



Repr. from: Regionalization and globalization in the
modern world economy: perspectives on ^{the} Third World
and transitional economies - London [etc.] Rout-
ledge
(1998)

REGIONAL ECONOMIC INTEGRATION IN SUB-SAHARAN AFRICA

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INTRODUCTION

Since the attainment of political independence, African leaders have repeatedly expressed their commitment to regional integration, mainly for political and economic reasons. One result is that Africa now has the largest number of regional integration arrangements in the world. Unfortunately, our historical review of these schemes will provide ample evidence that most of them have remained ineffective or dormant.

The issue of regional integration has acquired a new relevance and urgency in Africa of late due to wide-reaching changes globally and nationally. For various reasons, contemporary Africa has been forced to operate in a far more hostile external context than a decade ago. Among these are the demise of the Soviet communist ideology and the opening up of markets in Eastern Europe. African leaders have become deeply concerned that such changes will further diminish aid and capital flows to Africa. Moreover, the past years have witnessed a decisive move towards the formation of regional trading blocs - Europe, the Americas, and East Asia - which pose a severe threat to Africa's trading prospects. Africa's situation has become all the more alarming as its national economies are experiencing a deep and prolonged economic crisis. That is why virtually all African states have been compelled to implement IMF and World Bank-mandated Structural Adjustment Programmes (SAPs) in one form or another. SAPs are intended to tighten up government expenditures in order to reduce the budget and balance-of-payments deficits. Their central demands include elimination of subsidies; dismantling of price controls; 'rationalization' of the state sector through privatization, layoffs, wage cuts and closures; liberalization of the economy, guided by 'market forces' domestically and 'comparative advantage' internationally; promotion of commodity exports and foreign investment; and currency devaluation (Daddieh 1995).

By all accounts, African leaders have become more convinced than before that Africa has no choice but to pursue regional integration if it is to transcend its growing marginalization in the global economy and its severe economic crisis. Their renewed commitment to regional integration was clearly expressed during the June

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1991 Organization of African Unity (OAU) summit meeting at Abuja, Nigeria. On that occasion, they signed a treaty to establish an African Economic Community (AEC) by the year 2025, complete with an Africa-wide monetary union.

In this chapter we wish first to review the various regional integration schemes that came into existence in the aftermath of independence, and then to try to explain the reasons for their relative failure. Finally, we will examine the consequences of Africa's rapidly changing position in the global economy for regional integration.

THE EMERGENCE AND DEVELOPMENT OF REGIONAL INTEGRATION SCHEMES IN SUB-SAHARAN AFRICA

Regional economic integration schemes in sub-Saharan Africa (SSA) seek as elsewhere to expand intra-regional trade and, eventually, to create economic unions between member states. There are typically four stages in the process of creating such a union: the establishment of a preferential or free trade area by reducing or eliminating barriers to trade between member states; the creation of a customs union involving free or preferential trade between members plus the creation of a common external tariff on imports from non-member states; the initiation of a common market where capital and labour join goods and non-factor services in a free flow between member states; and the realization of an economic union when common fiscal and monetary policies (the latter implying a single central bank) are added to the common market (Martin 1992; McCarthy 1995). The economic argument in favour of integration essentially rests on the potentials which a larger market size will create (Aghrout 1992). It would enable African firms to benefit from the advantages of the 'economies of scale' principle, allowing them to optimize their production capacities and thus reduce their production costs to (internationally) competing levels. Furthermore, the pooling of scarce resources through cooperation and integration would increase the efficient use of available economic and social means of production, at the same time serving the goal of lower production costs. Integration would also trigger increased trade between partners which in turn would enhance regional inter-industry linkages and induce production growth in individual countries.

In addition to the predominant economic rationale for regional integration, several factors have furthered the proliferation of these schemes in Africa (Lancaster 1991; Daddieh 1995). First, regional economic ties have a long history in Africa. Long-distance trade throughout Africa existed before the Europeans arrived. While colonialism undoubtedly disrupted and even altered some patterns of interaction, it did not completely destroy all such ties. Moreover, the colonial powers even organized some economic activities – trade, finance, monetary affairs, administrative responsibilities, transport and communication networks – on a regional basis. A number of these arrangements survived into the independence period, including the monetary unions between francophone countries and France, and the East African Common Services Organization comprised of Kenya, Uganda, and Tanzania.

Second, African states gained independence at a time when regional integration was popular among developing countries and other parts of the world. Latin American states, supported by the Economic Commission for Latin America, were experimenting with their own schemes of regional cooperation, including the Central American Common Market and the Latin American Free Trade Area. Asian states soon followed with the creation in 1967 of the Association of South East Asian Nations (ASEAN). The European Economic Community (EEC), initiated with the signing of the Treaty of Rome in 1957, was already functioning, and it provided a model for groups of developing countries wanting to create their own regional integration schemes.

