Comment on "Overview and Summary of Regional Cooperation in Africa," by Ernest Aryeetey and Abena Oduro

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I enjoyed reading the paper by Ernest Aryeetey and am in general agreement with the thrust of his argument. There are some small points on which I might take issue with him, but what I want to do here is to say something about the context in which economic integration schemes in Africa have been formulated and implemented.

Last year I was part of a multinational team from Africa, under the auspices of an independent think-tank, that travelled around Africa, meeting regional organisations and various other institutions, development banks, chambers of commerce, and, in some countries, key government ministries with the aim of evaluating regional organisations. We encountered a great deal of scepticism about regional integration.

Enthusiasm on Paper Only

The context in which regional integration in Africa was originally formulated was in a world very different to the world of today where there is a new global trade order under the World Trade Organisation (WTO). Now, the WTO sets certain limits to what countries can do in regional integration, especially Article XXIV and Part IV of the Agreement.

We also have another development, generally called the globalisation of national economies: the multinational corporations becoming increasingly important and powerful, the information superhighway, electronic media, etc. A lot of people wonder what all this means for the state, for a country. In Australia last year there was quite a debate in one of the major newspapers about what all this meant for Australia: what does the Australian government actually count for in the world as against the MNCs, the big electronic media of people like Rupert Murdoch? These are questions we thought about as we went through Africa.

African integration was formulated in the 1950s and the 1960s in the context of newly won independence and ideas of Pan-African unity. These ideas carried over later into various treaties and plans of action and so on – schemes for developing regional integration in different parts of Africa

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with an ultimate unity at the end, with various dates which have been put back fairly consistently.

What we found on our trip was that there was a great difference between those dreams and the reality, and indeed a lot of the reasons for that have been sketched out by the author of the paper. The dates have been dreams, that's for sure. Aryeetey mentioned that countries don't know why they want integration. In all countries we visited we asked people why they had joined an integration scheme, and there were no really good answers. They joined because there was peer pressure, they felt they had to show solidarity and that sort of thing, and very often they belong to more than one institution which can sometimes lead to contradictions. Political instability was mentioned as a negative factor. There have also been ideological differences, for instance, in the break-up of the old East African community or in the Maghreb Arab Union today.

Another problem has been that integration has been a top-down process. It has been imposed by governments on economies and on sectoral activities: bureaucrats imposing it on operators in different sectors. This is very different to the kind of integration which is emerging in Asia, which is a bottom-up one: it grew from the fact that there was cross-border business on a large scale. One can also look at the European Union, for instance, and see how it grew incrementally, and that of course has been well documented in various sources.

Aryeetey was quite correct in stressing the neglect of the private sector. The private sector is a key factor in integration as has been realised in Asia. The trade statistics he gave are official data but those data do not take into account unrecorded cross-border trade. Nobody knows the extent of that trade, but anecdotally we heard about an enormous presence of cross-border trade in various parts of Africa. I'm sure the authors know only too well what happens in West Africa. We find a lot of that in parts of Southern Africa as well, and there is also quite a bit of movement, for instance, from Zaire right up to Ethiopia. Now, who is doing that trade? It is being done by people in the private sector, and yet the private sector was consistently down-played by governments in the development of integration schemes in contrast with the way in which the Asian countries have approached their move for closer trade links.

Another important point which has been touched on, but perhaps not put quite as directly as this one, is the capacity a country has to participate in a regional integration scheme. This is a very important point which came up time after time in our interviews up and down Africa. There have been a lot of problems: political instability and, very often, lack of political will to implement decisions. One influential person in West Africa said to us: "Integration stops at the pen of the President who signs the Treaty".

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Aryeetey at one stage said something about there being enthusiasm for regional integration but that enthusiasm is on paper only. If one reads all the documents that have come out, all the treaties, all the speeches and so on, there is enthusiasm, but if one looks at what's happened, there is no enthusiasm, and that is a problem. We were given several examples of that. For instance, when the CEAO failed, what happened? Member countries instituted new systems of taxation rather than following the trade liberalisation process of ECOWAS of which they were also members. So what is going on in that part of the world? The ECOWAS Treaty was signed by heads of state in June 1993. They had fixed a time of six months for ratification by all governments. Well, when we were visiting ECOWAS it was two years after that, and only nine countries had actually ratified, so they were way behind schedule.

There are other problems as well. Lack of communication with border officials was a particular complaint in West Africa: border officials are simply not notified about all these agreements and treaties, and hence they don't implement what they're meant to be implementing. There are many security problems, for example, random check points that are set up by the police or the military, completely contrary to regional agreements, and of course when one reaches those check points, one is meant to pay a little bit of "dash". And that has happened, for instance, in parts of Southern Africa as well. So one asks after all this: how relevant is that original vision about African economic integration?

Questions of Younger Technocrats

In our team we were all deeply aware of the history, the sentiments, the political philosophy and so on that gave rise to the movement for African economic integration. But there comes a time when one actually has to challenge views and has to ask oneself: why should there be a continent-wide African economic integration in the future when one is not expecting something like that in Asia, for instance? I read something recently where the author, who was an Asian, said: "Oh well, you know the concept of Asia is simply a concept of cartographers, European cartographers originally. But Asia stretches all the way from the Mediterranean to the Pacific, and one can't expect there to be one Asia in the sense of economic integration".

