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REGIONAL INTEGRATION ISSUES IN AFRICA

Report by the Secretary-General of UNCTAD

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LIST OF ABBREVIATIONS

AEC	African Economic Community
ALADI	Latin American Integration Association
ALGR	Authority for the Integrated Development of the Liptako-Gourma Region
AMU	Arab Maghreb Union
CAICH	Central African Clearing House
CE	Council of the Entente
CEAO	West African Economic Community
CEEAC	Economic Community of Central African States
CEPGL	Economic Community of the Great Lakes Countries
CILSS	Permanent Inter-State Committee on Drought Control in the Sahel
EEC	European Economic Community
ECOWAS	Economic Community of West African States
IOC	Indian Ocean Commission
LCBC	Lake Chad Basin Commission
MRU	Mano River Union
NBA	Niger River Basin Authority
OAU	Organization of African Unity
OKB	Organization for the Planning and Development of the Kagera River
OMVG	Organization for the Development of the River Gambia
OMVS	Organization for the Development of the Senegal River
PTA	Preferential Trade Area for Eastern and Southern African States
PTACH	PTA Clearing House
SACU	South African Customs Union
SADCC	Southern African Development Coordination Conference
UDEAC	Central African customs and Economic Union
WACH	West African Clearing House

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ANNEXES

I. GENERAL

Introduction

1. This report has been prepared in response to the decision of the thirty-ninth session (first part) of the Trade and Development Board.

2. A number of other UNCTAD secretariat documents provide a general background to the subject of regional cooperation and integration in Africa. 1/ This report reviews integration efforts in Africa, the constraints faced, the emerging developments which impinge upon the process and some orientations which might guide future efforts in this area.

3. There are several compelling reasons for Africa to pursue cooperation and integration rigorously. Internally, African States are faced with an unprecedented development crisis. The experience of African countries has led to the recognition that many development issues transcend national boundaries and should, therefore, be tackled at a regional level. Sectoral integration of the region's economies is considered important so as to ensure the development and maintenance of reliable networks of agricultural, industrial and institutional infrastructure. Meanwhile relationships among African States have been undergoing fundamental changes with the emergence of multiparty democracies and the steady decline of apartheid in South Africa. The emergence of an apartheid-free South Africa as a regional economic force will itself have significant implications for the integration process in Africa.

4. Changing international relations have also given added relevance to the efforts of African countries to maximize their political efforts towards regional cooperation and integration. The reduction of East/West rivalries has raised fears that increased attention to the countries of Eastern Europe could lead to the marginalization of Africa. At the same time, the expansion of "economic spaces" in many parts of the world, notably the establishment of the European single market, has added force to the economic arguments in favour of regional solidarity. Africa's own perceptions of the implications of these changes were manifested in the signing of the Abuja Treaty establishing the African Economic Community in June 1991.

II. APPROACHES TO INTEGRATION

5. The mechanisms of regional integration in Africa appear to follow the general framework of similar efforts elsewhere. There have been some substantial differences in the details and in approach, however. For example, the European effort appears to have been demand-driven and based on a step-by-step approach which brought together like-minded States, as appropriate, at each stage of the process. The African approach, on the other hand, has tended to be more ambitious, more centralized, and more political in its origins. Consequently, most African regional cooperation bodies have opted for elaborate, highly centralized structures with elaborate secretariats in most cases. These top-heavy structures and their politicized appointments, coupled with the reluctance of the central authorities to cede power to subregional and other bodies and the failure of nearly all member countries to give priority to regional issues, have reduced the effectiveness of African regional integration institutions.

6. Comparisons with integration experiments elsewhere indicate that regional cooperation efforts have been successful when the objectives were limited and focused and when the benefits accrued quickly to all partners. By way of example, it may be illustrative to look at the evolution of the European Economic Community.

The EEC Experience

7. The EEC treaty is by far the most important one in terms of coverage and relevance. The main elements of the EEC treaty are:

- creation of a full customs union;
- establishment of a competition policy (anti-trust);
- establishment of an agricultural and a transport policy;
- establishment of a social policy, including a social fund to support, for example, professional training and employment mobility;
- provision for economic policy coordination and for free movement of labour and capital;
- creation of a fund for investment in the "overseas territories".

8. The major lessons that African countries can learn from the European (see boxes) experience, include the following: selectivity in the sectors covered (that is, not trying to do everything at once); acceptance of the benefits of international policy coordination, that is, willingness to give up some degree of sovereignty; the importance of producing tangible results early; flexibility, that is, allowing subgroups to move at different paces through some or all aspects of the process; and the willingness to provide the necessary resources for the implementation of regional projects.

9. The European experience reinforces the view that a totally *laissez faire* approach to integration, in a region with gross disparities, would be inappropriate because it would tend to entrench existing inequalities and imbalances. An approach that gives priority to the integration of systems of investment, production, and trade, including promoting generally the freer movement of capital, goods and people within the region, would seem better suited to African realities. One regional integration grouping in Africa which

has attempted this approach is the Southern Africa Development Coordination Conference (SADCC). A brief look at the SADCC approach may be helpful with a view to identifying its lessons for other subregions.

THE EUROPEAN ECONOMIC COMMUNITY EXPERIENCE

The European experience is quite pertinent for the African situation. The Second World War had destroyed most of Europe's infrastructure and greatly disrupted normal production and trade. However, basic industrial infrastructure remained relatively well off.

In 1945, following the War, in order to support the European recovery process, the United States set up an aid programme that became known as the Marshall Plan. The aid consisted in loans that helped to cover the heavy balance-of-payment deficits of European countries vis-à-vis the United States. The Organization of European Economic Co-operation (OEEC) which was set up to co-ordinate the programme, had 17 members: Austria, Belgium, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey and the United Kingdom. Countries within the former USSR's sphere of influence did not participate.

The Marshall Plan was quite effective in fostering economic recovery, but since the OEEC had a predominantly coordinating role, recovery took place in a purely national context. Many European politicians, especially Jeat Monet and Robert Schuman in France, felt that something more substantial had to be done to promote greater cohesion and integration in Europe and preserve the peace. At the same time, they were aware that most Governments were reluctant to give up their prerogatives. The creation of the European Coal and Steel Community (ECSC) in 1951 was a compromise, in the sense that it involved giving up national prerogatives, but only on two specific sectors of the economy. In contrast to the large number of OEEC members (17), only six countries signed the original ECSC treaty: Belgium, France, Federal Republic of Germany, Italy, Luxembourg and the Netherlands.

The ECSC treaty was the real breakthrough in European integration, because it endorsed the principle of supra-nationality (i.e. giving up some national prerogative for the common good) and because it put in place the necessary legal and institutional framework.

The main task of the ECSC was to organize the reconversion of the coal and steel industry which faced problems of over-supply and high production costs. The ECSC established free trade within the community for coal and steel products and went even further. It had its own resources derived from import duties and a tax on production. It also had power to control restrictive practices and mergers so as to promote free competition and, if the market circumstances so required, the ECSC could fix prices levels as well as production and trade quotas.

The instant success of the ECSC strengthened the belief in European integration, and in 1957, in Rome, the six countries signed two more treaties; one to create the European Economic Community (EEC) and one to establish a European Atomic Energy Community (EURATOM).

Over a transitional period of a dozen years or so, beginning in 1959, the following major steps were taken:

1. Customs duties and licensing restrictions affecting the movement of goods and the sale of services among the original six members were eliminated, and a common tariff was applied to imports from the outside world.

2. Obstacles to the free movement of persons among the six were abolished.

3. Obstacles to the movement of business capital were greatly reduced.

4. The national policies of the various countries relating to the protection of agriculture were supplanted by a common system of pricing, subsidies and controls.

5. An impressive start was made on the complicated business of merging the transportation policies of the member countries, in order eventually to obliterate national distinctions and national discrimination in the use of rails, roads and waterways.

6. A European Investment Bank and a European Social Fund were established in order to help workers and employers deal with the economic dislocations and structural adjustments that are inevitable when a modern economy sets about changing its industrial structure.

7. A strong economic link was created with less-developed overseas countries that had close relations with one or another of the Community's members (mostly French and Belgian ex-colonies). This link gave these countries favoured access to the Community's markets and set up an extensive system of development assistance for them.