Third, African leaders brought with them to independence their own aspirations towards continental or regional unity. One group, the Panafricanists, favoured political integration as a prerequisite to economic integration. Its members (Kwame Nkrumah, Sékou Touré, Modibo Keita, Cheikh Anta Diop) advocated the immediate and total integration of the African continent, and the setting up of a single continental government with common institutions. Another group, the Gradualists or Functionalists, anxious to preserve the African states' recently acquired sovereignty, favoured a more gradual approach to African integration. This group (Félix Houphouët-Boigny, Jomo Kenyatta, Léopold Senghor) held that economic integration should precede political integration. Its members championed loose cooperation in non-controversial areas (technical and economic issues) and viewed regional institutions as a stepping-stone towards the increasing political and economic unification of the continent. In the end, the Panafricanists had to accept major revisions to their original vision to enable a continental interstate organization, the OAU, to be born in May 1963. Significantly, this organization was not given the authority to make decisions that were binding on member states. Regional cooperation among African governments centred thenceforth primarily on economic objectives.

Fourth, given the small size of African markets and the difficulty, if not impossibility, of gaining access to markets of the industrialized world, many African leaders and the Economic Commission for Africa (ECA) perceived regional integration as a means to effect import-substituting industrial growth. Regional integration, in fact, was to provide the necessary protection and training ground for industrial development:

Regional integration in this way becomes an inward-looking instrument of industrial development, diverting trade from cheaper sources in the rest of the world to higher cost producers within the union. Aligned to this argument for protection, but viewed from the opposite end of the spectrum, is the view that the larger protected market could serve as a training ground within which long-protected domestic industries can cut their competitive teeth in the larger regional market before being exposed to the harsh conditions of the global market-place.

(McCarthy 1995: 215)

Fifth, regional integration has often been projected as the most appropriate strategy to cut the heavy dependence of African states on international trade and to realize collective economic self-reliance. For instance, the Lagos Plan of Action (LPA), adopted by African Heads of State at the OAU meeting at Lagos in April 1980, proposed an African Economic Community aiming at 'the promotion of collective, accelerated, self-reliant and self-sustaining development of member states' (Danso 1995).

Finally, regionalism has been difficult to resist politically. There is a general recognition on the part of African leaders of a need to act in concert in order to enhance their bargaining position *vis-à-vis* foreign governments, international institutions and multinational corporations.

Regional Integration in Africa

It is interesting to observe that regional integration efforts in post-colonial Africa initially were based on regional integration schemes introduced by the former colonial powers. We want to briefly discuss here three such initiatives. One of the first attempts was the creation of the 'Union douanière et économique de l'Afrique centrale' (UDEAC) on 8 December 1964. This union, comprising the Central African countries Cameroon, the Central African Republic, Chad, the Congo, Equatorial Guinea, and Gabon, revamped the Equatorial African Customs Union (UDE) created by France in 1959. Though the objective of the UDEAC was the creation of a common market, it has made very little progress since. Several reasons can explain why UDEAC member countries have failed to achieve any significant economic integration. They include heavy dependence on export of primary commodities to the industrialized market economies, restriction of free trade movement of resources among member countries due to government regulation of economic activity or competitive nationalism, and French dominance of the economies of UDEAC countries, resulting in French influence on the patterns and direction of their trade.

The next serious attempt at economic integration in Africa was the establishment of the East African Community (EAC) by Kenya, Tanzania, and Uganda in December 1967, which was based on various forms of cooperation during the British colonial period. The community began with a shared currency, a regionally coordinated infrastructure, harmonized economic policies, a system of common institutions, and unrestricted labour mobility. However, this promising scheme collapsed within a decade because of dissatisfaction with the distribution of the benefits of integration. Tanzania and Uganda felt the arrangements worked to the benefit of Kenya, the most industrially developed country of the three. The emergence of General Idi Amin as President of Uganda soured its relationship with Tanzania and also disrupted the meeting patterns of the Community. Ideological differences between capitalist Kenya and socialist Tanzania made cooperation difficult. Moreover, the community members all maintained strong trade relations with Britain, further diminishing the chances for integration.

Another important integration scheme was the 'Communauté économique de l'Afrique de l'Ouest' (CEAO) established in April 1973. It was the successor organization to the 'Union douanière et économique de l'Afrique occidentale' (UDEAO), a free trade area set up within the framework of the former French West African Federation. Its membership included seven francophone West African states, namely Benin, Burkina Faso, Ivory Coast, Mali, Mauritania, Niger and Senegal. Like UDEAC member states, CEAO members were also part of the franc zone system and its affiliated institutions. The World Bank declared in 1989 that the CEAO has been the most successful among Africa's market integration schemes (World Bank 1989). While this may be the case, the organization has certainly also experienced various problems and difficulties. First of all, there has been little or no progress towards implementing the measures of positive integration required to establish an economic entity. The common external tariff, scheduled for January 1985, was not implemented. In addition, most member states continued to operate certain trade restrictions in defiance of the Treaty provisions. Furthermore, the absence of a regional industrial policy resulted in duplication of industrial efforts. In fact, the industrial development of the CEAO countries was heavily dependent upon investment by foreign (French and American) multinational corporations (Martin 1992: 76-77).

