I Regional Integration Efforts in Africa: An Overview

Ernest Aryeetey and Abena D. Oduro

I Introduction

Regional integration arrangements in Africa have generally been perceived to be vehicles for overcoming the constraint of small economic sizes of nations. Their sizes are seen to have hampered their ability to industrialise efficiently, particularly within the context of import-substitution, an approach that many African countries adopted soon after independence in the 1960s. Regional integration was conceived as a means to facilitate the structural transformation of African economies. This thinking is best illustrated by the preamble to the treaty of the Economic Community of West African States (ECOWAS), where the setting up of the community was noted to be in consideration of the "... overriding need to accelerate, foster and encourage the economic and social development of their states in order to improve the living standards of their peoples" (ECOWAS, 1975). The structural transformation envisaged was later clarified to be within the context of "self-reliant and self-sustaining development of member states" (OAU, 1980, p. 128).

While we note that efforts at achieving one form of integration or another have characterised the post-independence history of African states, there have been some differences among various regional groupings and other interest groups on the extent of integration warranted by the goal of achieving structural transformation. Even though they may generally be divided between those who favoured the creation of regional or sub-regional economic groupings and those for a high level of political integration, the spectrum of possible economic integration is certainly broad (McCarthy, 1996). We concentrate in this paper on economic integration efforts, and observe that these may range from simple economic cooperation to an economic union.

McCarthy (1996) has pointed out that historically, various points on the economic integration spectrum have been achieved elsewhere through a step-wise graduation of integration units. They often start with economic *cooperation*, "which refers to any joint activity across national frontiers, for the purpose of cooperation in economic matters, from running a joint regional airline or coordinated rail system to the joint management of river

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basins" (McCarthy, 1996, p. 213). Regional *integration*, which could follow cooperation, is more narrowly focused on expanding intra-regional trade through the removal or lowering of the barriers to trade in goods and services. Integration at the lowest level could involve the operation of preferential trading arrangements, where any number of countries would agree on lower tariffs for imports. This starts with the creation of a *free trade area* where barriers to trade among the participating nations are removed but each member state maintains its own restrictive practices, including tariffs, against trade with non-members. Following an exhaustion of the benefits of a free trade area, a *customs union* might be pursued as members adopt a common external barrier to trade with non-members, sharing tariffs on imports and other restrictions on free trade with non-members. They may follow these arrangements with a *common market* when capital and labour join goods and non-factor services in the free flow among member states. An *economic union* is deemed to have been created when they start pursuing common fiscal and monetary policies.

Most integration schemes in Africa have aimed at achieving a common market eventually (Johnson, 1991). Unfortunately, hardly any schemes have achieved the anticipated progression with time towards that goal. By 1990, the target date for the establishment of a customs union within ECOWAS, very little progress had been made towards a free flow of goods and a common external tariff required for the creation of the customs union. Langhammer and Hiemenz (1991, p. 29) describe the sequence of African regional integration efforts as "a dynamic initial phase, in which numerous programmes are launched ... followed by a period of implementation difficulties or failures and ratification problems". Indeed, most of the integration schemes have not made any headway in achieving their objectives largely because of the lack of implementation of treaties and protocols.

There appears to be some consensus that regionalism in Africa has only achieved very limited success at best (Foroutan, 1992; Fine and Yeo, 1994; Gambari, 1991; Langhammer and Hiemenz, 1991). This has given way to some considerable pessimism as it is suggested by many scholars that current African regional groupings are unlikely to confer net positive static welfare gains on members because they do not have the required conditions for trade creation effects that outweigh trade diversion effects (McCarthy, 1996).

But the formation of African regional groupings in the past has not relied on the expectation of static welfare benefits for their creation. Regional cooperation has been perceived as a means to industrialise efficiently by taking advantage of the opportunities of economies of scale and specialisation which cooperation would make available; and as a means to

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increasing their bargaining strength vis-à-vis the industrialised countries. Despite the clear difficulties of various integration schemes, official statements expressing the desire for integration amongst African Heads of State are continually being made. The recent formation of a not-yet functional African Economic Community in 1994 under the Abuja Treaty is the latest example. The ECOWAS Treaty has been revised in the light of past experience and changing circumstances. The Preferential Trading Area for Eastern and Southern Africa (PTA) has been transformed into a common market, with the ratification of a treaty bringing COMESA (the Common Market for Eastern and Southern Africa) into existence. SADCC has responded to the changed political circumstances in its sub-region and has evolved into SADC (Southern Africa Development Community) which no longer concentrates only on project coordination but also incorporates trade integration. The CEAO and UMOA in francophone West Africa have been merged to form the West African Economic and Monetary Union (UEMOA). Similar developments have also occurred in francophone Central Africa.

An important issue, however, remains the extent to which these recent developments signify a genuine intent to implement regional integration agreements. Fine and Yeo (1994) in an attempt to answer why efforts at regional integration persist despite their failures, attributed this to the irrelevance of regional integration to most national governments and the lack of political or economic cost in re-affirming solidarity towards ineffective agreements. This view would appear simplistic to us.

Renewed Interest in Integration

Renewed interest within Africa in revitalising and resuscitating regional groupings could be seen as a response to the deepening and enlargement of integration in Europe, the formation of a free trade area in North America, and similar developments in Southeast Asia. There is the fear that Africa's position in the world economy will be weakened further if it does not strengthen its already existing regional groupings. This is because, with the changes in the international economy, "... a failure to overcome, or reduce, the costs of market fragmentation in regions whose countries have not yet begun to cooperate will mean that those regions, as a whole, will be less well placed in the future to attract the foreign investment, technology and know-how on which they will have to depend for their future growth" (Mistry, 1995, p. 38). Thus, from the point of view of governments, regional integration may no longer be irrelevant for the growth and structural change of African economies. Indeed, developments in the rest of the world have forced Africans to take another look at their efforts at regional

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integration. The experience of Europe and developments in North America suggest that there are gains to be made from integration and that these gains go beyond the static welfare effects (Markusen, 1985; Mistry, 1995; and Wonnacott, 1985).

The possibility of current regional cooperation attempts being more successful now than in the past is improved because of economic changes in African economies which have embarked on structural adjustment programmes (SAPs). These changes may have created a domestic interest group which will press for greater regional integration. Most African countries have implemented trade liberalisation programmes, as part of SAPs, which have resulted in substantial tariff reductions so that the adjustment shock accompanying regional trade liberalisation may be lower than it otherwise would have been. If the SAPs have created incentives towards exporting, then the growing number of firms with an export potential will increase the domestic lobby or support group for further regional trade liberalisation.

Aside from the interest emanating from Africa itself, there is also interest expressed from outside to see regional integration efforts succeed. The World Bank's long-term perspective study on a strategy for Africa's economic development states that "progress toward market integration and increased cooperation in a whole range of areas "... is central to Africa's long term development strategy" (World Bank, 1989, p. 162). This is based on the premise that regional integration can accelerate growth in the region if it facilitates an increase in trade. It has been suggested that "... regional integration should be supported as a means of achieving greater outward orientation" (Mansoor and Inotai, 1991, p. 226). The emphasis is more on larger regional units as against sub-regional bodies. This is because "... none of the existing sub-regional bodies ... are large enough to rely on internal trade" (Mansoor and Inotai, p. 226).

The experiences of regional integration in Africa, in relation to those of other regions, need to be analysed within a broad framework. The objective of this paper is to place regional integration efforts in Africa within an appropriate historical and conceptual perspective. The paper is intended to provide an overview for the other papers included in this book. Section 2 reviews what the rationale for integration has been and currently is. In section 3 we present major features of integration in Africa, focusing on experiences with institutional development in the light of given objectives and the difficulties they face. We follow this in section 4 with a discussion of various perceptions of the outcomes of integration efforts before considering what have generally been acknowledged to be broader constraints to regional integration on the continent in section 5. The next section looks at various approaches that have been proffered for overcoming the con-

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straints to effective regional integration. We discuss here the possible paths that African regionalism can take in the future, given the objective of accelerated growth and structural change. Section 7 concludes the paper.

II The Rationale for Economic Integration in Africa

The need for integration is usually perceived to be the result of the nature of the problem that individual African countries are confronted with in the attempts to industrialise and modernise their economies, while achieving self-sufficiency. These problems include difficulties in gaining access to all required materials, following the uneven spread of natural resources and the lack of funds; difficulty in finding efficient and affordable technologies to suit domestic market conditions; difficulty in securing domestic and external markets for manufactured goods; etc. Individual countries are sometimes perceived to be too small to provide any significant domestic markets for both heavy and light industrial goods produced with equipment designed for larger scales of production, thereby forcing the adoption of inefficient production techniques. The smallness of countries and the large number of them competing with one another on international markets often reduces the strength of their bargaining on such markets.