The SADCC approach

10. The Southern African Development Coordination Conference (SADCC) has adopted an incremental, project-oriented regional approach. SADCC maintains that "while integration is now increasingly widely seen as having a potentially important contribution to make to growth and development, a reality that has to be taken into account is that an earlier generation of integration schemes, particularly in the East and Southern region, were conspicuous failures. The lessons from these earlier experiences need to be taken into account if the mistakes of the past are not to be repeated". According to SADCC, two basic lessons may be drawn from these earlier experiences. First, successful integration must produce tangible benefits

for all participating countries. Some initiatives have failed, in effect, because they were only marginally beneficial to several member countries. Secondly, integration must take place in such a way that its benefits are seen to be equitably distributed among member States. A major reason for failure of previous attempts was that weaker members saw benefits accruing disproportionately to larger and more powerful members.

11. Thus, although SADCC, like other regional integration groupings, committed itself to promoting economic cooperation and integration based on principles of equity, mutual benefit and inter-dependence, diversity and disparities among its members in respect of levels of development, resource endowment and capacities made a blanket approach impractical. SADCC has, therefore, eschewed the route of promoting trade integration as a simple linear process with all the elements of a preferential trade area, free trade area, customs union, common market, etc., simultaneously put in place before moving on to the next stage. This paradigm is regarded as inappropriate for the SADCC region at this stage of its development. SADCC's approach is largely sectoral and incremental. It involves the implementation of a range of measures conventionally seen as corresponding to several stages of an investment and trade integration process.

12. Even so, three principal weaknesses of such a cooperative approach have been identified by SADCC: (a) lack of strong linkage between national policies and plans and regional integration efforts; (b) the potential for conflict arising from differences in national and regional sectoral policies and plans; and (c) inability of the project-based coordination to respond to changes in national sectoral policies and in the economy generally. Accordingly, SADCC has approved the formulation and adoption of effective coordinated sectoral policies and plans. It has also decided on the creation, within SADCC organs and especially the secretariat and the Sector Coordinating Units, of a capacity for sectoral policy analysis and planning. Some degree of macro economic policy analysis and planning has also been agreed upon.

13. This development integration approach by SADCC seems an appropriate framework for the mobilization and promotion of greater mobility of investment capital within the region and for the creation of a single regional market allowing increasing and freer movement of goods and services and progressive removal of barriers to the free movement of people within the sub-continent.

<u>Other approaches</u>

14. The majority of regional integration groupings in Africa, however, have opted for more centralized structures with elaborate administrations. Their focus has been on liberalization of trade relations with a view to quickly establishing preferential and free trade areas, customs unions and common markets. Without going into the details of the institutional structures, a brief description of how these groupings have fared is given below.

15. Among Africa's market-integration schemes, the West African Economic Community (CEAO) 2/ has been most successful. It has achieved a relatively high degree of integration that supports economic specialization and facilitates the flow of labour from the poorer Sahelian countries (such as Burkina Faso and Mali) to the relatively better-off coastal countries (such as

Côte d'Ivoire and Senegal) while supplying goods in the opposite direction. By reducing non-tariff barriers and establishing a satisfactory compensation mechanism, trade within the CEAO has expanded significantly and is now around 10 per cent of total trade.

16. The major reason for this relative success is not hard to find. All CEAO members, except Mauritania, belong to the West Africa Monetary Union and share the common CFA franc, which is pegged to the French franc. In order to facilitate convertibility and the stable relationship between the CFA franc and the French franc, the States belonging to the Union have accepted limits on budget deficits and domestic credit expansion. Moreover, the Union enjoys the highest level of political support among the member States.

17. The Economic Community of West African States (ECOWAS), whose member States include those in the CEAO, the Mano River Union (MRU), and other non-CFA franc countries, has made little progress toward economic integration. The ECOWAS trade liberalization scheme, for example, was launched on 1 January 1990, 10 years after the original schedule. It provides for gradual elimination of tariffs to intra-ECOWAS trade in all products by the end of the century. However, because of problems of currency convertibility and tariff barriers, trade among its partners is at the level of the early 1970s, equivalent to about 3 per cent of the group's international trade. The pattern of trade has not changed. Côte d'Ivoire and Nigeria still dominate the export of manufactures. On labour mobility, there have been set-backs rather than progress, with member countries occasionally expelling large numbers of foreign workers. There is no movement of capital within the region because of restrictions on payments and capital transfers and because capital markets remain underdeveloped.

18. Furthermore, ECOWAS rules of origin have become a source of serious disagreement. To qualify for the organization's tariff preferences, products must be made by firms with 51 per cent (or more) domestic ownership. This rule, which the CEAO does not have, is supposed to promote indigenous manufacturers but in practice it restricts exports from Côte d'Ivoire and Senegal (since their industrial plants are considered foreign investments), and discourages foreign investment. Obviously, relaxation of rules of origin as within the CEAO countries would be more beneficial for all ECOWAS countries.

19. The Economic Community of the Great Lakes countries (CEPGL), the Mano River Union (MRU) and the Preferential Trade Area for Eastern and Southern African States (PTA) have been attempting to strengthen and consolidate their trade liberalization schemes. Meanwhile, the effectiveness of approved trade liberalization programmes has been constrained by, among other factors, low product coverage, low preferential tariff margins and a lack of progress in eliminating non-tariff barriers (which are also difficult to define and clarify). Furthermore, the enterprise sector was seldom a participant in the drafting of trade liberalization programmes or the corresponding selection of product items for preferential treatment. Consequently, the enterprises were not only unaware of preferential schemes but could not take advantage of them.

20. In the Central Africa subregion, market integration schemes have been disappointing. The Economic Community of Central African States (CEEAC), the

youngest, has had difficulties getting started and has yet to launch its liberalization scheme. CEPGL has had financial problems and no serious efforts have been made to implement its trade liberalization programme. Although members of the Central African Customs and Economic Union (UDEAC) adhere to a convertible currency (the CFA franc), trade within the Union has declined, while trade with non-members has increased. The slower progress in integration in Central Africa may reflect the absence of regional leadership. In West Africa, leadership in the move toward regional integration has been provided by Nigeria (through ECOWAS) and Côte d'Ivoire and Senegal (through CEAO).

21. The collapse of the most promising African economic grouping, the East African Community, demonstrates how the inability to solve political differences can compound the economic problems inherent in any economic integration involving countries at different levels of development. The community began with a shared currency, regionally coordinated infrastructure, harmonized economic policies, a system of common institutions, and free labour mobility. It fell apart in the late 1970s over the sharing of benefits, political divisions, and conflict of interest among the members.

22. After a period of disillusionment, economic integration, along the lines of the same general framework, has recently been resurrected in the form of the Preferential Trade Area for Eastern and Southern African States (PTA). PTA aims to promote trade within the subregion by reducing tariffs and monetary barriers, granting with preferential treatment for certain products. To be eligible for preferential treatment, a commodity must be both of export and import interest to member countries, its producing firm should be 51 per cent (or more) locally owned, and not more than 60 per cent of its components should originate outside the PTA. These rules of origin have now been changed to permit greater flexibility and encourage investment.

23. Tariff reduction has been slow and application of the 51 per cent ownership criterion, difficult. The demands of the member economically less-developed countries for equitable distribution of the benefits of liberalization had become a bone of contention even before any benefits emerged. To facilitate trade payments, a clearing house managed by the Central Bank of Zimbabwe has been established, but it is under-utilized.

III. AFRICA'S EXPERIENCE WITH REGIONAL INTEGRATION

Growth performance of member countries

24. Most member countries of the African economic groupings had very low (often negative) real GDP growth per capita in the period 1986-1990 (See annex Table 1). These growth rates were far outstripped by population growth rates. Twenty-one countries actually experienced a decline in per capita GDP between 1980 and 1989. It has been estimated that African countries need to grow at about 6 per cent GDP per annum in order to keep pace with population growth. Actual overall performance over the period 1986-1990 although mixed was generally poor and well below this target figure. None of the UDEAC member countries was able to attain the 6 per cent growth rate. The same has been true for members of CEPGL. In the MRU, only Guinea registered relatively

strong growth (4 per cent), Liberia had a negative growth rate of GDP of minus 7.0 while that of Sierra Leone stood at 0.4 per cent. Of the 10 members of CEEAC, only three (Sao Tome, Equatorial Guinea and Chad) registered GDP growth rates that were above 2 per cent. For both ECOWAS and PTA, results were mixed: while many member countries did exceptionally badly, some performed quite well. The growth rates of SADCC countries were not impressive either. Botswana, however, performed well (11.7 per cent), with Zimbabwe (3.4 per cent), Malawi (3.1 per cent), and Swaziland (3.3 per cent) not faring too badly. It may be seen that wide disparities still exist among countries and their economies are still far from the transformation that would put them on a path of sustained and sustainable development.