Following these and other tentative beginnings, there have been several renewed attempts to forge regional integration. There is no space to fully discuss all these schemes (see Aly 1994). Here we will review only the foremost current ones. These can be divided into two broad groups: those that fit into the historic 1980 LPA, and those that emerged outside the LPA.

The LPA sought to promote Africa's long-term industrialization and development through the creation of larger, sub-regional markets and, eventually, of a continent-wide market by merging the sub-regional markets. The ECA sponsored the setting up of three regional arrangements which covered the following SSA sub-regions: West Africa, East and Southern Africa, and Central Africa. West Africa was to be served by the Economic Community of West African States (ECOWAS), with sixteen member states. ECOWAS actually pre-dated the LPA, having been established in 1975, and it served as a model for subsequent integration schemes within the framework of the LPA. East and Southern Africa was to be served by the Preferential Trade Area (PTA), established in 1981 but put into operation in 1984, with nineteen member states. In 1993, the PTA was superseded by the Common Market for Eastern and Southern Africa (COMESA). Central Africa was to be served by the Economic Community of Central African States (ECCAS), with ten member states. Though the treaty establishing ECCAS was approved back in 1983, its implementation is still under negotiation. Together with the Arab Maghreb Union (AMU), established in 1989, with five member states, these arrangements were expected to bring about an all-African common market by the year 2000.

These LPA schemes were clearly over-ambitious. They appear to have been motivated first and foremost by political considerations: the introduction of large trading blocs enabled the OAU to give expression to its Panafrican ideal. They did

not sufficiently take into account the various economic problems facing regional integration in Africa. In fact, they were simply superimposed upon the already existing integration arrangements. This created the problem of overlapping memberships and conflicts of divided loyalty. Little wonder that none of them have achieved their integration targets within the timetables adopted. ECOWAS has perhaps been the most visible and certainly the most closely studied one (Asante 1986; Okolo and Wright 1990; Lancaster 1991; Martin 1992). Its experience shows the negligible progress these schemes have made in economic terms and their eventual exploitation for political and diplomatic ends.

ECOWAS

ECOWAS was established on 28 May 1975 mainly at the initiative of Nigeria, which strove to counter French influence in the region and to enhance its own. This was the first regional attempt to integrate French, English and Portuguese-speaking African states with a combined population of over 185 million and a GDP of \$US123 billion. Economic union of the sixteen member states (Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo) was planned to come about in three stages. In the first two-year period, members were to freeze their tariffs on primary products produced by other members and on manufactured goods eligible for preferential treatment in intra-ECOWAS trade. The second period, which was to last eight years, was to culminate in the elimination of import duties on intra-ECOWAS trade. The final stage would last five years and involve the imposition of a common external tariff. For products to qualify for tariff concessions within the community, a local ownership rule required eventual 51 per cent local ownership, as well as 35 per cent local value added.

To compensate the poorer members of ECOWAS for the costs of participation in the community, a Fund for Cooperation, Compensation, and Development was set up. ECOWAS members were to contribute to the fund on the basis of their relative income levels and their gains from new investments in the community. Finally, a West African Clearing House was set up in association with ECOWAS to facilitate the use of local currencies in financing intra-ECOWAS trade.

While institution building has proceeded apace, no significant progress has yet been made towards positive integration in ECOWAS. Intra-community trade has remained low, amounting to only 5 per cent of the total trade, and has even shown a steady tendency to decline. Indeed, trade liberalization has made little progress: no common external tariff has yet been established, the 1981 deadline for the freezing of tariff rates was not met, and little has been done towards implementing the new timetable.

The less developed ECOWAS member states also fear that the support and compensation arrangements will prove inadequate in the face of the dominant position of Ivory Coast, Nigeria and Senegal. Furthermore, ECOWAS's rule of product origin has become a source of serious disagreements. The rule bolsters

indigenous manufacturers but restricts exports from Ivory Coast and Senegal (since their industrial plants are considered foreign investment) and discourages foreign investment. More critically, the pattern of trade has not altered. Ivory Coast and Nigeria still dominate the export of manufactured goods. Instead of progress on labour mobility, there was a setback: in 1981 and 1983, Nigeria expelled more than 1 million Ghanaian migrant workers.