In addition to the small sizes of nations, the fact that many African economies are dependent on a narrow set of similar primary products generally affects their participation in world trade. Africa's participation in world trade, which has never been significant (about 2% in 1990), has reduced in the last decade. Intra-regional trade is itself very low, amounting to only 6% of total foreign trade of African nations in 1990. To offset the unfavourable trends of external markets, it is often suggested that increased trade among African nations could bring greater advantages to the nations involved and help them to mobilise their resources by finding markets for their goods. This would be especially so if it involved some regional groupings (OAU, 1981). McCarthy (1996) has observed that "the small size of most of these developing economies, notably those in Africa, restricts the ability of these countries to benefit from lower unit costs (derived from economies of scale) and viable import-substituting opportunities, hence the argument that African countries should attempt to create customs unions or common markets. This will enable manufacturers to produce at lower unit costs for a larger protected market".

In this light, formation of regional integration arrangements has been pursued as a developmental objective by many African governments. In presenting the Lagos Plan of Action, African leaders expressed their hope and belief in concerted action. The assembled Heads of States and

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Governments belonging to the Organisation of African Unity (OAU) stated, "We commit ourselves, individually and collectively, on behalf of our governments and peoples, to promote the economic integration of the African region in order to facilitate and reinforce social and economic intercourse" (OAU, 1981, p. 5). The OAU sought to achieve this objective through sub-regional and regional groupings operating with reduced barriers to trade. "We hold firmly to the view that these commitments will lead to the creation at the national, sub-regional and regional levels, of a dynamic and interdependent African economy and will thereby pave the way for the eventual establishment of an African Common Market leading to an African Economic Community" (OAU, 1981, p. 6).

Traditional Expectations of the (Static) Gains from Regional Integration

Very often, the discussion of the gains from integration in Africa does not consider the potential consumer gains[1]. It is taken for granted that the removal of tariff and non-tariff barriers on the movement of goods within the region should benefit consumers as prices fall and variety increases. Greater concern is focused on the potential producer gains and how these are to be distributed. This is because, as seen earlier, the major objective behind the formation of these units is structural change through an increase in manufacturing output. This bias is unfortunately reflected in our own discussion below, even though consumer welfare is introduced where possible.

Based on the fact of smallness of African economies, intra-regional trade as a means of expanding markets available to domestic economies has been the main factor that drew nations to seek integration and set up various integration arrangements in the 1960s. In the orthodox conceptualisation, a regional economic grouping is likely to be beneficial to its member states only if trade creation effects outweigh any trade diversion effects. Trade creation is enhanced if the partners are competitive, but with the potential of producing complementary goods through specialisation.

Trade integration can be welfare-enhancing, i.e. if the goods of high-cost domestic producers are replaced with lower-cost goods from regional producers in the union. This is derived from cost reductions if it lessens market distortions arising from national policies, as well as from economies of scale in public sector activities. Static welfare gains are made on both supply and demand sides. They arise from the relative size of trade creation gains as against trade diversion losses. On the supply side, a more

1 This is also a feature of the debate on trade liberalisation in general.

effective reallocation of resources would lead to production efficiencies. On the demand side, consumer welfare is enhanced through greater choice and lower prices. It needs to be emphasised, however, that increasing intra-regional trade as a result of integration need not be welfare-enhancing if it leads to trade diversion where a common external tariff leads to higher prices when high cost regional producers replace low-cost producers outside the market. It is often argued that trade diversion would be short-term, which allows trade creation, which is longer-term, to offset the short-term diversion losses arising from integration by capturing dynamic efficiency.

Mistry (1995) has discussed extensively the orthodox or static gains expected from integration. While he accepts that trade creation could result from integration, he points out this can be sustained only if the issue of regional equity is well accounted for. The differences in capacity of various nations requires that regional policy is utilised to accommodate the complications that arise from inequalities. Trade creation will result from integration if: "(a) each member's pre-integration tariffs are high; (b) production structures of members' economies are roughly similar in their output mix but different in the pattern of relative prices at which similar products are produced; (c) external tariffs applied by the region's members are common and low in comparison with pre-integration tariffs; and (d) the production structures of members are sufficiently responsive to permit intra-regional import-substitution at the same or lower cost than the cost of the same products from extra-regional sources. When any of these conditions is not met, trade diversion may occur" (Mistry, 1995, p. 15).

But McCarthy (1996) is not optimistic about the probability of trade creation offsetting trade diversion in the small economies of Africa that embark on import-substitution and expect to create markets in the region, following their difficulty in competing in the global economy. He notes that "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".

Dynamism in the Gains from Integration

Current discussions on the benefits of regional integration have moved beyond the traditional arguments of trade creation and diversion. Robson (1993) argues strongly that the failure of developing country integration units to generate static gains of integration because they are not optimal trading or currency areas does not justify the discouragement of the formation or existence of these units. Mistry (1995) has argued that sustainable real income growth as a result of regional integration is possible, even if empirical evidence from a number of regions is inconclusive. Such dynam-

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ic efficiency gains are expected to arise from "economies of scale in trade-supporting industries and services which are caused by market enlargement; spill-over effects resulting from wider knowledge transfers across the region on both an intra-industry and inter-industry basis; increased competition; increased levels of investment; stepped up pace of technological change; and consumption smoothing during business cycles". Additional dynamic gains arise from the benefits of policy and investment coordination. Regional integration is seen to have the potential to be growth enhancing if it encourages investment in both physical and human capital.

Lowering intra-regional trade barriers can bring about a restructuring of production at the regional level. Whether or not the restructuring occurs depends upon firms' responses to the lowering of regional trade barriers. The options to firms in a national economy facing increased competition from firms of member countries is not limited to exiting the industry. Firms could respond to the increased competition by either cutting production costs, improving product quality or diversifying products. For some firms these may have been options which were not chosen before because of the cushioning effect of the previous trade regime. The ability of firms to choose a combination of these options rather than shut down, depends on domestic policy concerning operation of the labour market, financial markets and the supply of non-traded inputs (i.e. electricity, water and telecommunications). Other important factors are the firms' ability to seek out low cost sources of inputs.

An increase in market access at the regional level will allow firms to increase their utilisation of existing excess capacity. As firms increase their production runs this should allow movement down average cost curves, improving efficiency and probably reducing price. Apart from the benefits of economies of scale the specialisation accompanying this process will allow for a more efficient utilisation of the region's resources.

The larger integrated market should facilitate an increase in investment, both local and foreign. However, the removal of trade barriers is not enough to ensure an increase in investment. Investment will only increase if economic agents perceive that the formation of the integration unit will enhance growth prospects region-wide. Investors need to be assured that the macroeconomic environment will remain fairly stable and expropriation of private capital is not an issue. The regional integration arrangement has to be credible, i.e. investors have to believe that the regional trade liberalisation process will be maintained. Preliminary evidence from Mexico suggests that credibility of the trade integration agreement with the USA and Canada, as well as the prior economic reforms which were implemented, encouraged some of the net increases in investment flows in 1993 (Bannister, Primo Braga and Petry, 1994). Cooperation in the provision of regional economic infrastructure, harmonisation of tax codes, investment codes and fiscal and monetary policy will increase market integration and therefore reduce transaction costs, facilitating greater trade integration, as well as encouraging more regional investment.

Formation of a regional unit can increase the bargaining strength of the member countries. This requires an ability to adopt a unified regional position on the relevant issues. This is particularly important for negotiating trade and international commodity agreements with third parties. A prerequisite for this, however, is the coordination of national agricultural and industrial policies. It may be possible to obtain more trade concessions *en bloc* as opposed to individually. In this case, African countries may be more willing to drop the principle of non-reciprocity in their trade negotiations since they will be negotiating from a more strengthened position.[2]

Related to the argument of a stronger regional bargaining position is the argument that the larger protected regional market could serve as a training ground for African firms anxious to compete equally in the tougher global market place. The regional market affords an opportunity for firms to develop appropriate approaches to medium-term cost-reduction with eyes set on a market beyond the regional boundary. These would be the first steps towards competing in global markets.

Impediments to Realising Expected Benefits

The expected benefits of operating within the protected regional market will not materialise if, despite the formation of the regional integration unit, non-tariff barriers to integration remain, non-transparent forms of discrimination against third parties are maintained and the issue of how to distribute the gains and costs of regional integration is not adequately addressed.

Mistry (1995) classifies non-tariff barriers into three groups, i.e. those which affect trade, production and investment. Quantitative restriction and inconvertible and separate national currencies are the important non-tariff barriers which affect intra-regional African trade. Differences in national product and service regulations, protection of domestic labour markets and the predominance in most domestic markets of parastatals which have purely national objectives constitute the non-tariff barriers on production. These barriers affect both member countries and third parties. An example

2 It has been argued that the non-application of the principle of reciprocity for the developing countries has contributed to their marginalisation in international trade talks. The developing countries were also willing to accept the principle of non-reciprocity for the developing countries in lieu of greater market access.

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of non-transparent forms of discrimination against non-member countries is rules of origin that may not only discourage foreign investment but can also adversely influence firms' decisions concerning the sourcing of inputs.