Share of Africa's World Trade

25. Africa's share in world trade is very small. Varying from 4.1 per cent to 4.9 per cent during the 1960-1965 period, it fluctuated at around 4.4 per cent on average during the decade from 1970 to 1980, and declined consistently thereafter to reach 2.3 percent in 1987. During the 1980-1987 period, the average annual growth rate of world exports was 2.5 per cent but that of Africa was negative at 7.4 per cent. Indeed, the post-1980 era has been one of protracted negative export growth for Africa, the only exceptions being the period 1983-1984 and 1986-1987.

Intra-group trade

26. It has been observed that, following the implementation of trade liberalization programmes, there was an initial expansion of intra-group trade after which trade stagnated and then declined during the crisis period of 1982 to 1986. African intra-group trade has followed this pattern (See annex table 2). Further details may be found in UNCTAD/ECDC/228.

27. In Africa, the values of intra-trade of all integration groupings have been growing since 1986. The percentage growth in the absolute values of intra-group trade between 1985 and 1988 was about 68 per cent for CEAO, 176 per cent for CEEAC, 42 per cent for SADCC and 134 per cent for UDEAC. In most of those integration groupings, their intra-trade values in 1988 exceeded their 1981 pre-crisis levels. Between 1986 and 1988, this ratio averaged about 8.5 per cent for CEAO, 3.1 per cent for CEEAC, 0.7 per cent for CEPGL, 4.0 per cent for ECOWAS, 5.6 per cent for SADCC and 3.3 per cent for UDEAC.

28. The results of regional efforts to integrate markets have been limited at best. It has been said that few of the conditions necessary for successful market integration are fulfilled in sub-Saharan Africa. 3/ The market integration approach is predicated on the assumption that, under certain conditions, the trade generated by the abolition of intra-regional restrictions (trade creation) leads to economic gains for the participating countries which could exceed the possible losses incurred through discrimination against third countries (trade diversion). The emphasis is placed on mobility of commodities and factors as well as on the market, whose expansion increases opportunities for the exploitation of comparative advantage and economies of scale and which provides a regional "training ground" for infant industries. Market forces ensure rationalization of production by allocating resources more efficiently. The limited results of

regional efforts in Africa which focused on market integration have been to a certain extent, due to the inadaptation of the concept to the local context.

29. Generally speaking, the conditions for economic integration (and trade creation) do not exist in the African integration groupings. In Africa, integration groupings are characterized by the following: external trade is usually large in relation to domestic production; inter-group trade is minor in relation to total trade; exports are dominated by primary products to developed markets and are not generally produced under protected conditions so that integration will not necessarily affect the allocation of existing resources; imports are dominated by capital goods, intermediate products and finished manufactured goods which these countries either do not produce at all, or produce in insufficient quantities, and not necessarily in a tariff-sensitive manner; and production structures tend to be competitive rather than complementary. 4/ However, the view that lack of complementarity is a constraint on trade and integration needs to be qualified, as may be seen in paragraphs 46 to 49 below. Nevertheless, by and large, all these elements listed above represent the antithesis of the necessary conditions for successful economic integration (and trade creation) to be realized. They also represent the core of the main constraints on the integration process in Africa.

IV. CONSTRAINTS ON AFRICAN COOPERATION AND INTEGRATION

30. The list of factors responsible for the poor record of implementation of the Lagos Plan of Action, and of the constraints is a long one. A High Level Expert Group reviewed implementation of the Lagos Plan of Action in December 1990 in Lagos, Nigeria. It concluded that, inter alia lack of political will, excessive preoccupation with national sovereignty, excessive reliance on external financing, lack of involvement of the masses at the grassroots level, lack of coordination among member States and among ministries/departments within national governments, and weaknesses in monitoring mechanisms were major factors limiting success. For reasons of space, this section is restricted to a selection of these constraints considered to be particularly important obstacles to progress in this area.

Unequal levels of development

31. A major stumbling block in the path towards a wider economic integration arises from differences in levels of development among prospective members and the consequent expectation among smaller or weaker members that the benefits of uniform trade liberalization will accrue to the more developed countries at the expense of the less developed. In short, a successful integration scheme must not penalize any members, while ensuring that the distribution of the benefits of cooperation are reasonably equitable. Where there are imbalances among member States/countries at the outset (as in the case of Kenya, vis-à-vis its two East African neighbours), the tendency for unequal gains from trade and for the widening of the income gap between rich and poor members as a result of free trade will be reinforced. Such unequal benefit distribution is entirely analogous to that between rich and poor nations described in many traditional critiques of such relationships. Success of sub-regional cooperation and integration requires a degree of statesmanship and an orientation that is regional rather than purely nationalistic. That has often been lacking in many countries.

Structure of African Trade

32. Africa is basically an exporter of primary commodities to, and an importer of manufactured and capital goods from, the industrialized world. In 1980 for example, African exports of food, beverages and tobacco (SITC. 0+1), crude materials (SITC:3) to the developed market economies were 78.5 per cent of total exports for that year; the corresponding share of these items for 1987 was 68.0 per cent, reflecting the structure of the GDP.

33. This production structure plays a fundamental role in shaping Africa's overall trade. Despite serious attempts within the African sub-regional economic groupings to promote intra-African trade, the level of such trade has remained very low over the past three decades. The composition of traded goods has remained basically the same. There are many factors responsible 5/ for this situation and unless the obstacles are eliminated (and the relevant institutions and infrastructure to facilitate intra-African trade established and properly implemented at both the regional and sub-regional levels), the share of intra-trade in Africa's total trade will not only remain at the current level but could decline.

Limited diversification

34. A limited range of tradeable goods, low degree of economic complementarity and narrow focus on trade are the reasons commonly cited for failure to integrate. It is usually argued that countries at comparable levels of development with similar industrial structures or agricultural output tend to produce the same goods. The argument is that most African countries and groupings are so similar in resources, soils and climate that they produce the same crops which limits the potential for intra-regional trade. Under these circumstances, creation of a regional market could lead to only a modest increase in intra-regional trade.

35. Not all the studies conducted on intra-regional trade here produced conclusive generalizable results supporting this point of view. Koester uses several statistical data to dispute this view. 6/

36. Koester's study found that the same agriculture products exported to destinations outside the region were imported by other SADCC countries. On average, the region spent about 15 per cent of the revenue gained from exporting a product on imports of the same product from outside the region. Potential intra-regional trade as a percentage of foreign trade for commodities with the greatest potential for intra-regional trade would thus be substantial: live animals (34 per cent); meat (21 per cent); maize (72 per cent) cent); vegetables (76 per cent); sugar and honey (32 per cent); animal feeds (19 per cent); fixed vegetable oils (33 per cent). Savings from better integrated intra-grouping trade could be significant. Such savings could arise from price variances, but more especially from shipping and insurance costs spared. These could be high because most of these countries are land-locked.

37. By way of examples, the following calculations have been made to indicate potential savings from grain trade between Zambia and Zimbabwe (if Zambia brought all or some of its requirements from Zimbabwe instead of from abroad), 7/ (in 1977/78 prices):

Zambia's maize import needs:	96,000 m/t
Purchased from overseas:	US$ 18 million
If purchased from Zimbabwe :	US$ 8.5 million
Savings :	US$ 9 million
Zambia's wheat import needs :	905,000 m/t
Purchased from overseas :	US$ 18.5 million
If purchased from Zimbabwe :	US$ 4.5 million
Remainder purchased from overseas:	US$ 9 million
Savings :	US$ 5 million

Zambia would have been able to meet all of its maize import needs and half of its wheat import needs by purchasing surplus grain from Zimbabwe, resulting in a total savings of US$ 14.5 million for Zambia with possible ripple effects for the region.

38. On the other hand, the assumptions of lack of complementarity seem to hold true in West Africa. A study on intra-regional trade in West

Africa, 8/ found that there was considerable potential for trade in a number of products such as palm oil, cotton textiles and cola nuts. However, trade expansion in the subregion continues to be severely constrained by low productivity, drought, unreliable weather conditions and lack of diversification.