We certainly encountered, as I mentioned earlier, considerable scepticism about integration. So what does one do about this? That is the important point. One has to look at this country by country and say: what is the capacity of the particular country – given its internal problems, nation building, economic problems and so on – to participate in a regional

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scheme? And this would be very closely related to the concept of variable geometry that has been mentioned in the paper and to the Cross-Border Initiative (CBI) mentioned by Asante. I'm not sure whether I'm interpreting him correctly, but it didn't seem to me that Asante was very enthusiastic about the CBI. But it is an interesting concept because it's a fast-track movement that straddles the boundaries between different regional bodies although a lot of the countries in fact have overlapping membership of COMESA and SADC. It may well be that if this variable geometry concept is taken seriously, the contagion effect could perhaps work positively in that it could spill over from the fast-track countries to the laggards who are not in the particular variable geometry scheme. So that's another issue one needs to look at.

There was a consistent complaint wherever we went when we met regional bodies about the fact that they didn't have teeth: they couldn't do anything to implement the particular treaty or agreement because the member governments had not been prepared to cede sovereignty. Somebody said to us that when there are countries run by dictators, these dictators won't cede sovereignty to anybody, let alone a regional organisation!

I've mentioned the private sector. This must be given scope to do what it was meant to do, and that has not always been the case in African integration schemes. Sectoral cooperation is extremely important. We've heard about constraints to regional integration such as poor transport and telecommunications. Macroeconomic policy convergence is important as well, and that has been spelt out in the paper and also by Asante. For some regional organisations it may well be that their real contribution can be in sectoral cooperation, and macroeconomic policy convergence, rather than in the far thornier area of trade integration.

Then there is another possibility, of course, that has also been mentioned in the paper, namely, North/South integration. There are several instances of that happening in Africa, or possibly happening. And again it challenges the idea of Africa as a single entity. In our discussions in North African countries we were told bluntly that since they trade 70% to 80% with Europe, that is where they are looking, and that sub-Saharan Africa is low on this list of priorities. They may not say so publicly, of course, but we are talking seriously as a group, and we have to take account of reality. Free trade agreements between some of these North African countries and the European Union are being very seriously discussed. For example, there is a proposed Mediterranean Basin free trade area which would take into account North Africa, parts of Western Asia and the southern parts of the European Union.

There are discussions between South Africa and the European Union

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too, of course, and then there is also a proposed Indian Ocean Region Economic Association (although there is no talk at the moment of that being a free trade area). One has to ask whether parts of Africa could benefit from North/South integration (although the Indian Ocean is more a case of South/South integration). If they could, is it really harming the welfare of Africa if they "go for it"? What's the problem if they go for it rather than cling to visions of a single African market?

We found that a lot of the younger technocrats we met in Africa were asking these sorts of questions. They were challenging the basis on which integration schemes had been set up, and the validity of that basis in the age of high technology.

Southern Africa and the Marrakesh Agreement

I want to end up by saying a few things about some developments in Southern Africa at present which seem to run counter to the Marrakesh Agreement. There are a number of bilateral agreements in the region between, for instance, South Africa and countries outside of the Southern African Customs Union. And those bilateral agreements are simply not compatible with Customs Union membership. When a country is a member of a customs union, it is constrained in its ability to enter into trade agreements with third parties, and it is the customs union as a whole which ought to enter into trade agreements, either with third countries or with groups of other countries, or with regional groupings. Now, at the moment there is apparently quite a lot of pressure being brought to bear on South Africa by some countries in the region – Zambia is one but it was also mentioned in the recent SADC communiqué – that SADC countries ought to conclude bilaterals as a matter of urgency with individual SACU countries. This flies in the face of what is allowed in the Marrakesh Agreement. So too do the discussions that have been held between South Africa and the European Union. In fact, those discussions, if they are ultimately going to be about free trade, ought to be between the SACU as such and the European Union.

There is another reason why the move to establish bilateral agreements with South Africa is contrary to the Marrakesh Agreement. And that is that South Africa is treated by the WTO as a developed country, and as a consequence, it is allowed to enter into trade agreements with developing countries on the basis of non-reciprocity. But some special treatment then has to be accorded to all developing countries, not just a sub-group. That is why Lomé, for instance, is simply operating under a waiver until 2000. It received a special waiver because it was challenged by those developing countries which were not part of Lomé and which claimed that it contra-

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dicted Article XXIV and Part IV of the GATT. So any country, for instance, Zambia, wanting a free trade agreement with South Africa, would simply have to realise that if it entered into such an agreement, South Africa would have to extend those privileges on a most-favoured-nation basis (which is the cornerstone of the WTO) to all other countries. These are the ways in which we have to think about how we approach regional integration, and how we have to look at the implications of the Marrakesh Agreement. At the time that regional integration schemes in Africa were formulated, many African countries were not members of GATT, the predecessor of the WTO, and they were not constrained. But now in Southern Africa all the countries are members of the WTO, and one has to pay attention to what room for manoeuvre they are allowed.

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