III Features of Regional Integration in Africa

This discussion of the features of regional integration will be divided into two broad areas. The first examines the genesis of the different types of institutions. The second focuses on a number of features of their operations that cut across units and allows some comparisons, dwelling at length on their common problems.

Regional Integration Arrangements in Africa

Probably the most conspicuous feature of African regional cooperation and integration efforts is the large number of units on the continent, as earlier seen, and the membership of individual countries in more than one regional unit (see Table 1). Another important feature is the variety of objectives that the regional integration arrangements have taken (see also Table 1).

Broadly-speaking, a number of the initiatives of regional groupings have been sponsored by the Economic Commission for Africa, making it possible to place them in one category, to be contrasted with another category that sprang up as a result of other initiatives. The ECA has promoted three sub-regional arrangements for West Africa (ECOWAS, established in 1975), East and Southern Africa (PTA, established in 1981, which later became COMESA) and Central Africa (the still-under negotiation ECCAS). We consider first the ECA and those arrangements it sponsored, and then the others.

The Economic Commission for Africa and Regional Integration

The ECA's involvement in regional integration attempts is derived from its interest in Africa's industrial future. In 1979, the ECA's Conference of Ministers passed resolution 332 (XIV) on a strategy for the African region in the International Development Strategy for the Third United Nations Development Decade (1980-1990). The conference opted to declare the decade the *Industrial Development Decade for Africa.* Following its adoption by the OAU Summit Meeting of Heads of State in Monrovia, the decade was declared as such "for the purpose of focusing greater attention and evoking greater political commitment and financial and technical support,

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Table 1 Regional Integration Arrangements in Africa

	CEAO	CEPGL	ECOWAS	MRU[2]	PTA[3]	SACU	UDEAC[4]	UEMOA	Lagos Plan of Action
Founded:	1972	1976	1975	1973	1981	1969	1964	1994	1980
Objective:[1]	FTA	FTA	FTA	CU	FTA	CU	FTA	EU	EU
Angola					•				•
Benin	•		•					•	•
Botswana					•	•			•
Burkina Faso	•		•				•	•	•
Burundi		•			•				
Cameroon							•		•
C.A.R.							•		•
Chad							•		•
Comoros					•				•
Congo							•		•
Côte d'Ivoire	•		•					•	•
Djibouti					•				•
Equatorial Guinea							•		•
Ethiopia					•				•
Gabon			•				•		•
Gambia, The			•						•
Ghana			•						•
Guinea			•	•					•
Guinea-Bissau			•						•
Kenya					•				•
Lesotho					•	•			•
Liberia			•	•					•
Madagascar					•				•
Malawi					•				•
Mali	•		•					•	•
Mauritania	•		•						•
Mauritius					•				•
Mozambique					•				•
Namibia						•			•
Niger	•		•					•	•
Nigeria			•						•
Rwanda		•			•				•
Senegal	•		•					•	•
Seychelles									•
Sierra Leone			•	•					•
Somalia					•				•
South Africa						•			•
Sudan					•				•
Swaziland					•	•			•
Tanzania					•				•
Togo			•					•	•
Uganda					•				•
Zaire		•							•
Zambia					•				•
Zimbabwe					•				•

1 FTA: free trade area; CU: customs union; EU: economic union.
2 In effect since 1974.
3 In effect since 1984.
4 In effect since 1966.

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at the national, regional and international levels for the industrialisation of Africa". It was this declaration that subsequently led to the Lagos of Plan of Action (1980).[3]

For the realisation of the decade a number of meetings and negotiations were held with various multilateral agencies, particularly United Nations Industrial Development Organisation (UNIDO), which led to the preparation of a framework for its operationalisation. Within that framework, provision was made for action to be initiated at the national level, sub-regional and regional levels and at the international level. The approach for the establishment of a sub-regional industrial programme was based on the identification of priority branches and the necessary inter-sectoral structures within a sub-region. It was suggested that these might include basic sectors such as the iron and steel, metallurgical, chemical, petrochemical, mechanical and electrical engineering, capital goods, agro-related, forest products and building materials industries.

The ECA proposal considered it important that sub-regional institutions be able to forecast sub-regional demand for products based on analysis and projection, estimate present and future production in the sub-region, calculate quantities required to meet demand with existing capacities, and identify other key industrial projects which utilise these basic products as inputs. Suggestions were further made for the financing of sub-regional programmes through such agencies as the African Development Bank and the Arab Bank for Economic Development in Africa.

For the implementation of the sub-regional plan for Africa's industrialisation, the importance of trade expansion within the region was considered a priority. The ECA noted among the constraints to increased intra-African trade: deficiencies in physical (transport and communications) and institutional (commodity exchanges, clearing houses, etc.) infrastructure; tariff and non-tariff barriers; lack of adequate information on products; relatively high, uncompetitive prices of African manufactures; lack of facilities for trade and export credit; inadequate marketing and distribution channels; instability of supply; and payment difficulties. On the basis of these observed constraints, the following suggestions were made to sub-regional bodies:

(a) Identification and analysis of demand for and supply of industrial products, industrial raw materials and intermediate and consumer goods that meet the needs of African countries;

3 The ideals of the Lagos Treaty were further entrenched in the Abuja Treaty of 1991.

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(b) Production of industrial goods in keeping with the needs and complementarity of African markets;
(c) Adoption of incentives that will assist African exporters and importers to increase intra-African trade;
(d) Establishment and strengthening of State or semi-State trading houses that will spearhead intra-African trade and promote the marketing and distribution of raw materials, semi-processed and manufactured goods;
(e) Strengthening the Association of African Trade Promotion Organisations (AATPO), which will promote trade among African countries by bringing together buyers and sellers, promoting trade fairs and disseminating data and information;
f) Strengthening the activities of the sub-regional clearing house that will provide African exporters and importers with short- and medium-term credit facilities.

The ECA proposal outlined various arrangements for product sub-sectors within the industrial sector, with emphasis on the appropriate institutional set-up for improving production in those sub-sectors. It needs to be mentioned, however, that, much as the ECA, the OAU and UNIDO rightly recognised the need to attach priority attention to industrial development, the approach adopted for industrial development focused rather too extensively on the creation and strengthening of institutions that were expected to facilitate the operation of production agents rather than on the production agents themselves. Indeed, it is our view that although an improved and strengthened role for the private sector was implied in some of the strategies outlined, direct private sector development was obviously not a major concern of African policymakers.

The Economic Commission for West African States (ECOWAS)

ECOWAS has always had the aim of eventually becoming a customs union and then a common market while integrating states in the West African sub-region. It comprises sixteen member states, ten of whom have allegiances to other sub-regional groupings. Thus, the Mano River Union embraces Guinea, Liberia and Sierra Leone; the West African Economic Community (CEAO) pulled together Benin, Burkina Faso, Côte d'Ivoire, Mali, Mauritania, Niger and Senegal; the remaining six ECOWAS states of Cape Verde, Gambia, Ghana, Guinea Bissau, Nigeria and Togo had no other sub-regional trade grouping until recently when Togo joined UEMOA. The ECOWAS arrangement holds together some 200 million people and is operated through a conference of Heads of State, a Council of Ministers, an executive secretariat, a development and cooperation fund

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and five specialised commissions. The five commissions are dealing with: (1) trade, customs, immigration, monetary and payments; (2) industry, agriculture and natural resources; (3) transport, communications and energy; (4) social and cultural affairs; (5) administration and finance.

The areas in which ECOWAS seeks to promote cooperation and development among member states are industry, transport, telecommunications and energy, agriculture, natural resources, commerce, monetary and financial matters, as well as social and cultural affairs. The goal of all this is to raise the living standards of the people of the sub-region. Its legal basis is to be found in the Lagos Treaty, supplemented by a series of 29 protocols and supplementary protocols that guide operations in such areas as trade liberalisation, transport, community citizenship, rights of free movement and residence, and technical cooperation.

Under the Trade Commission, the ECOWAS Fund for Cooperation, Compensation and Development was established and located in Lomé in 1977. The Fund has as its objective the promotion of economic development and integration through the financing of industrial and infrastructure projects of common interest to ECOWAS states. In doing this, it also administers the ECOWAS Trade Liberalisation Scheme Compensation Fund which was set up in 1990 to compensate member states for losses in revenue arising from the introduction of trade liberalisation measures.

The ECOWAS Fund has contracted lines of credit from several sources, including the European Investment Bank, African Development Fund and African Development Bank as well as commercial banks. These sums, totalling some 60.4 million West African Units of Account by May 1992 were on-lent to projects in telecommunications, roads, rural development and industrial sectors.

Trade among member states presently amounts to about only 6% only of official recorded trade, having grown from some 2.1% in 1970, 3.1% in 1975, 3.9% in 1980, 4.2% in 1985 and 5.5% in 1987. In the period 1980-89 the annual average growth rate of exports for the community was -7.2%, thus a reducing trend in importance to the world market. Mansoor and Inotai (1991) note that, "If one takes account of unrecorded trade, which in some cases surpasses the officially registered figures, it is even harder to find evidence of gains".