39. Recorded intra-trade increased more than four-fold during the period 1970-1982, although it remained at less than one per cent of total imports. Trade in the main cereals - maize, sorghum, millet and rice - increased from an average of 4,000 tons in 1970-1972 to 18,000 tons in 1980-1982. Total imports of these items more than tripled, rising from 730,000 tons to 2.6 million tons during the same period, reflecting low levels of production and increasing food import dependence. Several countries in the subregion export small quantities of grain during periods when the harvest is favourable. Côte d'Ivoire and Ghana, for example, exported some maize in 1984 and 1985. However, these are exceptions rather than the rule and overall production levels are so low that countries are unable to generate exportable surpluses on a sustainable, let alone expanding, basis.

40. There is, however, a fair amount of unrecorded trade. Recorded intra-regional trade was worth $1.1 billion in 1981. During the period, 1970 to 1982, some 40 percent of intra-regional trade was estimated to be unrecorded. This trade was believed to be worth about $500 million annually since 1977.

41. Part of the problem of complementarity is explained by two factors. First, the low level of diversification means that there are few industrial goods as yet. As African economies diversify and industrialization expands, the complementarity constraint will be removed. Second, is the issue of transport and communications. When viewed as one whole, Africa presents sharply different climatic conditions covering the main agro-ecological zones and other natural resources required for balanced production and sustenance of life like any large continent.

42. Africa has a wide variety of climatic regions. This means that production could be efficiently diversified to overcome the complementarity issue if transport systems as well as communications and trading links were more developed and more oriented towards serving intra-African trade. Indeed, taking the countries of Northern Africa and the Republic of South Africa (when the latter becomes a fully accepted member of the international economy), and including sub-Saharan Africa as one regional economy, there is a potential for greater self-sufficiency. The problem of complementarity and presumed lack of product diversity arises, inter alia because of poor transport and communications, lack of trade information and established trading links rather than any inherent lack within the region.

Insufficiently developed infrastructure.

43. Infrastructure networks in most African countries are historically oriented more towards export to developed countries than to serve national and intra-regional trade. Continental roads, railways, airlines and telecommunications facilities linking countries within Africa are still very few. Regional transport and communications networks within most sub-regions of Africa are either obsolete and dilapidated or virtually non-existent. This situation poses formidable barriers to intra-regional trade. Improvements in regional [transport and communications] infrastructure and progress towards regional market integration and industrial developement would be mutually reinforcing.

44. Experience has shown that without adequate, efficient transport and communications infrastructures full market integration cannot take place in the various integration groupings. Although this sector is capital-intensive and continues to rely on imported technology, it is possible in the long run to improve its performance through cost-effective measures and better utilization of existing capacities. In most integration groupings there is a need for investment programmes to rehabilitate and upgrade vital components of integrated regional networks and to provide inter-modal exchange points, where these are insufficient or missing altogether. Much can be achieved in the long run through rehabilitation, updating and modernization of existing capacities, and in the short run through more efficient exploitation of existing transport modes and communications facilities. UNCTAD has an effective programme of technical assistance which aims to assist African countries in this area. This programme deserves support especially because it is a sine qua non for success in regional integration.

45. In the longer run, there is a need to promote and develop technological and manufacturing capacities for transport and communications equipment and spare parts. Upgrading, maintenance and repairs of roads, railways, airports and harbours to enable them to cope with increased intra-grouping trade will be essential. There is an urgent need to increase telecommunications and postal facilities to facilitate contacts among people in the business community which will enable fuller exploitation of new market and investment opportunities.

Inadequacy of payments arrangements

46. Institutional infrastructure is inadequate generally. One major constraint on intra-regional trade in sub-Saharan Africa is the lack of means to settle payments for regional transactions. Aside from general balance-of-payments, problems which are at the root of these payments difficulties, regional commercial banks have not developed sufficient links with one another. Conversely their links with counterparts in developed countries are strong. The regional central banks do have closer ties however. The Association of African Central Banks, with its African Centre for Monetary Studies, seeks to encourage cooperation among African central banks through discussion of common problems. There is, however, no comparable organ for commercial banks on a formal basis.

47. In 1976, ECOWAS established the West African Clearing House (WACH), in an attempt to mitigate payments difficulties. The PTA Clearing House (PTACH) was established in 1984 for Eastern and Southern Africa States. Experience with these payments arrangements has been mixed. In the WACH, there has been a tendency towards accumulation of credits by countries with relatively strong currencies and corresponding increases in the debits of countries with relatively weak currencies. Transactions costs have also tended to be high and the time required to go through the payments procedure usually long. As a result, only a small part of the official regional trade now passes through the WACH. The share of intra-regional trade passing through WACH decreased from about 40 per cent in 1983 to almost zero in 1990. Conversely, for PTACH, there has been an encouraging progression in the share of intra-PTA trade transacted: leaping from 9 per cent in 1984 to 57 per cent in 1989.

Problems of convertibility

48. Generally, convertibility can be defined as the degree to which a national currency is exchanged without restriction or limitation as to amount or type of transaction. The extent to which restrictions or limitations apply to the free exchange of a currency is a measure of its inconvertibility.

49. Lack of convertibility of currencies has been a major obstacle to regional integration and cooperation. Non-convertibility increases transaction costs of traders and investors, in particular when there are foreign-exchange shortages. In this regard, countries which are members of currency zones with convertible currencies have derived greater benefits from trade integration. Within ECOWAS, for example, where trade integration has been the dominant feature of the approach to regional integration, the countries of the West African Monetary Union have a single currency, the CFA franc which is convertible through the French franc. This accounts for the high levels of intra-trade among these countries compared to other ECOWAS member countries whose currencies are subject to various degrees of restrictions. In the Eastern and Southern African subregions and in North Africa, various degrees of restrictions apply to exchange and payments transactions.

50. An assessment of the results achieved by monetary unions 9/ in Africa has to be considered from two perspectives: first, from the view point of their contribution to regional integration as a whole. There are two monetary unions in Africa. There is the French franc zone, which covers 14 countries in West and Central Africa plus the Comoros. These are the so-called operations accounts countries. 10/ In addition, there is the rand zone which has some member countries in Southern Africa.

51. In monetary terms, the CFA franc zone countries appear to have benefited from monetary union. Inflation has remained at reasonable level and convertibility of their currency has helped the countries of the zone to avoid some of the difficulties experienced by other African countries. In West Africa, it has also facilitated trade among them (see paras. 26 and 27 above.). In addition, the countries within the zone have enjoyed relatively stable exchange rates in comparison with those experienced in other developing countries. However, the fixed relationship that has been maintained for nearly three decades between the French franc and the CFA franc has lowered

the relative prices of tradeable products, encouraged imports and reduced the competitiveness of exports. There is a mounting debate on whether the CFA franc/French franc parities established some decades ago still reflect today's realities. 11/

52. In the case of the Rand zone, the union is dominated by South Africa as the main pole in the region and is closely linked to the Southern African Customs Union (SACU), from which some of the member States derive considerable amounts of revenue.

53. In the short run, when production structures are simple and undiversified, and complementarity in trade is low, trade volumes are low because tradeables are few. Therefore, lack of convertibility may not be seen as an important constraint on integration. However, as the structure of the economy becomes more complex and trade expands, payments restrictions can become an investment. Full exploitation of economic potential of an expanded economic space is only possible if currencies are freely convertible. Investors seeking opportunities for maximum return on capital would direct investments to projects designed to meet regional demands. Also, improved allocation of resources should result not only from free movement of capital but also from exchange rates which are close to the equilibrium level so as to maintain convertibility. The combined effects of an environment which encourages efficient investment resource allocation and improved opportunities for investment generally can have important implications for accelerated growth and structural diversification of a regional economy. Such a development itself would in itself contribute to lifting one of the major constraints on the regional integration process, namely lack of diversification.

Non-tariff barriers

54. Non-tariff barriers remain a serious impediment to African intra-grouping trade. Most integration groupings need to complete removal of tariff and non-tariff barriers and establish common external tariffs. There is a need to redefine the rules of origin to encourage, rather than hinder, intra-African trade and investment. There should be increased trade facilitation, including better transit and insurance facilities and simplification and harmonization of trade documentation.