There is no movement of capital within the region because capital markets remain underdeveloped. Lack of progress in the payments system is due to the failure of ECOWAS (notwithstanding its declared long-term commitment) to establish a single monetary zone, with a common currency and a pooling of foreign exchange reserves. Non-compliance of member states includes a failure to contribute their full agreed payments to the community budget and their capital contribution to the fund. ECOWAS integration efforts have been further complicated by several other economic and political factors. Its sixteen members also belong to the Lomé Conventions: thus, 70 per cent of ECOWAS's principal exports go to Europe, and indeed, the latter was the largest source of foreign aid for all but two of the ECOWAS states in 1987. Internal cohesion has been undermined by the chaotic sociopolitical landscape typified by civil wars in Liberia and Sierra Leone and political instability in Gambia, Togo and Nigeria. Internal cohesion has also been affected by France's economic and political dominance over its former colonies, creating problems of conflicting memberships and loyalties. Some have attributed ECOWAS's slow pace of integration to the so-called Nigerian factor, which refers to the fear of domination by Nigerian political and economic power in the region. Despite these multiple problems, most heads of state continue to attend the annual meetings, vociferously reaffirm their commitment to the goals of the organization, and frequently approve new and often ambitious schemes for ECOWAS to undertake. According to Lancaster (1991), two benefits, both of them political, derive from ECOWAS's annual meetings. One is the exposure heads of state receive in their own media and in the media of other West African states by participating in a meeting with a large number of other heads of state. But probably more important are the opportunities offered by these annual meetings for the political leadership of West Africa to deal with regional issues of importance to them which would not readily be dealt with in the much larger annual meetings of the OAU or at the bilateral level. ECOWAS thus appears to be becoming a regional political or diplomatic organization, and this evolution may sustain it even in the face of its failure to realize its formal goals of economic integration.

Other regional integration schemes

Turning to the group of integration arrangements that came about outside the LPA, there are two important ones which are associated with the Communauté Financière Africaine (CFA) franc, UEMOA and CEMAC. Within the ambit of ECOWAS there is the West African Economic and Monetary Union (UEMOA), whose

ECONOMIC INTEGRATION IN SUB SAHARAN AFRICA

members – Benin, Burkina Faso, Ivory Coast, Mali, Niger and Togo – share a common central bank, the Central Bank of West African States (BCEAO). And within the ambit of ECCAS there is the Economic and Monetary Union of Central Africa (CEMAC) – Cameroon, Central African Republic, the Congo, Gabon, Chad, and Equatorial Guinea – with its central bank, the Bank of Central African States (BEAC). Within the geographical area of COMESA there are the Southern Africa Customs Union (SACU), with its associated monetary union, the Common Monetary Area (CMA), and the Southern African Development Community (SADC).

SACU – with South Africa, Botswana, Lesotho, Namibia, and Swaziland as members – is a well established customs union that currently operates under the terms of an agreement concluded in 1969, but which as an operating unit goes as far back as 1910. SACU is an exceptional integration scheme in the African context in the sense that it has common external tariffs. SADC started out as the Southern African Development Coordination Conference (SADCC), set up in 1980 as a nine-member organization of the Frontline States – Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe. The political aim of SADCC was to bring independence and majority rule to Zimbabwe, Namibia, and South Africa. Its economic aim was to reduce the dependence of its member states on South Africa and the industrialized countries through cooperation on specific projects in priority areas such as transport and communications, food, security, and energy. SADCC's relative success as a regional cooperation organization was partly due to its focus on action rather than on institution building. In the early 1990s, the achievement of Namibian independence and the imminent demise of apartheid in South Africa challenged the very existence of SADCC. In August 1992 the Treaty of Windhoek was adopted, launching the SADC. Whereas SADCC was structured on the basis of regional cooperation, SADC, like COMESA, has an integration agenda, albeit one with an enabling nature without a fixed framework of target dates moving towards the establishment of a common market. Besides regional integration, SADC also aims at cooperation in the areas of security, peace, democracy, and conflict resolution. South Africa became the eleventh member of SADC in November 1994, Namibia having joined its forerunner at independence in 1990 (McCarthy 1995, Mistry 1995).

Failure of regional integration schemes

Trade figures are a painful reminder of the failure of most African integration schemes to achieve their primary goal of promoting regional trade expansion. The World Bank (1989) estimated that official trade among Sub Saharan African countries amounts to a paltry \$US4 billion, or only 6 per cent of total African trade. This share of intra regional trade in total trade is conspicuously low compared with Western Europe (72 per cent), Eastern Europe (46 per cent), Asia (48 per cent) and North America (31 per cent) (McCarthy 1995: 219). It is, however, important to emphasize that a substantial volume of intra-regional trade in SSA continues to take place through informal channels which are often subject to varying degrees of

official interference and harassment. Such informal exchanges across Africa's permeable borders are partially re-establishing the extensive pre-independence network of trade in goods and the associated migratory patterns.

There are various reasons for the failure of most regional integration schemes in Africa. Some of these have already been touched on above. First, integration arrangements demand a high level of political commitment and administrative expertise, which is often lacking in Africa. When the creation and strengthening of national identity are in full swing, as in many African countries, governments are naturally loath to sacrifice national sovereignty and control over economic policies. Moreover, African leaders are often divided on major political and ideological issues.