For Ghana, for example, imports from ECOWAS states amounted to only 8% of total imports while exports to the subregion amounted to some 4% of total exports in 1991. Côte d'Ivoire, Burkina Faso, Mali and Senegal appear to be the only countries with imports from member states exceeding 10% of their total exports. Three of these four countries (i.e. minus Mali) and Benin were also the only ones with exports to ECOWAS states exceeding 10% of total exports. Côte d'Ivoire is by far the most important

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country in terms of intra-ECOWAS trade. It is interesting that while a great deal of traditionally strong trade links exist among the francophone nations (most of whom formed the CEAO), this is usually in the area of livestock and agricultural products. Manufactured exports come mainly from Côte d'Ivoire. Nigeria, another major exporter to the sub-region, offers mainly petroleum products.

The Common Market for Eastern and Southern Africa (COMESA)

The COMESA which began as the Preferential Trade Area (PTA) for Eastern and Southern Africa had an original goal of becoming a common market by the year 2000. It was subsequently transformed in 1993 to the Common Market for Eastern and Southern Africa (COMESA). COMESA embraces twenty-two countries and now focuses on deeper integration objectives after moving from loose cooperation to a free trade area. The most important objective of the earlier PTA was to promote intra-regional trade using trade liberalisation measures. This was to be achieved through protocols on Reduction and Elimination of Trade Barriers, Customs Cooperation, the Rules of Origin, Re-Export of Goods, Transit Trade and Transit Facilities, Clearing and Payments Arrangements, Transport and Communications, Simplification and Harmonisation of Trade Documents, and Procedures on Standardisation and Quality Control. Other areas of cooperation were industry, agriculture, monetary affairs and natural resources. The PTA expected to achieve its trade liberalisation programme of reducing tariffs by September 1992, after having reduced initial tariffs by 10%-70% and planning to reduce these further by 25% every two years.

The new COMESA treaty calls for the establishment of a customs union through the removal of all trade barriers and the establishment of a common external tariff and rules of origin. The new treaty has also introduced cooperation in monetary and financial matters. The treaty anticipates coordination of macroeconomic policies as the countries move towards free movement of services and capital as well as the convertibility of currencies. COMESA stresses a commitment to the re-distribution of the benefits of integration, an issue that was previously not addressed by the PTA. It plans to achieve these through special regional programmes to promote the development of the least developed countries in the region in order to achieve balanced development within the common market.

The PTA was probably best known for its institutional growth. It created specialised institutions to coordinate the development and integration processes of member states, including the setting up of the Trade and Development Bank for Eastern and Southern Africa, the PTA Clearing

House, the PTA Federation of Chambers of Commerce and Industry. The PTA was also known to be active in organising such activities as trade fairs for member states, organising four such fairs in eight years.

While it achieved a high profile in the region, the PTA is not known to have created much trade. Langhammer and Hiemenz (1991, p. 28) reported that "trade liberalisation in the PTA framework has been biased toward trade diversion". By 1982, the PTA's share in world trade was 0.56%. This dropped to 0.4% in 1993, after a decade of PTA operation. Over 94% of PTA trade was with non-member countries. Intra-PTA exports as a percentage of total PTA exports declined from 7% in 1982 to 6.6% in 1992. At the same time imports within the region remained at only 4.7% of total regional imports. The PTA is seen to have had a number of shortcomings as countries pursued trade policies that did not encourage intra-PTA trade.

Non-ECA Sponsored Integration Arrangements

Within ECOWAS, there are two sub-regional groupings that operate with almost similar objectives, but not sponsored by the ECA. There is the Mano River Union, a weak alliance of Guinea, Liberia and Sierra Leone that seeks to develop the river basin area jointly and the francophone West African Economic and Monetary Union (UEMOA), with Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo, who share a common central bank (BCEAO). UEMOA came out of the re-alignment of francophone West African interests in 1994 which saw the demise of CEAO. In Central Africa, the equivalent of UEMOA is currently CEMAC, the Central African Economic and Monetary Union which embraces Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon. They all aspire to achieving customs unions. It appears that while various countries would like to operate from smaller groupings held together by a certain common factor (language or a river in these cases), they would not like to give up membership of the larger ECA-sponsored body. It is simply the adoption of a "wait and see" attitude towards the larger body.

As in West Africa, a number of smaller non-ECA sponsored regional integration arrangements may also be found in Eastern and Southern Africa. The best known of these is the Southern African Development Community (SADC) which replaced the Southern African Development Coordination Conference (SADCC). Whereas the latter was generally perceived to be an organisation whose initial goal was to reduce its dependence on apartheid South Africa (not interested in a customs union), the former has almost all the trappings of an economic integration arrangement. In moving towards trade integration, SADC which embraces eleven of the COMESA states has adopted measures that involve tariff reductions and the removal of non-tariff barriers. It seeks greater coordination of external tariffs and the promotion of free movement of capital and people. It also has interest in setting up regional infrastructural authorities and a development bank. The existence of both SADC and COMESA is certainly questionable, considering the congruency of their objectives and their individual circumstances, a point we discuss again later in more general terms.

Other notable regional integration arrangements in Southern Africa include the Southern African Customs Union (SACU), made up of South Africa, Botswana, Lesotho, Namibia and Swaziland, and the Common Monetary Area (CMA), which involves SACU members minus Botswana. SACU has operated as a customs union since 1910 and McCarthy (1996) suggests that its longevity can be explained by the fact that the four smaller member states have been compensated for losses sustained over the years, a fact which encourages them to stay in a union dominated by South Africa. South Africa has maintained this union because it was its main outlet to African markets during the years of apartheid (McCarthy, 1996).

Important Aspects of the Institutional Development of Regional Integration Arrangements

There are generally a number of characteristics of regional integration arrangements in Africa, most of them indicating the difficulties they have gone through over the past three decades and their attempts to solve them through re-orientation of institutions, as earlier seen. We present below some of these more conspicuous characteristics.

Multiple Objectives

A characteristic of African integration efforts is that most groupings are concerned not only with trade integration but also with harmonisation of agricultural, industrial, transportation, energy, fiscal and monetary policies. SADCC until it was transformed into SADC, was the only large regional grouping which did not have trade integration as an objective. The overriding need to expand the market size available to local industries can explain the emphasis on trade integration within most of these groups. The objective of increasing intra-regional trade in most regional integration agreements is not only to exploit potential economies of scale but also a means to achieve regional self-reliance, hence the need to exploit the potential of all sectors.

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Overlapping Membership

Most countries are members of more than one regional arrangement. In addition to these there are also bilateral, trilateral and quadrilateral arrangements amongst countries. The disadvantage of the large number of regional integration arrangements is that a country may be a member of regional groupings with conflicting means to achieve sometimes similar objectives. An example is the large number of ECOWAS member states also belonging to UEMOA[4]. This is interesting, considering the perception that the latter grouping was derived from CEAO which itself came out of UDEAO, the former customs union of francophone West African states, established in 1973 with French support to counter what was seen to be a growing Nigerian influence in the sub-region (McCarthy, 1996). UEMOA is seen to pose a challenge to ECOWAS, in view of the cohesive nature of the former as an organisation originally intended to counter Nigeria's domination of ECOWAS, and also in view of the convertibility of its currency in a sub-region of highly inconvertible currencies.

The membership of the Common Monetary Area (CMA) in Southern Africa closely overlaps with that of SACU, except for the absence of Botswana from the former. The CMA operates under the Multilateral Monetary Agreement (MMA) which is supported by bilateral arrangements between South Africa and its partners. The implication is that within COMESA and SADC there are forms of integration that are more important to some members.

Problems could arise for parallel membership of several groupings with similar objectives. There is certainly the issue of replication of effort. An example in this case is SADC and COMESA. As McCarthy (1996) observes: "It is difficult to envisage how SADC and COMESA, given their convergence to both sectoral cooperation and trade integration, can live and prosper with the overlapping membership of the Southern African countries. Restructuring seems inevitable if institutional rivalry between COMESA and SADC and malaise in integration are to be contained". The effectiveness of one grouping tends to be undermined by the existence of the other as limited financial resources cannot meet all requirements, and technical expertise in a poor region is stretched to the limit. The overlapping membership and the strain this puts on financial resources can explain some of the difficulty of the Economic Community of Central African States in meeting its objectives.

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4 Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo belong to both UEMOA and ECOWAS.

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Poor Private Sector Participation

Another feature of integration in Africa is the lack of active involvement of the private sector in the formulation of decisions, protocols etc. This is largely because most of the regimes at the time the agreements were ratified, were statist in outlook. Domestic economic policy did not actively encourage private enterprise. Second, the integration arrangements were negotiated among leaders of regimes that were in most cases not democracies. There were limited and non-transparent channels through which the opinions of the general public or groups could be legitimately made known to the authorities. There was a failure to pass down to the relevant national agencies decisions made at the various conferences and meetings. The result was often a lack of sufficient knowledge about some of the provisions of treaties by both the private sector and national agencies whose activities should have been affected by the decisions made at the heads of state and ministerial levels. This might explain why there is often an unwillingness by the private sector to invest time and resources to participate in the trade liberalisation programmes.