Limited role of the enterprise sector

55. Regional integration aims to enable participating countries to benefit from increased efficiency and economies of scale. The enterprise sector should, therefore, be the driving force to capture these benefits. Market integration requires the full support of the business community. However, the business climate in many countries is characterized by numerous impediments to the proper functioning of the enterprise sector. The constraints include: export and import restrictions; exchange controls; and quantitative restrictions and prohibitions of imports. Moreover, most African countries, particularly sub-Saharan countries, have suffered stagnation in the past decade mainly due to deterioration in their terms of trade, shortages of foreign exchange to procure inputs, adoption of inward-looking economic policies, an increasing debt burden, poor economic management, and political

instability. In addition, the different national perspectives of the role of the business community in economic development have rendered joint ventures and cross-border investments complex. Questions of ownership, nature and type of investments, transfer of dividends, and employment of non-nationals, for example are not clearly defined which creates uncertainty, and often poses great obstacles to trade, discouraging potential investors.

56. Governments need to ensure that an enabling environment exists for the private sector to fulfil its role and potential. However, up to now the private sector's role in regional cooperation and integration in Africa has been minimal. Increasing production and trade in goods and services, as well as diversification should be recognized as the highest priority. The role of the private sector in attaining these objectives will be critical in the future. It is this sector which will invest in productive enterprises, produce the goods and services, and move them across national frontiers. One important way of encouraging the enterprise sector will be to establish closer coordination between regional integration objectives and trade promotion policies. Achieving this effectively will involve a second very important measure, namely ensuring greater participation and deeper involvement of chambers of commerce and industry, as well as other appropriate private sector groups in the policy formulation process.

V. EMERGING DEVELOPMENTS

57. A number of recent developments will have a profound bearing on the process of integration and could affect the success or failure of efforts in Africa. In the continuing process of evolving strategies on development through regional integration these elements ought to be taken into account. Some of these developments are discussed below.

Africa's commitment to reforms

58. The widespread adoption and pursuit of wide-ranging economic reforms by African countries is now a matter of record. There is also now developing a gradual progression towards more participatory forms of government. Both these processes need to be encouraged, nurtured and supported by all, including Africa's development partners. The significance of these developments in the present context rests on the fact that they can make an important contribution to the African integration process. An earlier assessment 12/ of the outcome of the United Nations Programme of Action for African Economic Recovery and Development concluded, inter alia, that one of the positive outcomes of that programme was the broad acceptance by African countries of the need for economic reforms based on market-oriented and more flexible forms of economic management, with a greater role for the private sector. This acceptance has come from two sources: (a) realization that earlier, largely interventionist approaches to economic management did not work; (b) the strong affirmation of the principle that the development of Africa is the primary responsibility of African Governments and their peoples.

59. The pursuit of bold structural adjustment and other economic reform policies will remove some of the rigidities in national economic policy, promote flexible responses to the dynamics of internal and international economic relationships and remove distortions which often stand in the way of positive approaches to integration. As noted earlier, inconvertibility of currencies and divergent policy stances have been a major constraint on integration efforts. In the broad trends towards reforms, African countries should now move towards greater harmonization of macroeconomic policies and away from the often wrong response of putting restrictions on trade and payments. The requirements of adjustment should not divert attention from long-term developmental and integration objectives. Adjustment programmes should as far as possible take into account their potential impact on regional cooperation and integration.

60. As in the case of economic reforms, African Governments are now moving towards more open participatory forms of governance. There is still a lot of ground to cover qualitatively, but the process has begun. There is a need to inculcate a greater appreciation of the fact that it is also possible to make a positive contribution to good government under constitutional rule, even if one is not in the ruling party. These emerging trends can and should be developed and expanded so that participatory government is taken to mean consensus-building and broader consultation of affected sectors in the evolution of policy. Such a development will lay the foundations for sub-regional and regional contacts at the sectoral levels with the potential to strengthen trade. The major players in the enterprise sector such as the Chambers of Commerce and Industry, the banks, the stock exchanges and others

could coordinate their policies much more easily as operational policies would reflect inputs from the principal participants themselves. The Federation of West African Chambers of Commerce and the Federation of Central African Chambers of Commerce could play important roles, for example. Similarly, the Association of African Trading Enterprises (ASTRADE) 13/ could provide a good base for consultations among African trading enterprises and should be consulted on policies relating to their sector.

Regional dimensions of adjustment programmes

61. Hitherto, the regional dimension of structural adjustment programmes has not been factored into integration efforts of all regional integration groupings in Africa. It is now accepted, however, that when programmes for stabilization and structural and sectoral adjustment focus narrowly on the national context (as they are usually designed to do), they could further constrain trade or factor movements and, therefore, economic integration. However, in so far as stabilization and adjustment programmes eliminate the distortions at the origin of inefficient production, location and goods flows, such programmes may thus constitute a favourable element for regional integration.

62. The issue of the regional dimension of adjustment is related to the more general problem of economic policy coordination. The strategy of market integration based on the recognition of the balance between short-term responsive policy for crisis management and long-term perspective planning leading to real transformation, requires a harmonious relationship between human resources, industry, agriculture, trade, money and finance, science and technology and transport and communications. Regional macro-economic policy coordination is essential in order to ensure a smooth transition from narrowly defined national policy to that which embraces a regional perspective. Thereby regional programmes derive their inspiration from national programmes. The European experience demonstrates that progress towards integration generally calls for more and more better policy coordination. The regional dimension of structural adjustments should be taken into account right from the design stage of national structural adjustment programmes. While maintaining an overall outward-oriented approach, there should be some regional preference with respect to flows of goods, services and factors of production.

Emergence of expanded economic spaces

63. The emergence of expanded economic spaces - such as the European Economic Community (EEC), the North American Free Trade Area (NAFTA), and others in the process of being established not to mention the African Economic Community (AEC) - is another important factor in the dynamics of the integration process in Africa. The developed countries of Europe and North America and some of the relatively more developed countries of other regions consider the creation of larger markets through integration to be an important basis for their future development. Clearly, African countries cannot afford to lag behind. Africa must meet the challenge through self-action. Africa can avoid self-marginalization through determined action and strong political will.

Growing international interest in African integration.

64. In the early stages of Africa's integration efforts, the continent's development partners paid little attention to the process. The multilateral financial institutions, doubtful of its benefits saw the objective as one of creating restrictive market conditions. While sentiments at the time may have contributed to this scepticism, attitudes have now changed. Countries and institutions both see the value of integration in Africa.

65. Certain factors contributed to this change in attitude. First, the gradual loosening of earlier colonial bonds and the increasing globalization of markets means that African countries and their development partners must both seek new economic relationships. Secondly, the reduction of East/West tension and the pursuit of more liberal trade policies has removed some degree of fear and suspicion associated with the process. Thirdly, there appears now to be a genuine realization that cooperation and integration provides a more realistic basis and indeed offers a faster track for Africa's overall development. Fourthly, many States in Africa are too limited in size and resources to be economically viable. Although this point has not been fully articulated, it must become increasingly clear to Africa's development partners that self-interest demands that they support the African integration process because Africa, with its large population and vast natural resources, provides vastly superior opportunities compared to those offered by the present small nation States. A common African market with uniform rules of investment, market access and other free conditions of trade could offer immense opportunities, compared to a multiplicity of small States each with its own rules.

66. Thus, African integration must advance in a global context; there are vast possibilities which integration could open up for the region itself and for the world trade as a whole. These new perceptions and the enlightened self-interest of the international community vested in the integration process in Africa adds another element to the emerging consensus supporting the need for greater integration.

The African Economic Community (AEC)

67. The Lagos Plan of Action and the Final Act of Lagos already presaged the AEC as the ultimate goal of the African integration process. In this regard, the signing of the Treaty of the African Economic Community constitutes an important milestone in the process of regional cooperation and integration.

68. The Treaty provides the blue-print and detailed plan for the achievement of an African Common Market and an African Economic Community. As noted above, the combined forces of the economies of North African countries and those of Sub-Saharan Africa, including South Africa, would constitute a formidable economic force if only they could act as one entity. A keener and more serious realization of this fact could encourage States to see beyond narrow national interests and muster the will to cede some of their perceptions of sovereignty for a greater common good. Provided that special consideration is given to the weakest members of the community such an endeavour could be fruitful and persuasive. For its part, the Treaty of the African Economic Community and the expressed commitment of African States to

implement the steps inscribed therein, has added a new element in the march towards African economic co-operation and integration.