Second, political will is also affected by gains and losses from integration. One of the basic problems of regional integration schemes is that the economic *costs* of participation for member states can be immediate and concrete, while the economic *benefits* typically accrue only after a long period, are uncertain, and are often unevenly distributed among member states. The costs include, first, a decrease in government revenues when tariffs are reduced. Another cost may be the collapse of local firms as they find themselves unable to compete with firms in other member countries, resulting in a loss in national income, production and employment. This is the polarization effect of economic integration. The poorer members of the economic union often perceive that they are losing opportunities for industrialization and they demand compensation.

Third, institutional proliferation is bedevilling African regional integration schemes. To a large extent, the activities of these schemes overlap and are not coordinated, resulting in a duplication of functions and multiple membership. In Southern Africa, for example, Lesotho and Swaziland are members of SACU, CMA, SADC, and COMESA. In West Africa, Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal and Togo are members of UEMOA and of ECOWAS. Mauritania is a member of both ECOWAS and AMU. Such multiple membership inevitably leads to problems of incompatible and potentially conflicting objectives, and raises the issue of divided loyalties and primary allegiance; it also stretches to the limit the African countries' already scarce human, administrative and financial resources.

Fourth, there is the deficiency in infrastructural provisions, such as transport and telecommunication services and fifth, the play of extraregional politics is another factor seriously affecting the cohesion of African regional integration schemes. In particular, France's continuing economic and political dominance over its former colonies is a permanent irritant and a major obstacle to the progress of integration arrangements in West and Central Africa.

The sixth and paramount problem, however, is that the present economic situation in Africa is not conducive to integration and expansion of intra-regional trade. There is a great diversity in size and level of economic development. And, above all, African economies are not complementary, many of them producing the same range of primary commodities exported to the industrialized countries, leaving

little room for trade among themselves. Most of these economies also lack the capacity to develop complementary sectors, consequently, a sound base for growth in intra-regional trade through inter-industry trade does not exist.

Structural Adjustment Programmes

Some authors also point out that some aspects and objectives of the Structural Adjustment Programmes (SAPs), which are in the process of being implemented in several African countries, may actually militate against regional integration (cf Asante 1991; Daddieh 1995, Mistry 1995). They argue that the present SAP measures may have serious repercussions on regional integration, at least in the short term, as they are typically nationally oriented. The emphasis of SAPs on achieving immediate increases in export earnings has triggered competition among African states in their efforts to maximize exports of the same primary commodities. This has a deleterious impact on prices and thus on the net earnings from exports. African countries find themselves in a competitive situation which tends to undermine the cause of cooperation. Furthermore, the SAP reform of macro-economic policies in national contexts also clashes with the need to regionally harmonize these types of policies (in particular exchange and trade policies). SAPs are averse to forms of positive discrimination, for example, reciprocal preferential tariffs or selective non-tariff barriers (as practised in PTA and UDEAC), which seek to foster trade within the area of integration. SAPs' goal of trade liberalization opens the door for relatively cheap imports of manufactured goods. This quickly out-competes fragile African industries and threatens to remove any basis for regional industrialization programmes in the future. Dramatic budget cutbacks as mandated by SAPs are in conflict with the necessity to contribute financially to regional development plans. As a consequence of the (SAP-related) retrenchments in the public sector, the capacity to provide state personnel for the implementation of regional integration plans is also diminished. Finally, SAPs bring about a reduction of domestic effective demand (due to a drop in consumer purchasing power). This will very likely discourage imports from partner states, which again is not compatible with the required process of African integration and cooperation. Confronted by what they perceive as an increasingly hostile international environment and the severe crisis of African economies, African heads of state recently reaffirmed their commitment to regional integration. In their meeting at Kampala in May 1991 they concluded that the only viable way out of the development crisis facing Africa is the redoubling of efforts towards early, effective continental integration. On that occasion, the former Nigerian Leader, General Olusegun Obasanjo, did not mince his words: 'While the world is grouping into blocs to strengthen national economies, Africa remains fragmented and drifting, and is therefore in danger of being completely marginalised' (Daddieh 1995: 259). One month later at the OAU summit meeting at Abuja, Nigeria, African heads of state signed a new treaty for the establishment of an African Economic Community (AEC) and an Africa-wide monetary union by the year 2025. The AEC

will seek the elimination of custom duties, the abolition of quantitative and administrative restrictions on trade, the establishment of a common tariff and a common commercial policy, the removal of obstacles to the free movement of persons, services and capital, the harmonization of agricultural, environmental, monetary and industrial policies, the promotion of community solidarity, the creation of a compensation fund (Danso 1995).

