample is representative, and it may require a larger sample size than experimental research. Additionally, designing and piloting data collection instruments can be costly in efforts to achieve a good response rate. Furthermore, there is a limit to the number of questions that any questionnaire can include for respondents.

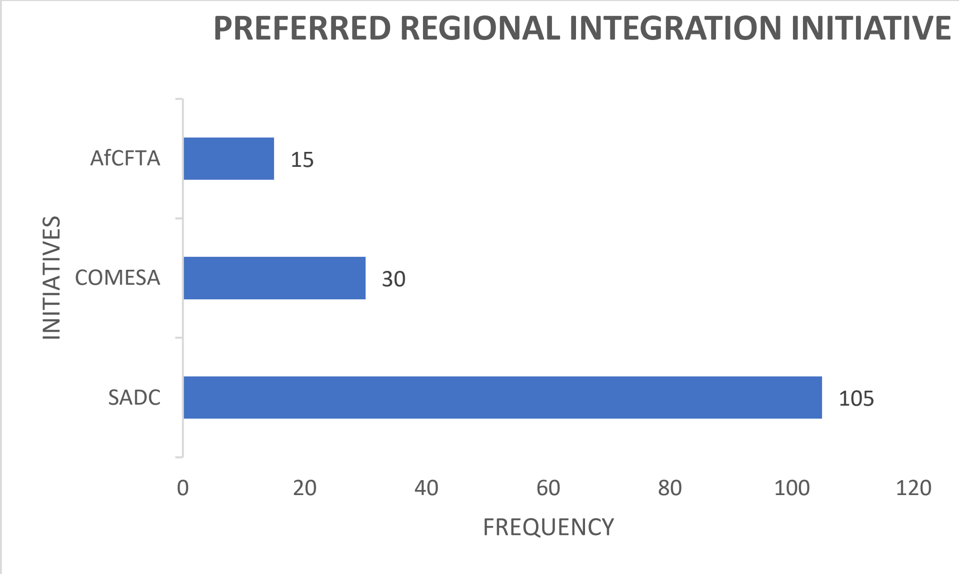
Despite these limitations, the descriptive research design is often considered the most appropriate for studies aligned with specific research objectives. Cooper and Schindler (2001) state that sampling refers to the process by which part of the population is selected and conclusions are drawn about the entire population.

The study focused specifically on Malawi's Central Region, which includes districts such as Lilongwe, Dowa, Mchinji, and Dedza. This region was selected because it contains the capital city (Lilongwe) and represents a strategic economic zone with comparative advantages in agricultural production and emerging light manufacturing. The research did not cover the Northern and Southern regions in depth, though comparative insights would be drawn where relevant.

Statistical Packages for Social Sciences (SPSS) and Microsoft Excel were employed to analyse the data. For secondary data, gravity model and other econometrical techniques were used.

4. Findings / Observations

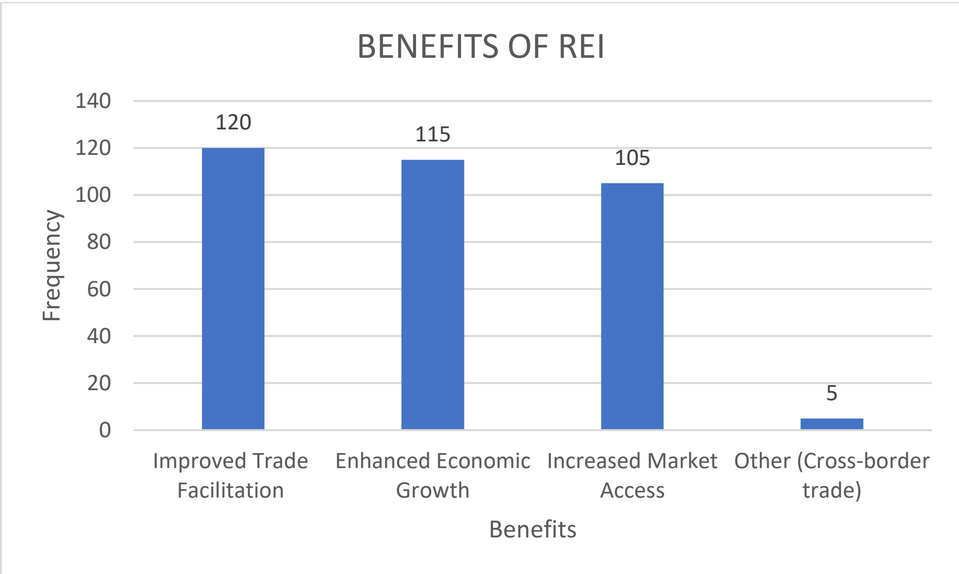
Figure 1: Relevant Regional Economic Integration Initiatives



The study established that majority of the Central Region traders prefer conducting trade in SADC as evidenced by 70% of the respondents' views as compared to COMESA which was suggested by 20% of the respondents. AfCFTA was the least preferred initiative as only 10% of the respondents cited it as critical.