Absence of Strong Supra-National Institutions

The concept of supra-nationality has often not been adopted in African integration, even though the Abuja Treaty sought to tackle that problem. The regional institutions in existence do not have the legal backing to implement or enforce treaties and protocols. The ECOWAS secretariat, for example, has few powers to force governments to implement trade liberalisation measures. The result is a lack of transparency in the implementation of the treaties. The lack of supra-nationality allows the progress of the integration process (or lack of it) to be captured by vested interests. If private economic agents have a complaint regarding the operation of a protocol or article of agreement, for example, this has to be made to a national government body which probably sanctioned the policy that contravened the treaty.

Inadequate Sanctioning Authority

Related to the absence of credible supra-national institutions is the fact that the treaties often do not have effective sanctions against member countries pursuing policies which conflict with the articles of agreement. It may be however, that even where the penalties are spelt out (as in the case of the revised ECOWAS treaty) the cost of non-implementation of the treaty may be perceived to be less than the benefits of doing so. This

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perception by member countries is more likely if most members of the union are not implementing the articles of agreement.

Non-Implementation of Harmonisation Provisions

Evaluations of the economic integration process in Europe conclude that the removal of trade barriers is not sufficient for the formation of regional markets. What is also required are positive integration policies, i.e. the development of institutions to expand and integrate markets (Atkinson and Olenson, 1994). This does not appear to have made much impression in Africa. The problem with, and a major feature of African integration efforts, is that very limited progress has been made in the implementation of integration policies, in particular the harmonisation of tariff codes and classifications. The main reason for this is the unwillingness to make regional objectives the priority. The import-substitution development strategy pursued by most of these countries in the sixties and seventies was incompatible with the limited trade liberalisation which these treaties envisaged. An example of the national objective of import-substitution hampering the effective implementation of trade liberalisation was the operation of the *Taxe Unique* within UDEAC. Under the *taxe unique* products from the region should be subject to the same tax rate irrespective of their source. However, because of the import-substitution objectives of various countries, discriminatory tariffs were imposed which often varied by product and by firm for various countries in the grouping. Obviously, the national perspectives of trade policies were at odds with the requirements of regional integration.

For quite a number of African countries trade policy was a macroeconomic policy instrument acting as a substitute for necessary exchange rate adjustments. The active use of trade policy instruments as macroeconomic tools is incompatible with regional integration which requires stability of trade policy instruments in order to encourage cross-border investments and trade, the harmonisation of tariff codes and the reduction of quantitative import restrictions.

In addition to the failure to implement policies to encourage the exploitation of the existing potential for trade integration, the harmonisation of agricultural, industrial, energy, fiscal and monetary policies which have been envisaged in some treaties and the Lagos Plan of Action, has also not taken place. For example, a decision was taken within ECOWAS to harmonise agricultural policies and adopt a common position during negotiations of international commodity agreements. This decision has not been implemented. On the other hand, while the Community's Protocol on the Free Movement of Persons, Residence and Establishment has been implemented, it is contravened when it suits the interests of member countries. An objective of the UDEAC is to remove barriers to the circulation of factors of production particularly within the industrial and transportation sectors. Unfortunately there is no regional investment code, and there is a bias in the national codes towards the host country (Tiagha, 1996).

The result of the failure to make any headway in implementing treaty provisions is the continued existence of various factors identified by Mistry (1995) as non-tariff barriers to realising the gains from integration. In a study of Ghana's trading relationship with other ECOWAS states,[5] among other things, it has been concluded that "a wide range of barriers makes even this low level of regional trade difficult to achieve and frequently uncompetitive. Market knowledge is inadequate and accurate tariff and technical data is hard to obtain. Trade finance is poorly developed and expensive. Language differences, harassment at borders and road-blocks discourage many entrepreneurs and add to the costs. The ECOWAS secretariat has few powers to force governments to implement trade liberalisation measures. Ten different currencies are in use, but most are not accepted in international trade, and the West African Clearing House is unable to prevent serious delays in settling payments between some member states". A similar assessment is made by Ariyo and Raheem (1991) in a comprehensive analysis of ECOWAS intra-regional trade.

In general, most integration arrangements are constrained by the inconvertibility of member currencies; lack of adequate and cheap transport and communication links between partner countries; differences in national product or service regulations and standards in transport, health and safety; difficulties in establishing letters of credit; border controls and lack of information within partner countries about the existence of potential buyers and sellers in other partner countries. These constraints apply with varying intensity to the different integration units. For example, the members of the UEMOA are not hampered by problems of currency inconvertibility in their intra-regional trade as are the non-francophone members of ECOWAS. The PTA tried to address the issue of currency inconvertibility and the difficulties of undertaking intra-regional financial transactions with the establishment of the Trade and Development Bank for Eastern and Southern Africa, the PTA clearing house and PTA travellers cheques.

5 CTA Economic and Export Analysts Ltd., *The ECOWAS Trade Liberalisation Scheme*, Draft Study Report for the Ministry of Trade and Tourism, Ghana, September 1992, p. 14.

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Lack of Political Commitment

Lack of political commitment towards the treaties which have been signed is an important explanation for the failure to implement treaty provisions. Diversity in political ideologies and external alliances are important in this regard. Shaw (1990, p. 133) observes that "the basic issue confronting regionalism in Africa is ... compatibility with established political economies and ruling classes. And when these are outward-oriented towards extra-continental integration, intra-continental connections remain undeveloped and unimportant." The formation of CEAO at the same time that ECOWAS was being negotiated, is an example of such a concern, as is the evolution of CEAO into UEMOA and the increasing importance of France in the new regional arrangement. The result of such alliances is that "regional leaders are either disinterested or diverted" (Shaw, 1990, p. 130). They would adopt integration approaches that allow them to preserve their national interests completely.

Unclear Perceptions about Gains

Lack of political commitment also derives from concerns about the gains from integration, the sentiments expressed in the treaties notwithstanding. Unwillingness to 'give up' some sovereignty has been frequently suggested as a reason for the lack of political will (McCarthy, 1996). This cannot be divorced from the concerns about material benefits. For each member country, the objective is to achieve net gains from integration or cooperation. A certain amount of sovereignty will be given up only if there are tangible benefits to be obtained in return. The plethora of integration and cooperation units may be indicative of the search by individual countries to create that grouping which will best serve its interests. The end result, however, is a large number of groupings, none of which can be described as a success.

Inequalities in the Distribution of the Gains from Integration

Yet another major feature of African integration attempts is the fact that the distribution of the gains is hardly adequately addressed in treaties. This is an important factor in explaining the lack of political will and implementation, considering that most African integration arrangements are made up of countries with varying levels of economic development. The emphasis on trade integration means that gains from integration will be unevenly distributed. Equity issues have to be dealt with effectively at the initial stages of the negotiations.

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The inadequacy of distributive measures may stem from a fundamental uncertainty about whether the expected gains from integration will indeed materialise. Countries which perceive themselves to be losers therefore desire to reduce the costs of integration as much as possible and potential gainers are unwilling to concede a great deal in case there is not much to distribute. Once the treaties have been ratified, member countries act in various ways to reduce the costs of integration. An example of such a response to the failure to have an adequate compensatory mechanism was the operation of the *taxe unique* (TU) system of UDEAC. According to Decaluwe, Njinkeu and Bela (1995, p. 18), "The TU rates have been fixed so as to limit the trade flow that could grant gains to some countries at the expense of others. The TU, ... is a compromise between strictly national interests and the regional interest. It reduces sacrifices due to integration, in the absence of an appropriate mechanism that could lead to a fair distribution of gains."

Inadequate Compensation Mechanisms

The issue of compensation and the failure of the compensation mechanism to address these concerns was important in explaining the collapse of the East African Community (McCarthy, 1996). Within ECOWAS, even if a free trade area was created, it is unlikely that intra-regional trade will increase dramatically because of the clauses introduced to safeguard the interests of the weaker countries and reduce the cost of integration. Under Article 39 of the revised treaty, trade deflection occurs when "imports of any particular product by a Member state from another Member state increase (i) as a result of the reduction or elimination of duties and charges on that product ..." and "this increase in imports causes or could cause serious injury to production ...". It is expected that as trade barriers are eliminated between member countries, exports will increase from those countries which have a competitive edge in a particular industry and contract in countries which do not. The requirement that the Council of Ministers "... take such decisions as are necessary in order to deal with the causes of this deflection," seems to go against the objective of strengthening region-wide economic relations. Article 39 of the revised ECOWAS treaty makes the occurrence of gains from specialisation and improved efficiency through resource allocation difficult. Also, nowhere in the Treaty is "serious injury" defined.