AFRICA IN THE CHANGING GLOBAL ENVIRONMENT

Meanwhile, rapid developments in the global trading system have led to the establishment of a few powerful trading blocs, which are likely to present an immediate challenge (or threat) to Africa's trade prospects. These emerging economic groupings include the North American Free Trade Agreement (NAFTA), integrating the USA, Canada and Mexico; the Asian Free Trade Area (AFTA) in South-East Asia, signed in 1994; and the EC whose countries moved closer to unity after the Treaty of Maastricht (1992) and the signing of the European Single Act of 1993. In particular, the EU Single European Market (SEM), enlarged with Mediterranean, Nordic and Eastern European countries, will profoundly reshape Europe-African relations in the near future, including those arrangements made under the Lomé Conventions (Tibazarwa 1994).

Furthermore, the opening up of markets in Eastern Europe following the demise of the Soviet communist system will provide new opportunities for investment in and trade with the EU member countries on the part of the Eastern European countries. It is expected that both the enlargement of the EU trading bloc and the growing attention for Eastern Europe will gradually lead to further EU disengagement from the African continent (Daddieh 1995).

The completion of the Uruguay Round of trade negotiations in December 1993 and the subsequent creation of the World Trade Organisation (replacing GATT) has triggered another significant change in the international economic setting. Sub-Saharan Africa is expected to be adversely affected by a gradual erosion of trade preferences previously granted to African, Caribbean and Pacific (ACP) countries under the Lomé Conventions. It is feared that increased global competition, accompanied by further tariff liberalization, will ultimately cause Africa to lose ground in EU markets. The more competitive Asian Newly Industrializing Countries (NICs) are likely to squeeze out African exporters.

In short, in the context of the new global realities, Africa has to operate in a far more hostile external environment than a decade ago. Africa is rapidly losing ground, in fact, in the global economy. Its share of world GNP and world trade has sunk to insignificant levels. SSA's proportion of world exports which stood at an already low 2.4 per cent in 1970, further sagged to a mere 1 per cent in 1992. Africa's share in world cocoa production fell from 70 per cent in 1970 to 51 per cent in 1991 and its share in coffee production plummeted from 33 per cent in 1970 to 19 per cent in 1991 (UNCTAD 1993). Private direct investment, now mounting

ECONOMIC INTEGRATION IN SUB-SAHARAN AFRICA

world-wide to \$US200 billion per annum, has also largely bypassed African economies. In 1992 less than 1 per cent of this flow reached SSA countries (Adedeji 1993). Moreover, the composition of Africa's exports has scarcely changed: primary agricultural products (cocoa and coffee) still account for a major proportion of total export earnings, just as they did some thirty years ago.

The basic problem is that SSA remains excessively dependent on a few non-manufactured exports for which world market prices continue to fall due to the limited growth in global demand. Recent expansion in world trade has been in manufactured goods and services, not in raw materials. Africa's tragedy is that it has failed to move away from its primary agricultural commodities, enlarging the manufacturing component in its export structure. Manufactured goods amount to just 5 per cent of total SSA exports. In other words, SSA has painfully failed to diversify its exports base. Related to this problem, has been the serious deterioration in SSA's terms of trade (import/export price ratio) during the 1980s and into the 1990s. The resulting sharp drop of around 25 per cent in the 'purchasing power' of export earnings at the end of the 1980s has undermined SSA's capacity to import the goods and services crucial to maintaining its production levels. To continue the list of unfortunate events, SSA countries have also not been able to benefit from the preferential trading relationship with the EU laid down in the Lomé Conventions. In 1975, ACP countries accounted for 20 per cent of the total of imports from developing countries into the EU. But even though most ACP exports could be imported duty-free, this dropped to only 11 per cent in 1990 (Betz 1994; Global Coalition for Africa 1995).

In the light of the worrisome external trade performance of SSA countries, the question of how the Uruguay Agreement and the Single European Market will affect SSA countries' trade prospects becomes paramount. Not enough time has passed yet to empirically assess the outcomes for SSA countries, nor for other developing regions. The few studies carried out thus far have therefore applied econometric models (usually neo-classical partial or general equilibrium analytical frameworks) to predict quantitative outcomes of the new global trade arrangements.

The principles and assumptions underpinning these models are in many cases irrelevant or even misleading, when it comes to the real economic and social characteristics of specific countries, which are obviously extremely difficult to incorporate into such models. Consequently, the outcomes of quantitative estimates of 'gains and losses' resulting from further trade liberalization must be handled with great caution (for a critical view, see Walker 1994). If we keep this in mind, it is not surprising that outcomes for SSA countries vary from one study to another depending on the model and methodology applied. For example, the OECD calculated (in 1993) a global gain of \$US195 billion resulting from a 50 per cent reduction in world-wide trade restrictions. Developing countries as a group were to see their exports grow to a total of \$US50 billion. Most of this gain was to go to Asia (\$US31.6 billion) and Latin America (\$US9.6 billion). SSA was also to gain, but to a very modest degree: \$US2.2 billion, amounting to just 4.4 per cent of the total gain for developing countries.

