PROGRESS REPORT ON REGIONAL INTEGRATION EFFORTS IN AFRICA TOWARDS THE PROMOTION OF INTRA-AFRICAN TRADE

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LIST OF ABBREVIATIONS

ABUJA TREATY	Treaty establishing the African Economic Community
ADB	African Development Bank
ASYCUDA	Automated System fot Customs Data
AU	African Union
CEMAC	Economic and Monetary Community of Central African States
CEN-SAD	Community of Sahelo-Saharan States
CEPGL	Economic Community of Great Lakes Countries
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
IGAD	Inter-Governmental Authority on Development
IOC	Indian Ocean Commission
MRU	Mano River Union
OAU	Organization of African Unity
RECs	Regional Economic Communities
SACU	Southern African Customs Union
SADC	Southern African Development Community
SYDONIA	Automated Customs System
TCE	Technical Committee of Experts
TINET	Trade Information Network
TRID	Trade and Regional Integration Division
UDEAC	Central African Customs and Economic Union
UEMOA	West African Economic and Monetary Union
UMA	Arab Maghreb Union
UNCTAD	United Nations Conference on Trade and Development

I. INTRODUCTION

The creation of regional integration areas is motivated by the will of the countries concerned to better their lot in the international division of labour. They wish to bolster their economies of scale, enhance their productivity and strengthen their presence in the export markets. Thus, the economies of scale argument would appear to be at the core of regionalism. Indeed, market expansion is viewed as the prime mover of an integration area, in the sense that national markets, by themselves, are often not large enough to ensure the full utilization of economies of scale or specialization. At the same time, trade liberalization within a regional integration area obliges firms to face competition, reduce their operating costs and enhance their productivity. They gradually develop the ability to convey competitive products on to third country markets.

One of the main features of a regional trade agreement relates to the discrimination created against the rest of the world. The most interesting case in point is that witnessed in a situation where one of the members is in competition against the rest of the world in the market place of its trading partner. Jacob Viner (1950) uses this case to illustrate the concepts of trade creation and trade deviation, emerging in tandem with customs duties and in accordance with the productive efficiency of competing economies. Significantly, Viner defines trade creation as the movement of the sources of supply of an economy, as a result of the creation of an integrated area, towards more efficient integration-area producers. By contrast, trade diversion denotes the outward movement of a source of supply from a more efficient to a less efficient integrated-area producer. There is no clear distinction, however, between arrangements that can give rise to expansion rather than deviation of trade, as these two factors can coexist perfectly well within one regional integration area.

African States generally recognize the role and importance of trade liberalization in the integration and development process. Trade liberalization is commonly used as an economic tool serving to stimulate trade links nationally and internationally. This is the context in which trade reform measures have been adopted at both the national the subregional levels. At the national level, this is reflected in the Structural Adjustment Programmes (SAPs) financed by the Bretton Woods institutions and the Transborder Initiative, under which countries pursue trade reform measures relating to the liberalization of imports and currency regimes as well as he reduction of tariff and non-tariff barriers.

At the subregional level, the regional economic communities (RECs) have introduced their own trade liberalization programmes, with measures aimed at eliminating tariff and non-tariff barriers and other trade restrictions, and facilitating the free movement of goods and services.

African countries and RECs are engaged in the establishment of free trade areas, customs unions and common markets, and currency and customs unions. These objectives can be achieved through trade liberalization programmes focusing on goods as well as services, mechanisms for the free movement of persons and of factors of production, and harmonization of tax and currency policies. At the subregional level, quite a number of RECs are implementing trade liberalization programmes aimed at eliminating tariff and non-tariff barriers and other trade restrictions and facilitating the free movement of goods and services. The implementation of these trade liberalization programmes vary from one subregion to another in terms of characteristics, time frames, modalities and pace, but there are a number of common features, such as mechanisms for the creation of free trade areas, customs unions and common markets within set time frames.

Consequently, the predominance given to liberalization schemes as tools for intra-Community trade expansion should not conceal the fact that trade liberalization schemes have fairly different implementation profiles from one subregion to another. Some of the RECs are still in the early stages in terms of implementation of a free trade area, while others have reached the level of a customs union with a common external tariff in place.

As far as the global trade profile is concerned, the scenario and the composition are still developing. While it is true that the globalization of trade is continually on the rise, trade relations are also deepening in some subregional and regional contexts, thanks to the efforts of groups of countries to strengthen links with proximate markets. This applies not only to some of the developing countries but also to some of the developed countries as well.