The compensation mechanism provided for within the Protocol appended to the ECOWAS treaty is a further disincentive towards intra-regional trade. The exporting country is required to pay compensation equal to the "difference between the total duties that would result from the

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application to commodities, duties ... applicable to such commodities before the coming into force of the Treaty if they originated from a third country enjoying most favoured nation treatment and the amount actually collected as a result of the application of the treaty." This clause in the Protocol on Compensation introduces some rigidity into the treaty and again creates a disincentive to exporting within the region. It is not clear how the expected revenues are to be calculated. It also assumes that the structure of revenues cannot be changed. This can create a distortion in the exporting country if in order to finance these payments it raises domestic taxes. The dependence of most African treasuries on trade taxes and the fear that these may be reduced if trade integration programmes are implemented might explain the lack of speed in reducing tariff barriers and, in particular, the compensatory mechanism of ECOWAS.

The experience of some African countries, however (for example, Ghana), shows that there can be reduced dependence on trade taxes as a source of revenue (without total revenues declining) within the context of unilateral trade liberalisation supported by compensating exchange rate adjustments and tax reform measures which tap the potential tax base more effectively. It may be deduced from this then that regional trade liberalisation need not necessarily result in a decline in total revenues.

Stringent Trade Liberalisation Schemes

The desire to reduce the costs of regional trade liberalisation on member countries has resulted in very stringent programmes of trade liberalisation. Even though the domestic manufacturing base is small, such stringent liberalisation schemes constrain further the proportion of output that can actually be exported to regional markets under the scheme. The stringent rules of origin which limit participation based on value added and ownership of enterprises reduce the potential number of participants in the trade liberalisation scheme.

IV The Achievements of African Regional Integration Efforts

Customs union theory suggests that the success of regional integration schemes could be measured by the share of intra-regional trade in total trade. Increases generally imply success while decreases mean failure. This sometimes needs to be qualified, however, when increasing intra-regional trade may reflect a loss in world market positions. Thus, increases in intra-regional trade must be accompanied by increasing relative weight of the region in world trade (Mansoor and Inotai, 1991). Making this qualification, we note that for almost all the regional groupings, there has been no

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significant increase in intra-regional trade (Table 2).[6] Regional integration in Africa so far cannot be described as a success.

Table 2 Intra-Regional Trade as a Percentage of Total Exports of Regional Group

	1970	1980	1985	1990	1992
AMU	1.4	0.3	1.0	2.3	3.0
UDEAC	4.9	1.8	1.9	2.4	2.1
ECCAS	2.4	1.6	2.1	2.3	2.1
ECOWAS	2.9	10.1	5.2	8.3	7.8
CEAO	6.6	9.8	8.3	9.9	10.5
Mano River Union	0.2	0.8	0.4	0.3	0.0
Economic Community of the Great Lakes	0.4	0.4	0.2	0.8	0.3
PTA (COMESA)	9.6	12.1	5.6	6.6	6.7
SADC	5.2	5.1	4.8	5.2	4.4

Source: UNCTAD (1993), *Handbook of International Trade and Development Statistics*, Geneva.

The empirical evidence on the causal link between creation of regional integration units and intra-regional trade is ambiguous. Foroutan and Pritchett's (1993, p. 96) study of intra-African trade finds that trade levels are "actually higher than expected on the basis of the underlying determinants". The study finds that the CEAO does have a statistically significant impact on intra-regional trade, while ECOWAS does not. Ogunkola's study on intra-ECOWAS trade, on the other hand, finds that economic integration has had a positive but small impact on trade within the region (cited in Jebuni, Ogunkola and Soludo, 1994). Kasekende and Ng'eno (1995) estimated that there was a potential for more intra-PTA trade than already existed. Their conclusion is supported by Lyakurwa in his contribution to this book. Lyakurwa finds that in addition to COMESA, there is a significant potential for intra-regional trade within SADC and ECOWAS.

Also, hardly any progress has been made in regional cooperation towards infrastructural development. Indeed, in his contribution to this book, Robinson has noted that "despite its 'win-win' characteristics, the level of regional cooperation in infrastructure and natural resources in the past has been disappointingly low." In the area of energy supply there are

6 A substantial amount of unofficial intra-regional trade does occur. Most of this, however, is in response to the failure to harmonise monetary, fiscal and exchange rate policies.

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very few intra-regional supply arrangements, even though as Robinson convincingly argues, the potential for intra-regional grid connections exist at non-prohibitive costs. The potential exists to cooperate in the areas of water and transport with benefits for all parties involved. The absence of appropriate infrastructure remains one of the biggest obstacles to effective regional cooperation, as will be seen shortly.

Aside from there being very little growth in intra-regional trade, for a number of the regional arrangements their creation has had very little impact on economic performance. This is to be expected given the implementation lapses already discussed. In most instances there has been little or no structural change in the regional economy.[7] It was expected that intra-regional trade would be an important stimulus in this direction. However, the skewed production base of African economies towards primary products and a limited range of consumer goods reduces the potential for intra-regional trade. In ECOWAS, for example, manufactures dominate the imports of member countries accounting for approximately 70% of the total, but most member countries have a small manufacturing base with little or no inter-industry linkages. The failure to formulate and implement regional industrialisation strategies has meant that several years after the creation of African regional units, these units may be described as "vacuous" in terms of their ability to generate substantial increases in intra-African trade in manufactures. The small manufacturing base in Africa requires that trade integration should be accompanied by production integration to develop the manufacturing base. The emphasis on trade integration without developing and implementing a regional policy for the production base may explain why the benefits of African regional integration efforts have been limited (Mistry, 1995, p. 36).

V Constraints to Effective Integration

The problems outlined above in our discussion of the features of regional cooperation and integration have been summed up and explained by Mistry (1995, p. 32) as follows:

> 'First-generation regional integration arrangements among developing countries failed to raise efficiency because of: (a) relatively low import demand elasticities, (b) relatively large differences in production cost structures vis-à-vis extra-regional sources; (c) widely disparate income levels; (d) divergent rates of industrial development which made

7 An exception is SACU. An assessment of this regional grouping found a shift out of primary activities in Lesotho and Swaziland.

gains from intra-bloc trade uneven; (e) low levels of initial integration by way of infrastructural links or intra-regional trade; (f) similar non-complementary structures of production and resource endowments: (g) inward-oriented, protectionist industrial development policies under which protection was maintained for too long: and (h) divergence and instability in macroeconomic parameters that made domestic adjustment, as well as regional adjustment, uncertain, fragile and burdensome.'

Various analysts have provided long lists of why cooperation and integration have been and would continue to be problematic (Ariyo and Raheem, 1991). Aside from the institutional problems which we have considered at length already, major issues of concern are the macroeconomic policy variations, the differences in infrastructure development approaches and structural adjustment programmes. Mistry and Robinson deal comprehensively with those issues in the papers which are included in this book.

Macroeconomic Instability, Economic Reform (SAP) and Regional Cooperation

We have made the point that countries involved in a number of regional groupings often have different macroeconomic situations that serve as entry points. Fundamentally, however, many of them have suffered from macroeconomic instability in most stages of their economic history – a fact which often compelled them to pursue structural adjustment programmes (SAPs) in the last decade, albeit with varying intensities and scope. It is believed by Mistry that the considerable variation in intensity, sequencing, scope, etc. of SAPs, has a significant negative impact on the outcomes of both the reform process and on the objective of regional cooperation and integration. According to Mistry, "It is astonishing... that while SAPs have become a feature in Africa since 1985, and (regional integration arrangements) have been pursued with renewed vigour especially over the last five years, there has been no serious, systematic attempt by any agency or donor to operationalise effectively ways in which integration and adjustment might be interwoven and made mutually reinforcing".

The outcomes of most structural adjustment programmes have been as inconclusive as the regional integration efforts of various countries. While it is generally true that a considerable number of countries witnessed varying degrees of growth following reform, there are hardly any countries where macroeconomic stability and policy-induced growth have been consistent over the medium-term. The experience of Ghana, probably the largest adjuster in Africa, and often cited for considerable success in adjustment, suggests that tenaciously adhering to the principles of adjustment will not necessarily lead to unhindered long-term growth. In Ghana, after the initial success in achieving significant GDP and per capita income growth throughout the second half of the 1980s, a trend of low private investment was followed by increasing difficulty in ensuring macroeconomic stability. While macroeconomic policy targets for 1985-91 were relatively easily reached, they became impossible after 1992. Today a large and growing fiscal deficit with inflation over 55% has become a feature of the Ghanaian economy. Other African countries, including Côte d'Ivoire have had similar SAP experiences.

Why do African economies have considerably greater difficulty in achieving macroeconomic stability than other developing regions of the world, particularly East Asia? A recent study by Easterly and Levine (1995), provides some clues to the answers. After analysing the growth performance of various countries in the different regions of the developing world in cross-country growth regressions using standard growth variables for all countries with data, they concluded that explanations for the relatively poor performance of African countries went beyond what the standard variables provided. There was some factor that was unique to Africa, and hence they included such less standard factors as institutional development, wars, infrastructure and ethnic diversity in the core regression model. But these continued to explain only a part of Africa's poor performance, leaving a significant explanation to what may be described as the "contagion effect". In other words, the condition in which one's neighbours are affects one's own growth and development.