Sharply contrasting with this, however, are the conclusions drawn in two other recent studies which forecast a loss, rather than a gain, for SSA countries once the Uruguay Agreement is fully implemented (Yeats 1995; Davenport 1995). The basic reasoning here is that SSA countries stand to lose from the Uruguay Agreement because their extensive tariff preferences in the OECD markets will disappear as a result of the overall lowering of trade barriers (tariff and non-tariff types) following the agreement. Trade losses will be incurred by those countries which see their 'preference exports' replaced by exports from third, non-preference countries. Theoretically, of course, export gains resulting from the general lowering of tariffs could more than offset the losses from the disappearing preference exports but this is not likely to happen.

To gain more insight into the fate of SSA during trade liberalization, one needs to identify the destination markets of SSA exports and see how these markets will implement trade liberalization. Yeats found that (in 1988) about 78 per cent of SSA exports went to industrialized countries, including 47 per cent destined for the EC and 24 per cent for North America. Japan only attracted 3 per cent of SSA exports and less than 10 per cent went to other African countries (the remaining 16 per cent were scattered around the globe).

Clearly the conclusion is that the EC and, to a lesser extent, North America's handling of trade liberalization is of prime interest to SSA prospects. Analysing the types of products in SSA exports, as a next step, reveals the importance of 'raw materials and non-temperate zone foodstuffs' (cocoa and coffee), and the insignificance of manufactured goods, in the export structure of SSA (except oil exports). OECD tariffs and other trade barriers are relatively high for manufactured goods but low or nil for the primary products of the type SSA is exporting. This means that SSA will gain little from tariff cuts, since they apply to an unimportant category of products from the point of view of SSA. Of more significance to SSA is what happens to the preferences now enjoyed by African exporters to the EC. It is known that no less than 97 per cent of each African country's exports now enter the EEC duty-free. This is in sharp contrast to the conditions for countries in Asia, for example, only 4 per cent of Taiwan's exports are duty-free, the rest being subject to tariffs averaging 7 per cent.

How large would the replacement of African exports be in the event of a complete EU liberalization of duties? Yeats used a World Bank trade projection model known as Smart (what's in a name!) and found that African annual trade losses would amount to \$US250 million. This represents about 2 per cent of the total current value of SSA exports to OECD countries. Among the heavy losers are Ivory Coast, Cameroon, Kenya, Senegal and Zimbabwe. It was calculated that in Japan losses will amount to \$US14.3 million and in the USA a gain of \$US89 million can be reaped, meaning that the combined result in the three OECD markets would amount to about \$US203 million losses annually. Taiwan and Korea, by contrast, will gain substantially from complete tariff liberalization in the EU, to the tune of \$US2.3 and \$US2.4 *billions* (!) respectively. The overall conclusion is that SSA countries will continue losing ground in the international trade flows as the Uruguay

ECONOMIC INTFRGATION IN SUB SAHARAN AFRICA

Agreement moves forward In the second study (Davenport 1995), a partial equilibrium model was used to estimate SSA losses in export earnings resulting from 'preference erosion' compared to the year 1992 Davenport's conclusion is that tariff liberalization on tropical (agricultural) products and fish will cost African ACP countries \$US156 million in lost export revenues Coffee, tobacco and cocoa are the main losers, and the countries most adversely affected are Cameroon, Ivory Coast, Ghana, Kenya, Malawi and Zimbabwe Moving to the industrial category of metals, minerals and wood products, we find estimated losses of \$US176 million Countries most affected are those where metals form a key export product, such as the Congo, Ghana, Guinea, Zaire and Zambia Adding to this a loss of \$US173 million in export revenues from 'temperate agricultural products' brings the total to \$US505 million in lost revenues (ibid) This represents around 1.1 per cent of Africa's total export earnings in 1992 These outcomes may not seem dramatic, but one must realize that for individual countries which in most cases are dependent on a few export products, losses may be far-reaching The five African countries that will lose a relatively large share of their export earnings are Mauritius, Zaire, Malawi, Mauritania and Madagascar

It should be emphasized that the chosen methodology of estimating the effects of trade liberalization allowed only the calculation of so-called 'static losses' The dynamic effects generated by future investment decisions and government policies have not been taken into account According to Davenport, these could substantially increase the losses

It should be noted that both observers, after acknowledging that SSA countries will be adversely affected by increased global trade liberalization and increased global competition, hasten to emphasize that 'internal deficiency factors' have also reduced SSA's export supply to OECD markets Reference is made to such factors as inadequate infrastructure, the lack of entrepreneurial skills, insufficient investment funds, inadequate incentives, the hostile climate for foreign investors and the lack of an appropriate policy framework All such factors are crucial to achieving a level of industrialization which would make possible an increase of manufactured exports into OECD markets (ibid) In his suggestions for 'offsetting policies' to combat trade losses, Yeats stresses the important contribution SSA countries themselves could (and should) make an 'aggressive liberalization' of their own high-tariff trade barriers Such a reform could clear the road for increased intra-African trade