South Africa

69. The eventual emergence in future of a non-racist South Africa as a fully accepted member of the international community is a major challenge for the integration process. With a GNP of 288 billion rands (about US$ 96 billion) at 1991 market prices, the Republic of South Africa is one of the most important economies on the African continent. In relation to the Southern African sub-region, it is the dominant economy. Unlike those of its close neighbours and many other African countries, the structure of its economy is more diversified, and with a relatively higher level of technology. The country is self-sufficient in food and agricultural production and can generate enough surpluses to meet a substantial portion of the region's requirements. Equally, it has a large manufacturing sector, accounting for 22.8 per cent of GDP in 1990 and employing some 13 per cent of the economically active national labour force as well as employing thousands of workers from neighbouring countries.

70. On the other hand, it has been stated that South Africa today has one of the worst systems of income distribution in the world. 14/ Redressing this situation will require a fundamental restructuring of many aspects of the economy. This will involve substantial resources. Nevertheless, the Republic of South Africa as an important force in the regional economy will play a significant role. However, owing to the policy of apartheid pursued so far, there has been little formal contact between the Republic of South Africa and its neighbours regarding the process of regional integration. As the situation evolves for the better, and as the mandates of the United Nations General Assembly relating to contacts with South Africa permit, it will be necessary to start preparing the way for its possible participation in the regional integration process, in consultation with the appropriate authorities. 15/

VI. ORIENTATIONS FOR THE FUTURE

71. The preceding sections give a background to the African integration process. Building on the foregoing analysis, the purpose here is to seek some pointers for the pathfinders of African regional integration.

Implementation of the AEC programme

72. The Treaty establishing the African Economic Community provides the road map reaching a fully integrated regional economy and a common market. It has the advantage of spelling out the various stages for the process in some detail. This should make implementation easier, provided that the political will is there to transcend narrow national interests. Moreover, the ongoing economic and political reforms being oriented towards greater openness, should facilitate the process. A third factor is, the pressure from the entry into effect of other expanded economic spaces. This increases the risk that Africa could marginalize itself by inaction. Single-minded determination to implement the various elements of the Treaty is thus vital. The primary responsibility lies with African Governments and the people themselves.

However, assistance and support from Africa's development partners and international bodies including the multilateral financial institutions will quicken the process. Many aspects of the Treaty require complex technical drafting, consultations and negotiation processes. It is hoped that technical assistance will be available to support the region's own efforts in this area. This is an area where UNCTAD can make a substantial contribution.

Continuation and deepening of reforms

73. The ongoing reforms provide an indispensable background for regional cooperation and integration and must continue. Important features to safeguard would be, openness, market-orientation and flexibility. The reform process must also be adapted to changing realities. The ultimate objective must be sustainable long-term growth through diversification and structural transformation. However, the benefits of structural adjustment programmes tend to be long-term with the cumulative effects perceptible usually only with time. This is why it is important to persist. In the current world environment, they offer the best prospects for growth and development.

74. In this regard, structural adjustment and other policy reform programmes must increasingly take into account their regional linkages. Although these programmes are usually national in conception, the possibilities for regional linkages should always be considered. They should optimize the potential for efficient exploitation of sub-regional and regional comparative advantage. The multinational financial institutions and other development partners could explore the possibilities of regionally conceived structural adjustment programmes in consultations with the countries concerned wherever policy convergence among them is deemed to have reached an appropriate stage to warrant such efforts. Moreover, in developing national policies within the context of structural adjustment programmes, the parties concerned could aim to ensure that future possibilities of sub-regional linkages are taken into account.

Diversification

75. After a false start in many countries, there is now a need to take full advantage of the more favourable economic climate in many African countries for relaunching a programme of structural diversification. Such programmes must be based on comparative advantage, efficiency and the need for flexible responses to market signals. Recommendations for greater efficiency in production of existing raw materials have elicited strong reactions. 16/ However, there are no short cuts to industrialization. Realism would dictate that countries must start where they are and maximize what they are most efficient at producing. Efficiency in production should generate surplus raw materials at competitive prices for local processing. Also, in view of the growing competition for scarce international capital, increased domestic savings will be an important source of investment. Consistent with income levels and the savings potentials of the countries concerned, the approaches to diversification will need to be modest, with small and medium-scale enterprise as the main vehicle.

76. Although no known studies have sought to determine definitely the relative merits of a SADCC approach to regional cooperation and integration as

compared to others, a decentralized sectoral approach such as the one adopted by the SADCC countries would appear to recommend itself. By allocating responsibilities for sectoral coordination to member countries, SADCC has not only avoided a top-heavy administrative structure but has ensured that coordination within the subregion is exercised at the highest level.

77. Support for regional diversification in Africa has also suffered from insufficient coordination among organs and agencies purporting to assist the region with this aim. For example, the region could benefit greatly from better cooperation among UNIDO, the World Bank, UNCTAD and ITC. Closer collaboration among these agencies and others might also cover possibilities for subregional and regional linkages.

<u>Currency convertibility</u>

78. Currency convertibility is an indispensable element in the integration process. Pursuit of this objective must be seen in that light. Sound macroeconomic policies are the basis for achieving convertibility. Good fiscal discipline, avoidance of inflation, and generally good demand-management policies are important. In the absence of a firm commitment to convertibility, fiscal and monetary discipline has eluded many African countries. Such countries have often responded by resorting to payments restrictions undermining the integration process. However, the general trend towards macroeconomic reforms augurs well for greater convertibility and hence for economic integration.

<u>Harmonization of policies</u>

79. Clearly integration is not possible if each country persists in the design and pursuit of national policies without regard to its neighbours or to possibilities of linkage. This caveat applies to both macro and sectoral policies.

80. In the macroeconomic sphere, the multilateral financial institutions which are collaborating with countries to develop structural adjustment and other reform programmes can help the process by encouraging policy coordination in the first instance. This could develop at a second stage into harmonization of policies among like-minded countries whose policy stances are sufficiently compatible to make such actions meaningful. The new approach will probably involve a change in attitude on the part of both the agencies concerned and the countries themselves. Experience, especially with the EEC process, shows that an early start based on action by a core group of consenting nations is helpful. As policy convergence expands among nations and confidence builds up, other countries can and will join in.

<u>Need for flexible approaches</u>

81. While the goal of an African Economic Community and an African Common Market must remain the steadfast objective, a highly centralized approach, requiring contemporaneous actions by all members at each stage could be counter-productive. This is obvious because different countries at different levels of development have different resource endowments, and different

capacities to adjust. They therefore, may be at different stages of policy evolution or reform.

82. The flexible approach advocated essentially here is the step-by-step approach. The plan of the various stages for achieving an African Common Market embodied in the AEC Treaty allows for a transitional period not exceeding 34 years. This stands as an important road map. However, countries which are not able to attain the prescribed requirements within given periods should be allowed to participate when they are ready. 17/ The experience of the EEC points to the need to observe the principle of subsidiarity and to apply the concept of "variable geometry". Obviously, questions will arise as to whether countries can be allowed to enjoy the benefits of the nucleus of the union while remaining outside it. This and similar issues will be matters for careful negotiation, bearing in mind the ultimate objective and the need to carry along the weaker members of the community. This will present the true test of a real community spirit.

83. The second most important aspect of flexibility related to the above consideration is the question of costs and benefits of the process and the eventual union. The experience of the East African Economic Community revealed that fears of domination by more powerful members could easily become an inhibiting factor. This was the case of Kenya vis-à-vis the other countries of the Community. Similar anxieties have been expressed regarding economically powerful countries elsewhere in the region. This issue may gain greater prominence as efforts progress to promote closer regional links with the Republic of South Africa.

84. Initial fears can be overcome if countries recognize their transitory nature. In the end, where there is a common market with free movement of goods and services as well as factors of production, problems take on a local character, which can be addressed by the community as a whole. However, this offers little comfort to weaker countries now aspiring to move up the scale through membership in an economic integration community, hence there is a need for well defined arrangements to accommodate the fears, interests and concerns of weaker members. Compensation mechanisms that have tended to be restricted mainly to settlement of claims, could now also be directed to address the development lacunae at the root of the disparities.

Rationalization of existing integration organs

85. There is simply too much duplication and overlapping among cooperation and integration organs in the region. The proliferation of economic integration organs has often led inevitably to overlapping membership, duplication of activities, not to mention conflicting regulations and decisions. Only 14 African countries are not simultaneous members of two or more groupings. Sixteen countries belong to three or more groupings. Two (Burkina Faso and Mali) belong to six groupings; one (Niger) belongs to seven groupings. Efforts to rationalize the various subregional intergovernmental organizations and their institutions, especially in areas with overlapping functions, should continue to be given high priority. The task will not be easy. Recently, attempts have been made to 'rationalize' the activities of the PTA and SADCC or even to merge the two. In January 1992, the PTA Authority (Heads of State) called for a merger. Subsequently, the two

organizations have moved further apart with SADCC turning itself into a community. The case of SADCC and PTA may be a specially difficult one, but there are several other small, hardly viable integration groupings which could benefit from mergers with others. This will save scarce financial and human resources and bring greater strength to the organizations themselves. It will also greatly facilitate the task of the international community in their efforts to support African integration.