Easterly and Levine find that both failure (in Africa) and success (in East Asia) are regionally concentrated. They suggest that spill-overs from a country's neighbours such as low investment or high political instability are likely to affect that country's own growth. To solve the problem created thereby, "the contagion effect says that Africa's lagging growth relative to policy variables will disappear if a sufficient critical mass of countries provide a demonstration effect to change a negative contagion effect to a positive one" (Easterly and Levine, 1995, p.10). There is significant reason to believe that most of the growth recorded by East Asian countries has resulted from considerable proximity advantages provided by the large economies of the region, notably the Japanese.

In the area of macroeconomic policy, two countries in Africa whose varying policies are bound to affect trade between them adversely and hence affect the outcomes of their respective reform programmes have been Côte d'Ivoire and Ghana. While Ghana's reforms have used a flexible exchange rate policy as its bedrock, Côte d'Ivoire has had a, more or less, fixed exchange rate anchored in the French Franc and supported by developments within UEMOA. Structural adjustment in Côte d'Ivoire has been far less comprehensive, precipitating the description of "too little, too late" (Pegatienan, 1995). The rapid real depreciation of the Ghanaian cedi against all major currencies, which is highly correlated with the high inflation level in Ghana (ISSER, 1995) ensures that trade between the two countries remains unattractive, minimal and one-sided, in spite of what is generally perceived as a large potential for expanded trade between the two. The inherent subsidy that the CFA enjoys as a result of its relationship with the French Franc effectively distorts the trading relationship between the two countries. Membership of ECOWAS, with emphasis on tariff reductions, is unlikely to increase trade significantly if exchange rates are not properly aligned and the underlying macroeconomic framework is unstable in both countries.

Mistry has documented in a comprehensive manner the way in which SAPs in various countries are affected by unstable situations or destabilising activities in neighbouring countries. He provides clear examples of how Zambia's open capital account is used as a convenient route for illicit transactions with South African entrepreneurs to arrange capital flight from Zambia (as South African-made goods are exchanged for US dollars available on the open market). He also shows that unstable macroeconomic conditions in one country are likely to affect the implementation and performance of SAPs in others, with respect to such aspects of policy as the budget, monetary and fiscal stability, as well as the stability of the external sector. As a consequence, individual countries are unable to expand production in response to SAPs and therefore unable to take advantage of opportunities created by regional integration attempts. The solution would therefore lie in a regionally-coordinated reform programme that allows small countries to benefit from more stable conditions in larger neighbouring economies.

Infrastructure Development and Regional Integration Arrangements

Following the argument of a contagion effect, it is our view that large countries (such as Nigeria and South Africa) have not had a desirable impact on their neighbours in view of various constraints to the creation of efficient markets for factors and products. Countries have had difficulty in affecting each other positively following physical and other restrictions in the movement of productive resources across borders. The need to develop infrastructures that allow countries to share resources and gain markets is underscored by an FAO (1975) study into food security issues in Africa. The study into the availability and adequacy of agricultural land in Africa and the rest of the developing world suggested that, even employing basic traditional farm implements, lands in the developing world were capable of providing sufficient food to sustain twice their 1975 population and one-and-a-half times their projected Year 2000 population if only massive and unrestricted movement of surplus potential food production and labour within the region existed. With an improved or intermediate level of inputs applied to the cultivable land, these lands would be able to meet the food demands of more than four times the Year 2000 population. The study also showed that if there was no movement of resources, output and labour, 38 per cent of the total land area available to Africa will not be able to produce enough to feed the 1975 population, using traditional inputs. By 1975 only 51% of the total arable land available to Africa was cultivated. Today, less than 60% is cultivated. The conclusion of the study that the appearance of various 'critical areas', in Africa especially, would be the result of a situation of no international movement of resources, output and labour, is of crucial importance to the potential for growth and development in Africa.

Unfortunately, despite the obvious cost advantages in sharing resources, many countries, out of nationalistic inclinations, often choose to develop infrastructures for mobilising resources alone. In his paper, Robinson catalogues comprehensively many schemes developed by various nations and explains the political and economic rationalisations behind the choices that countries have made. He also documents and explains the difficulties that have been experienced in previous attempts to achieve infrastructure development on a cooperative basis in several areas, including the Tazara rail project, Zimbabwean energy project and the River Basin development projects of Central and Western Africa. Obviously, while the political, and sometimes security, rationalisations cannot be discounted, the projects considered show how often they were seen to outweigh all economic advantages that shared facilities are expected to bring in.

Robinson provides us with a number of reasons why cooperative development of infrastructures has not been substantial. An important one is that "the benefits of regional cooperation have not always been quantified and have not been fully understood and appreciated by the governments involved". He points out that the framework of analysis incorporating trade options and implications for future investments is often beyond the grasp of national governments' institutions. The role of nationalism in subverting cooperation in infrastructure development and resource mobilisation is clearly underscored by Robinson. Other reasons for lack of infrastructural cooperation mentioned by Robinson includes the security situation as perceived by individual nations, and the role of donors as they "compete with other for attention" in African countries. Apart from focusing on individual countries most of the time, and hence encouraging separate developments, when they get involved in regional cooperation projects, donors are often seen to change the scope of projects way beyond the expectation of participating nations and institutions, thus making it difficult for countries to effectively match the resources they put into such projects. Robinson provides the example of the Niger Basin Authority to support this argument.

Of course, cooperation in infrastructure and resource development could lead to a realisation of the positive contagion effect that Easterly and Levine (1995) advocated but this would not take place without a clear framework for such development, especially in view of the expected role that the donor community might have to play. Indeed, a direct intervention is called for and this is where multilateral assistance could play a significant and positive role.

Given the shortcomings and problems associated with current integration arrangements what form should African regionalism take in order to exploit the potential gains? We sum below a number of views that have been put forward for overcoming the constraints and maximising the benefits of regional cooperation and integration in Africa.

VI Overcoming the Constraints to Regional Integration: The Future Direction of Regionalism in Africa

Some observers of African integration suggest that African countries should follow the Asian example of an outward oriented trade policy that encourages trade and eventually may result in greater trade integration (Husain, 1992). However, despite the difficulties encountered with formal integration efforts in Africa, developments in the international economy suggest that African countries no longer have the luxury to decide not to participate in and implement cooperation and integration arrangements. Not having formal integration schemes does away with the problems of integration. However the pace of regional integration may be too slow to allow African countries to achieve their growth and development aspirations in the rapidly changing world economy. Africa needs to encourage investment by local entrepreneurs, and be able to attract foreign investment and technology. "Regional integration may be the most practicable way to minimise the costs of African market fragmentation... It may thus be a precondition for, rather than an obstacle to integrating sub-Saharan Africa more effectively with the world economy" (Robson, 1993, p. 341). Most African countries are pursuing economic reform programmes of the IMF and World Bank. A concern has been that these programmes, although they have the objective of making African economies more outward-oriented, are achieving this at the expense of regional integration.

Mistry argues that the possibilities of success of these reform programmes will be enhanced if they are implemented within a regional context.

Renewed efforts at integration are currently being made with the re-alignment of earlier arrangements. The current trend is to transform regional units (for example COMESA and SADC), that were characterised largely by project coordination and a limited degree of policy harmonisation into regional arrangements which involve closer integration through the gradual replacement of national policy by regional policy.

Proposals for the future direction of African regionalism range from focusing only on project coordination to much broader approaches which require trade and production integration and the creation of an institutional framework. An important question which needs to be raised in an assessment of current developments and proposals for the form of regionalism in the future is the extent to which the issue of poor implementation which has plagued African regionalism in the past is addressed. Future regional arrangements should incorporate measures and mechanisms that adequately deal with the issues of overlapping membership, compensation, and financial and human resource constraints.

A proposal by Foroutan (1992), Langhammer and Hiemenz (1991), and Ravenhill (1985) is that the trade integration approach be avoided. Trade and factor integration are not considered feasible because of the dissimilarity of African economies and the difficulties of putting in place an effective compensation mechanism (Foroutan, 1992). Thus "cooperation, coordination and harmonisation hold greater promise" (Foroutan, 1992 p. 265). Emphasis should be on the provision of infrastructural facilities, and training and research. We observed earlier that Robinson describes regional cooperation in infrastructure investment as a "win-win" aspect of integration because all members benefit irrespective of their size and level of economic development thus avoiding the problems of compensation and loss of some sovereignty.

McCarthy (1996) suggests that regional cooperation for infrastructure development and/or what is described as thematic cooperation, i.e. agreement on cross-border investment, should precede trade integration. This particular sequencing is to be preferred for two reasons. It avoids the problems of distribution of gains and loss of sovereignty. Second, during the period of cooperation on infrastructural projects, the philosophy or culture of regional cooperation will be developed on an incremental basis over time until the critical level of regional awareness has been reached which will then facilitate the implementation of market integration policies.