This brings us back to the problem of SSA's increased marginalization in the world economy Probably the only way to halt and reverse this process is a firm commitment to the establishment of well-functioning regional groupings, which could eventually grow to become genuine competitors in world markets A positive note is that trade liberalization in OECD countries is expected to generate a rise in world income which will probably also increase the demand for SSA exports In order to survive, a more united sub Saharan Africa must seize these new opportunities It must succeed in recapturing lost market shares in the future world economy

CONCLUSIONS AND PROSPECTS

Notwithstanding the deepening economic and political crisis in a large number of SSA countries in the 1990s, governments continued their efforts towards greater regional integration on the continent. An example is the creation of the 'African Economic Community' (although not yet functional) in May 1994 as a follow-up of the 1991 Abuja Treaty.

In recent years a change in the approach to integration is clearly emerging. The current trend is away from trade arrangements *per se* and towards broader regional project and sectoral coordination, policy harmonization and the creation of regional infrastructural and institutional frameworks. The basic idea is that in order to facilitate the trade integration process, a sound regional policy environment is a *sine qua non* but achievements are not yet encouraging.

In West Africa the revised ECOWAS Treaty was signed in 1993. Ratification progressed very slowly, however. In 1995 only nine out of the sixteen member states had actually ratified the new ECOWAS. Equally disappointing has been Nigeria's decision to reverse the trade liberalization reforms it had begun in 1986. This country has always been suspicious of the Franc Zone membership of its fellow ECOWAS partners.

In Eastern and Southern Africa the PTA was transformed in 1993 to COMESA, the Common Market for Eastern and Southern Africa. This new arrangement aims at the creation of a customs union and enhanced coordination of monetary and financial policies, including full currency convertibility and a fair distribution of integration benefits among its member states. In the same area we already mentioned SADCC's transformation into SADC (Southern African Development Community) in 1992. Whereas the old SADCC focused on project and sectoral coordination, the new SADC's intention is to move to greater trade liberalization through tariff and non-tariff barrier reduction (Aryeetey and Oduro 1996). The fact that these two organizations now have similar objectives and a large overlap of membership (SADC incorporates several COMESA member states) make the co-existence of the two arrangements questionable and is already creating rivalry for financial resources. COMESA's prospects were weakened after South Africa joined SADC in November 1994. This last event may have drastic implications. Initially both the former SADCC and PTA were set up to diminish dependency on apartheid South Africa. With the emergence of a new South Africa in 1994, Southern African economies find themselves in an entirely new economic and political era and more dependent on South Africa than ever before. This country will undoubtedly increasingly set the terms for future integration efforts in the region (Mistry 1996). This chapter has attempted to demonstrate that the present domestic and international context has become remarkably different from what it was a decade ago. Contemporary Africa is confronted with an increasingly hostile external environment as well as with a dramatic crisis of its national economies, and this has led to the widespread adoption of SAPs. Anxious to forestall a further marginalization of the continent, African leaders have regularly reaffirmed their commitment to

ECONOMIC INTEGRATION IN SUB SAHARAN AFRICA

regional integration. Given the disappointing achievement of previous regional integration schemes in SSA, however, one cannot avoid the following question: how can the chances of success for a renewed commitment to regional integration be enhanced?

As discussed above, there are formidable political and economic obstacles to regional integration in Africa. That is why a growing number of scholars and development institutions advise African leaders to adopt a more pragmatic and flexible approach to regional integration which views market integration as a long term objective (McCarthy 1995, World Bank 1989). This approach requires the designing of incremental but comprehensive steps to regional cooperation and integration, the strengthening of specific functional forms of cooperation – involving collaboration between independent countries or agencies on identified projects or schemes – and the creation of an enabling environment for the free movement of goods, services, labour and capital. To this end, resolute leadership is needed to overcome parochial and entrenched interests and to ensure that benefits are shared equitably. A more active role by governments and the OAU will be critical in this respect.

SADCC, one of the most successful regional cooperation schemes in Africa, exemplified such an approach. It promoted regional cooperation in the form of sectoral development (for example, project cooperation in sectors such as transport and communications, water and electricity). Such forms of regional cooperation could lay the foundation for eventual market integration and the acceptance of loss of sovereignty that this will entail.

This does not imply that the current regional schemes, based on the model of market integration, should be abandoned. The importance African leaders attach to the creation of common markets even excludes such a possibility. However, the political and economic realities of Africa caution against the creation and preservation of over ambitious integration arrangements. Meanwhile, one important step towards improving the functioning of existing schemes would be to discontinue multiple memberships in arrangements which have more or less the same objectives. Our historical review of regional integration schemes in SSA provides ample evidence that such multiple memberships have often given rise to conflicting interests, thus impeding the advance of regional integration efforts.

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ECONOMIC INTEGRATION IN SUB-SAHARAN AFRICA

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