Importance of international support

86. There is evidence that Africa's development partners are broadening the scope and features of their economic assistance beyond the narrow bilateral framework, and seeking ways to support the regional integration process. 18/ The World Bank has also expressed an interest in supporting regional integration in Africa. This development provides an additional impetus to the integration process and should be taken into account. At the same time, the African process could benefit from the experience of the EEC. Integration efforts will require close consultation with, and support from, countries which have travelled along the same road. Since conditions in Africa are much less favourable, not all actions which have given positive results elsewhere will be replicable with the same effect. However, African countries should take full advantage of the favourable disposition of other countries and multilateral agencies so as to obtain the necessary support for their own efforts.

87. In this regard, other regional integration groupings should follow the example of SADCC to institute regular exchanges and policy dialogue with their development partners. Forums, which should be issue-focused and well-prepared should not be maintained only at the regional level, as in the case of the Global Coalition for Africa (GCA) but should be organized at the levels of subregional groupings (such as ECOWAS, ECCAS and the AMU). The forums would allow exchanges of views to take place with development partners on Africa's regional integration initiatives with a view to finding what can feasibly be supported, not only with the region's own resources but also with assistance from the donor community.

88. The process of integration may be long and complex. African countries will need the support of their development partners. To win and sustain this support, it will be essential to maintain a positive dialogue with them on the region's objectives, perceptions and outlook. Above all, there must be sufficient continued evidence of strong political will among African Governments to pursue regional integration with effectiveness and efficiency.

89. UNCTAD stands ready to support Africa in this endeavour, both by facilitating a policy dialogue and by responding to requests from economic groupings for technical cooperation in drafting the various protocols, sharing the negotiating experiences of more successful integration efforts, and institutional infrastructure development and other areas.

Notes

1/ The following documents inter alia, provide a general background. UNCTAD/ECDC/228, UNCTAD/ECDC/229, TD/B/C.7/94, TD/B/CN.3/2 and TD/B/CN.3/3.

2/ UNCTAD, "Regional and Subregional economic integration and cooperation among developing countries, adjusting to changing realities: The African Case", (UNCTAD/ECDC/228) 6 August 1992.

3/ Frank T. Joshua, in "Experience of African regional economic integration", in UNCTAD Review, Vol. 1, No. 2, 1989, p. 64, refers to Jacob Viner's view that conditions for trade creation are said to prevail (a) when the existing external trade of prospective members is small in relation to their domestic production; (b) when a high proportion of external trade is already undertaken with prospective members; (c) where there are large differences in the pattern of relative prices of protected manufactured products, (d) where pre-union duties on products not produced within the area are sensitive to tariff charges; and (f) where the production structures of prospective member States are more complementary than competitive.

4/ UNCTAD/ECDC/228 ibid.

5/ Many studies and analyses have identified obstacles to intra-regional trade growth in Africa. Apart from UNCTAD secretariat studies listed in note 1 above, some of these studies include John B. McLenegham et al. op.cit, Proceedings of the Workshop on the Promotion of Regional Co-operation and Integration in Sub-Saharan Africa, organized by the European University Institute in Florence, Italy 26-28 February 1992 under the auspices of the Global Coalition for Africa and sponsored by the Commission of the EC, see also OECD document DCD/DAC(92)21 Annex 2.

6/ Ulrich Koester, Regional Co-operation to improve food security in Southern and Eastern African countries; International Food Policy Research Institute (IFPRI) Study No. 53.

7/ Obviously, the prevailing drought in the sub-region does not favour this argument now. However, the normal pattern of production and consumption requirements of these countries in the past would show that much higher levels of trade in grains between the two countries is possible.

8/ Mary E. Burfisher and Margaret B. Nussien, "Interregional Trade in West Africa; Agriculture and trade in West Africa;" Agriculture and Trade Analysis Division, United States Department of Agriculture, ERS Staff Report No. AGES 870330.

9/ Theories of the rationale behind monetary unions are briefly summed up by R.J. Bhata in The West African Monetary Union, an Analytical Review, IMF Occasional paper No. 35, May 1985.

10/ The West African Monetary Union comprises Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo, which together with Cameroon, the Central African Republic, Chad, the Comoros, Congo and Gabon, are members of the CFA franc zone with an Operations Account under agreement with the French Treasury. Under this agreement, convertibility of the CFA franc into French francs at a fixed parity of CFA franc 50 = French franc 1 exists with certain qualifications. The Malian franc is exchanged at a fixed parity of 100 Malian franc = 1 French franc.

11/ It is known that the relevant authorities have been concerned for some time about the possible divergence of this fixed parity from the real effective exchange rates of the CFA franc countries. For a recent reference to this problem, see West Africa 21-27 December 1992 p. 2186.

12/ See UNCTAD document TD/B/1280, and especially TD/B/1280/Add.1.

13/ For the details of the objective and other particulars as well as the master programme of action of ASTRADE, see UNCTAD/ECDC/219.

14/ See Mission to South Africa: Findings of the Commonwealth Eminent Persons Group on South Africa, published by Penguin Books for the Commonwealth Secretariat.

15/ This cautious approach was adopted effectively by the IMF in anticipation of China and the various republics of the former Soviet Union becoming members of the Fund. What is important is that such initiatives should be undertaken through decisions and resolutions of the United Nations General Assembly, and respecting the wishes of the parties concerned in South Africa.

16/ The reference relates to the African reaction to the Fraser Group report, as well as some populist press reactions.

17/ This principle, in the European context, implies that the body representing the level at which an issue can be most effectively tackled should be assigned responsibility for that issue. SADCC's decentralized approach whereby sectoral coordination is assigned to member countries could be a variant of this principle. This approach is lacking in the ECOWAS system. The concept of "Variable geometry" recognizes that progress within an organization should be possible for a subgroup of member States, with others joining in as and when they are ready.

18/ See Canadian International Development Agency (CIDA), Afrique 21, Une vision de l'Afrique pour le 21e siecle, where a recent policy review by CIDA has come out strongly in support of a regional approach to Canadian assistance programmes in Africa. Japan is also strongly in favour of this new trend. The Netherlands support for the GCA and other regional integration efforts is also a reflection of this trend, as is the support of several EC and Scandinavian countries, especially for the SADCC group of countries.

TABLE 1

COUNTRY PROFILES OF MAJOR ECONOMIC COOPERATION AND INTEGRATION GROUPINGS OF AFRICA

Member Countries	GNP per Capita($)		Real GDP growth annual average % change		Food Production per capita 1979-81 =100		Aid per capita $	Debt service as % of exports	Total Debt $ mn	
	1980	1989	1981-85	1986-90	1981-85	1986-89	1988	1989	1980	1989
UDEAC										
Cameroon	960	1000	9.5	-1.7	98	96	41	19	2,513	4,743
Central Afr. Rep.	320	390	2.4	1.62	94	90	64	14	20	716
Chad	160	190	6.54	2.84	97	101	43	5	218	368
Congo	340	940	11.16	1.96	100	97	41	27	1,496	4,316
Gabon	3900	2960	1.98	0.92	91	81	121	12	1,513	3,176
Eq. Guinea	--	430	0.5	2.92	--	--	--	19	76	228
CEPGL										
Burundi	200	220	5.12	1.86	99	98	37	33	166	867
Rwanda	240	320	2.4	-0.56	97	98	35	19	190	652
Zaire	630	260	1.72	1.78	98	95	19	22	4,860	8,843
MRU										
Guinea	303	430	1.84	3.96	97	90	62	15	1,117	2,176
Liberia	580	--	-0.9	-6.96	100	95	23	--	686	1,761
Sierra Leone	320	220	-0.6	0.44	90	99	25	--	430	1,057

For sources see end of table

Table 1 (continued)