Mistry provides in his contribution to this book compelling arguments for a much broader approach at integration. He suggests a simultaneous adoption of sectoral investment coordination and cooperation, trade integration and the development of an appropriate institutional framework. It will be necessary to improve the operation of the public sector bodies responsible for the development and maintenance of infrastructure. Existing regional banks will have to be re-oriented to address regional issues if they are not already doing so, and sub-regional banks may have to be created. A regional policy environment must be created to allow the gradual integration of markets. This approach differs from the practice of current regional agreements where emphasis is placed on trade integration without addressing adequately the infrastructural and institutional framework which is necessary to facilitate the trade integration process. A problem with this strategy is the constraints of the financial and human capacities of the participating countries. These need not be intractable problems if participating in a regional arrangement can be understood by governments, policy makers and private agents as a re-orientation of the development strategy from a national perspective to a regional one. A regional development strategy may not impose severe constraints on financial resources if it is recognised that a re-allocation of budgetary resources is required in order to avoid replication and therefore waste. Scarce skilled human resources will be more effectively used if they are concentrated in regional institutions rather than in several national ones performing the same function.

The approach suggested by Mistry is not incompatible with yet another proposal for Africa to try to replicate NAFTA, but this time linking up with the European Union (Fine and Yeo, 1994; Collier and Gunning, 1995). Collier and Gunning argue that "The persistent policy question ... is not globalism versus regionalism but unilateral liberalism or Africa-North reciprocal discrimination versus regional reciprocal discrimination" (p. 402). Several advantages are expected to arise from such a union. Collier and Gunning (1995) argue that forming an integration arrangement with the North will generate all the gains from global liberalisation. Second, such a union would enhance the credibility of African trade liberalisation and generate the desired investment inflows (Collier and Gunning, 1994; Robson, 1993). Currently African trade liberalisations may suffer from a credibility problem since private agents have no guarantee against policy reversals. Aid flows are considered inadequate since if these flows should discontinue the policies may be reversed. Integration with the North has effective sanctions incorporated in it which current African regional agreements do not have. The loss of access to Northern markets for example may be an effective means of binding governments to a particular agreed upon policy. The third advantage is that it would ensure Africa's access to European markets at a time when the EU's trading interests lie in Asia and Latin America. Fourth, such a union may import

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institutional arrangements considered desirable by members. If the union does not concentrate only on trade but also incorporates technical assistance for policy reforms and debt relief this may be an effective enticement for those countries worried about the adjustment effects of such a union (Langhammer, 1992). It may also address the issue of the human capacity constraint faced by African countries. The European Union may be willing to consider such an arrangement if it will stem the migrant flow to their economies. The currently created UEMOA is an example of such a regional grouping with France as the Northern partner.

The problem with this form of integration (and recent development in francophone West Africa) is that it is contrary to the concept of self-reliance which is still the objective of some regional arrangements, for example the revised ECOWAS treaty and the Lagos Plan of Action. The problem of self-reliance though is not an intractable one if the formation of such a union does increase the ability of African economies to respond to shocks without external assistance and diversifies their production structures and exports. The success of UEMOA will determine whether other African regional units, in particular ECOWAS, will be willing to consider this type of link with Europe. In the case of ECOWAS the increasing withdrawal of the UEMOA countries may force it to consider this option. The problems with the current ECOWAS trade liberalisation scheme excepted, no firm from Cote d'Ivoire has applied to participate in it. This is unlikely to be because none of the firms are eligible to apply but may be interpreted as indicating that either firms do not consider it worth their effort and/or greater gains are to be made by concentrating on the then CEAO trade integration programme.

The proposal, however, does not address the thorny issue of distribution of gains. Can it be assumed that guaranteed access to the markets of the European Union is adequate compensation for the revenue loss accompanying regional trade liberalisation? The answer is clearly no. The EU is the largest trading partner for most African countries so that duty free entry of goods originating from the EU will have a definite negative impact on trade revenues, and possible negative implications for total revenues in the short run. There is still clearly a role for aid to finance compensatory schemes and support regional infrastructural and industrial projects. However, as noted by Robinson, the aid agencies of donor countries are set up to deal with national governments. In order for donors to make a positive contribution to the regional integration effort organisational changes may have to be made in order to be able to deal effectively with more than one country at the same time. Donors will not introduce these changes if they do not perceive regional arrangements to be permanent.

The Role of External Donors

The proposal of an Africa-North integration arrangement moving beyond the preferential arrangements of the Lomé Convention calls for a relook at the role of bilateral and multilateral donors in the integration process. It argues that assistance through aid flows may not be an adequate means of supporting integration efforts. Aid flows are not adequate to address the credibility issue. This is because, as argued by Robinson, it is not uncommon for there to be cycles of floods and droughts of interest and good offers of financing. A substitution of trade for aid is being recommended here with greater access to Northern markets being proposed to support purely African integration efforts. Will increased market access be a substitute for resources to support industrialisation programmes to build up the manufacturing base of the African economies? Probably not, especially during the early years of the regional arrangement when financial resources will be required to deal with distributive issues.

To facilitate the workings of the comprehensive approach that Mistry has suggested, it would be appropriate for the donor community to reorient the bulk of its project assistance to African countries toward the development of infrastructures that facilitate the movement of goods and services, as well as capital and labour, while easing communications. If 70% of all multilateral assistance was devoted to such investments, leaving mainly bilateral aid and 30% of multilateral project assistance to cater for the social service needs of individual countries, it is highly likely that integration would proceed much faster within the next decade, yielding greater results for all countries.

The Bretton Woods institutions, given their presence in almost every African country, have ample opportunity to make use of the wealth of information they have to put together regional programmes of structural adjustment, as Mistry has suggested. These regional adjustment programmes must address the areas of currency convertibility, fiscal reform, lowering of barriers to entry, trade liberalisation and arrangements to promote credibility. However, the only impetus for the multilateral agencies to tailor their programmes and re-organise their operations to meet regional requirements is if African countries come together in regional groups to negotiate with these institutions.

The Issue of Size of the Regional Unit

It has been suggested that a limiting factor against successful regional cooperation or integration is the size of the units and the diversity of the members (de Melo et al, 1992). The larger the number of members is and

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the greater the economic diversity, (and therefore interests of the members), the more likely it is that problems of implementation will arise. Much as the relevance of the European experience to the African situation is queried, an important lesson from that experience could be that a small number of members to start with, who have a specific goal, may be a way to approach integration efforts. Within Africa, the experience of SADC may be relevant. However, the dissolution of the East African Community which had only 3 members compared to the 16 of ECOWAS and the 22 members of the COMESA suggests that large numbers may be a negative factor in some cases but not in all. It also suggests that what is relevant is not the numbers involved but the ability to form a regional unit made up of a cohesive group of countries which can agree on a limited set of objectives. Rather than have progress on regional integration constrained by the partner least willing to fully implement treaty provisions, Mistry suggests a core group willing to implement a customs union and the existence of "a wider group at the periphery which might constitute itself as a free trade area, and be linked with the former in free trade agreement ..." (Mistry, 1995, p. 42). This concept of variable geometry has been suggested to address the problem of multiple membership of integration units. Thus, for example COMESA could co-exist with SACU (Maasdorp, cited in McCarthy 1996).

VII Conclusion

Whether African regional groupings include a partner from the North or not, it is imperative that trade integration goes hand in hand with a regional industrial policy, the creation of regional institutions and a policy to develop further regional infrastructure to reduce the costs of intra-regional communication thus enhancing the potential for market integration. For this to happen, African governments and the populace must be convinced "... that regionalism can be an effective route to the solution of national problems" (Mistry, 1995, p. 51). There is still a role for the bilateral and multilateral donors to play in Africa's regional integration efforts through the financing of regional infrastructural projects, provision of advise and technical expertise to assist in the strengthening of already existing regional capacities, the development of efficient and effective regional institutions and the provision of financial resources to support compensatory schemes. However the effectiveness of this role depends on Africa's

8 Some such studies already exist (see Robinson's paper in thes volume); but there is a need for more, especially on the dynamic gains of integration.

ability to create effective regional integration units. The impetus must come from within the African continent. It is unlikely that donors will continue to support regional efforts which it is clear are not working because of lack of implementation and internal commitment to their survival.

The immediate tasks which need to be undertaken in order for African regional integration to become an effective development strategy are first the completion of empirical studies which show that there are gains to be made from cooperation in investment in infrastructure and market integration, and which clearly indicate the opportunity costs of not cooperating.[8] The second is the development of an effective compensatory mechanism to ensure that all countries will receive some of the gains. Third, is the rationalisation of arrangements to reduce replication of efforts and conflicts.

The current political instability on the continent and concerns about internal security, especially in the West African sub-region leave a lot of doubt as to whether the decisive steps in the direction of a more efficient regional integration will be taken in order to guarantee future growth. The variable geometry approach suggested by Mistry (1995) and McCarthy (1996) may be one way to get around this problem. Those countries which are convinced that regional cooperation, however limited, is the best way forward, can move ahead with their integration efforts, and hopefully the stragglers seeing the advantage of such integration efforts will be encouraged to join.

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