Benefits of Regional Economic Integration in Malawi

Figure 2: Benefits of Regional Economic Integration in Malawi



The study established that there were several benefits that the Central Regional of Malawi realizes from regional economic integration. The respondents mentioned improved trade facilitation, enhanced economic growth, increased market access and other cross-border trade.

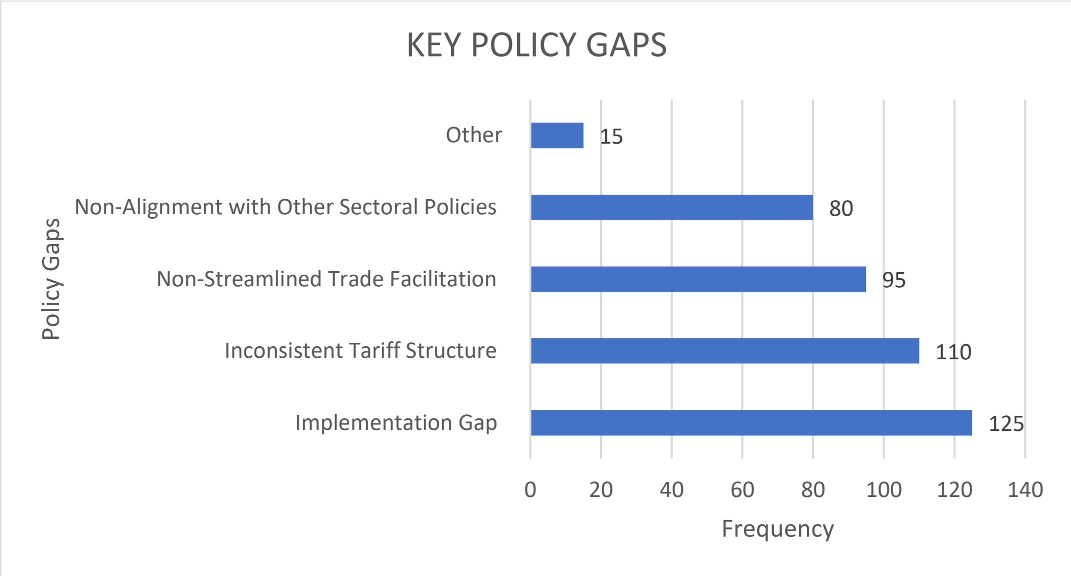
Table 1: Cooperation level by Occupation

Occupation	**Good**	**Slightly Poor**	**Poor**	**Total**
Government Official	60 (70.6%)	15 (17.6%)	10(11.8%)	85
Business Owner	10(50%)	5(25%)	5(25%)	20
Trade Expert	15(75%)	5(25%)	0(0%)	20
Other	5(20%)	5(20%)	15(60%)	25
Total	90	30	30	150

The study tabulated the results by examining how the original perception varies by respondent's occupation. It was established that Government Officials and Trade experts have an overwhelmingly positive view, with 70.6% and 75% rating cooperation as 'good' respectively. This suggests satisfaction with formal diplomatic and policy-level engagement. Business Owners were more mixed, with a smaller majority (50%) viewing it positively. This implies they experience practical hurdles that officials may not. The "Other" category which includes NGO workers and private sector employees is highly critical, with 60% rating cooperation as 'poor'. This may indicate they see the implementation failures and bottlenecks more clearly in their daily operations.

Key Trade Policy Gaps Identified

Figure 3: Key Trade Policy Gaps Identified



5. Conclusion and Recommendations

The path to successful regional integration for Malawi's Central Region is clear but requires unwavering political will, a radical shift from policy design to implementation and a genuine partnership with the private sector. The study identified a consensus around key advantages, including improved trade facilitation, enhanced economic growth, increased market access and other cross-border trade benefits. It is worth noting that these benefits are interconnected and form a logical progression from operational improvements to broader macroeconomic gains. The study also established that Malawi has policies in place, what lacks is effective execution. However, it was worrisome to establish that the lack of policy execution was partly due to lack of clarity of the policies and lack of awareness. It is also worth noting that the study established that Malawi maintains a comparative advantage in agricultural products but faces erosion in some sectors and has not developed new competitive advantages in manufactured goods. Further, regional trade agreements have increased trade flows but below potential levels, constrained by infrastructure deficits, macroeconomic instability, and regulatory barriers.

There is a need to conduct research on how different groups such as large estates versus smallholder farmers, men versus women, are affected by regional integration policies to ensure inclusive growth. Further research needs to be conducted on in-depth studies on the specific constraints and opportunities within the tobacco, tea and legume value chains to identify precise points for intervention and value addition.

By treating these recommendations as an interconnected package rather than a menu of options, Malawi can transform its economy from a vulnerable exporter of raw materials into a resilient, diversified and competitive trader within Africa and the world. The Central Region, with its strategic position and agricultural base, is poised to be the catalyst for this national economic transformation.

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