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Member Countries	GNP per Capita($)		Real GDP growth annual average % change		Food Production per capita 1979-81 =100		Aid per capita $	Debt service as % of exports	Total Debt $ mn	
	1980	1989	1981-85	1986-90	1981-85	1986-89	1988	1989	1980	1989
CEEAC										
Burundi	200	220	5.12	1.86	99	98	37	33	166	867
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Gabon	3900	2960	1.98	0.92	91	81	121	12	1,513	3,176
Eq. Guinea	--	430	0.5	2.92	--	--	--	19	76	228
Rwanda	240	320	2.4	-0.56	97	98	35	19	190	652
Sao Tome	485	312	-3.88	4.52	--	85	--	45	24	131
Zaire	630	260	1.72	1.78	98	95	19	22	4,860	8,843

For sources see end of table

Table 1 (continued)

Member Countries	GNP per Capita($)		Real GDP growth annual average % change		Food Production per capita 1979-81 =100		Aid per capita $	Debt service as % of exports	Total Debt $ mn	
	1980	1989	1981-85	1986-90	1981-85	1986-89	1988	1989	1980	1989
CEAO										
Benin	320	380	3.72	-0.1	101	114	54	7	417	1,177
Burkina Faso	240	320	4.92	2.96	101	116	32	9	334	756
Côte d'Ivoire	850	790	0.26	-0.96	95	95	35	41	5,848	15,412
Mali	240	270	1.72	6.6	102	97	57	19	733	2,157
Mauritania	440	490	-0.34	1.5	91	88	102	20	845	2,010
Niger	440	290	1.14	2.42	88	86	40	33	863	1,578
Nigeria	1,030	250	-1.82	3.18	99	98	3	21	8,934	32,832
Senegal	510	650	3.04	2.8	102	106	91	29	1,468	4,139
CPCM										
Algeria	1940	2250	4.46	0.68	97	99	6	69	19,377	26,067
Mauritania	440	490	-0.34	1.5	91	88	102	20	845	2,010
Morocco	930	880	2.52	4.28	100	122	18	32	9,678	20,851
Tunisia	1410	1260	3.78	3.54	99	96	31	23	3,527	6,899

For sources see end of table

Table 1 (continued)

Member Countries	GNP per Capita($)		Real GDP growth annual average % change		Food Production per capita 1979-81 =100		Aid per capita $	Debt service as % of exports	Total Debt $ mn	
	1980	1989	1981-85	1986-90	1981-85	1986-89	1988	1989	1980	1989
ECOWAS										
Benin	320	380	3.72	-0.1	101	114	54	7	417	1,177
Burkina Faso	240	320	4.92	2.96	101	116	32	9	334	756
Cape Verde	520	760	4.82	2.24	61	84	--	--	20	130
Côte d'Ivoire	850	790	0.26	-0.96	95	95	35	41	5,848	15,412
Gambia	350	240	0.96	7.62	94	111	na	11	137	342
Ghana	410	390	5.36	0	106	108	38	50	1,314	3,078
Guinea	303	430	1.84	3.96	97	90	62	15	1,117	2,176
Guinea-Bissau	130	180	7.32	2.04	108	116	--	4	132	458
Liberia	580	--	-0.9	-6.96	100	95	23	--	686	1,761
Mali	240	270	1.72	6.6	102	97	57	19	733	2,157
Mauritania	440	490	-0.34	1.5	91	88	102	20	845	2,010
Niger	440	290	1.14	2.42	88	86	40	33	863	1,578
Nigeria	1,030	250	-1.82	3.18	99	98	3	21	8,934	32,832
Senegal	510	650	3.04	2.8	102	106	91	29	1,468	4,139
Sierra Leone	320	220	-0.6	0.44	90	99	25	--	430	1,057
Togo	420	390	-1.64	3.18	91	89	52	19	1,045	1,185

For sources see end of table

Table 1 (continued)

Member Countries	GNP per Capita($)		Real GDP growth annual average % change		Food Production per capita 1979-81 =100		Aid per capita $	Debt service as % of exports	Total Debt $ mn	
	1980	1989	1981-85	1986-90	1981-85	1986-89	1988	1989	1980	1989
PTA										
Angola	725	620	0.12	4.12	93	85	14	42	na	6,950
Burundi	200	220	5.12	1.86	99	98	37	33	166	867
Comoros	344	450	3.6	1.48	--	121	--	9	44	176
Djibouti	--	--	1.52	1.04	--	--	--	32	180	
Ethiopia	120	120	-0.14	3.88	93	90	14	39	804	3,013
Kenya	420	370	3.62	4.62	96	102	41	33	3,530	5,690
Lesotho	410	470	1.38	6.4	85	79	69	3	71	324
Malawi	180	180	3.12	2.68	85	95	48	28	821	1,394
Mauritius	1180	1990	4.46	6.82	101	101	54	10	467	832
Mozambique	--	80	-7.9	3.64	84	91	49	24	na	4,737
Rwanda	240	320	2.4	-0.56	97	98	35	19	190	652
Somalia	140	170	3.5	1.18	94	97	72	34	660	2,137
Swaziland	820	900	3.3	5.06	100	99	--	5	206	281
Tanzania	280	120	0.44	3.68	95	89	39	17	2,572	4,918
Uganda	280	250	2.22	3	99	86	24	81	733	1,808
Zambia	600	390	0.74	-0.2	91	96	50	12	3,266	6,874
Zimbabwe	710	650	3.44	3.12	96	94	28	26	786	3,088

For sources, see end of table

Table 1 (continued)

Member Countries	GNP per Capita($)		Real GDP growth annual average % change		Food Production per capita 1979-81 =100		Aid per capita $	Debt service as % of exports	Total Debt $ mn	
	1980	1989	1981-85	1986-90	1981-85	1986-89	1988	1989	1980	1989
SACU										
Botswana	780	1,600	11.7	8.44	88	68	133	4	133	513
Lesotho	410	470	1.38	6.4	85	79	69	3	71	324
South Africa										
Swaziland	820	900	3.3	5.06	100	99	--	5	206	281
SADCC										
Angola	725	620	0.12	4.12	93	85	14	42	na	6,950
Botswana	780	1,600	11.7	8.44	88	68	133	4	133	513
Lesotho	410	470	1.38	6.4	85	79	69	3	71	324
Malawi	180	180	3.12	2.68	85	95	48	28	821	1,394
Mozambique	--	80	-7.9	3.64	84	91	49	24	na	4,737
Namibia	--	1030	-1.38	2.88	90	92	26	--	--	--
Swaziland	820	900	3.3	5.06	100	99	--	5	206	281
Tanzania	280	120	0.44	3.68	95	89	39	17	2,572	4,918
Zambia	600	390	0.74	-0.2	91	96	50	12	3,266	6,874
Zimbabwe	710	650	3.44	3.12	96	94	28	26	786	3,088

Source: United Nations Africa Recovery adopted from (a) FAO Production Yearbook 1989,b) United Nations World Population chart 1990, (c) United Nations World Population chart 1990, (d) UNCTAD The Least Developed Countries 1990 report; UNICEF, the State of the Worlds' Children Report, 1991,(e) World Bank World Debt Tables 1990-1991, World Development Report 1990 and 1991.

TABLE 2

AFRICAN INTRA-GROUP TRADE PERFORMANCE (1981 to 1990)

Country Group	1981	1985	1986	1987	1988	1989	1990
A. Value of intra-group trade (in millions of dollars)							
CEAO	396	297	300	416	488	500	575
CEEA	111	70	125	128	193	235	210
CEPGL	7	10	8	8	10	7	7
ECOWAS	944	1018	970	1132	1298	1167	1280
MRU	3	4	4	5	6	6	6
PTA	482	333	372	487	506	582	..
SADCC	258	200	226	308	304	..	..
UDEAC	146	50	84	103	117	193	180
B. Intra-group trade as a percentage of total exports of each group							
CEAO	10.1	7.1	6.5	8.4	10.3	11.1	12.1
CEEAC	2.4	1.4	2.8	2.9	3.7	5.0	3.8
CEPGL	0.2	0.8	0.6	0.7	0.7	0.7	0.6
ECOWAS	4.6	5.2	7.5	7.8	9.2	7.8	6.1
MRU	0.1	0.4	0.4	0.5	0.6	0.7	0.7
PTA	9.0	7.5	6.9	8.9	8.0	6.2	..
SADCC	5.7	4.9	5.9	6.1	5.0	..	..
UDEA	3.0	2.0	3.0	3.2	3.7	4.1	4.3

Source: UNCTAD, TD B C.7/AC.3/10: Table 1 and TD/B/CN.3/3

Note: Two dots (..) indicate that the data are not available.