Trade between developing countries in the same region, including Africa, tends to be modest, and indeed accounts for a very small portion of world trade as a whole. Does this mean that the economic structures of countries within a given region do not possess the necessary complementarities for the development of trade? Or that the regional context is more restrictive to trade than the global environment? Not necessarily. Research and empirical studies conducted by some organizations indicate that trade between developing countries has considerable growth potential, which in itself provides a foundation for building economic cooperation linkages based on potentialities that can be mutually beneficial in trade and investment terms. At the same time, the effective and efficient utilization of trade potentialities will necessitate the adoption of measures and mechanisms to buttress the development of intra-African trade.

The objective of the present study is to present a panoramic view on the various efforts aimed at promoting and intensifying intra-African trade as envisaged in a range of treaties and protocols at the subregional and regional levels. Following the first, introductory, part, the second part details the institutional framework for liberalizing intra-Community trade. Part three is an analysis of the progress made in the area of trade liberalization within the various RECs. The impact of trade liberalization policies on trade is examined in Chapter 4. Chapter 5 dwells on obstacles to intra-African trade. Chapter 6 proposes measures and mechanisms that can foster trade expansion. Finally, Chapter 7 concludes the study.

II. INSTITUTIONAL FRAMEWORK FOR TRADE LIBERALIZATION AT THE CONTINENTAL AND SUBREGIONAL LEVELS

2.1 <u>Regional institutional framework for the promotion of regional development and the development of subregional trade</u>

2.1.1 General provisions of the Abuja Treaty relating to trade liberalization

The Abuja Treaty defines the framework for the attainment of Africa's regional integration through the consolidation of the economies of all the African States into a single regional market in a gradual process which is expected to come to fruition by the year 2028. Thus, the African Economic Community will be gradually put in place over a transitional period of up to 34 years, subdivided into six stages of varying duration. Each stage is assigned a set of specific actions which will be envisioned and actualized concurrently in the manner set out below.

<u>The first stage</u> will consist in strengthening the institutional capacities of the existing regional economic communities and the establishment, over a period of up to five years from entry into force of the Abuja Treaty, of new communities where none exist.

<u>During the second stage</u>, a process of stabilization of the tariff and non-tariff barriers, customs duties and internal taxes in place at the date of entry into force of the Abuja Treaty will be launched in each REC for a period of up to eight years; studies aimed at the establishment of a time-frame for the gradual elimination of tariff and non-tariff barriers to trade within each subregion or region will be conducted, along with studies aimed at the gradual harmonization of customs duties <u>vis-à vis</u> third countries. In addition, it will be imperative to embark on strengthening sectoral integration at the regional level and continent-wide for the whole range of sectors, and particularly in the areas of trade, agriculture, currency and finance, transport and communications, and industry and energy. Finally, this will necessitate a coordination mechanism for interactions among existing and future regional economic communities.

<u>During the third stage</u>, a Free Trade Area will be established for each regional economic community, over a period of up to 10 years through the establishment of a time-frame for the gradual elimination of tariff and non-tariff barriers to intra-community trade, and a Customs Union through the adoption of a common external tariff.

<u>During the fourth stage,</u> which will run for up to two years, it will be necessary to harmonize and coordinate tariff and non-tariff systems between the various RECs with a view to setting up a continent-wide Customs Union through the adoption of a common external tariff.

<u>The fifth stage</u> will consolidate the establishment of an African Common Market over a period of up to four years, through the adoption of a common policy on a number of areas such as agriculture, transport and communications, industry, energy and scientific research and harmonization of monetary, financial fiscal policies; implementation of the principle of the free circulation of persons, and introduction of rights of residency and sojourn; and the creation of own resources of the Community as stipulated in article 82, paragraph 2 of the Abuja Treaty.

Finally, the sixth stage will be focused on the integration of the whole range of sectors through the setting up of on African central bank and a single African currency, creation of an African monetary and economic union and the establishment and election of the first African Parliament.

2.1.2 Trade liberalization commitments vis-à-vis the Abuja Treaty

(i) Reduction and elimination of tariff and non-tariff barriers

The Treaty establishing the African Economic Community (AEC) contains a number of provisions governing trade liberalization. According to article 29, African countries have agreed to the gradual establishment of a customs union after through the elimination of customs duties (Art. 30), non-tariff barriers including quotas and restrictions, as well administrative and other non-tariff barriers (Art. 31), and the establishment of a common external tariff (Art. 32). Article 33 prohibits the levying of customs duties after the end of the third period, not only on goods originating from a member State and imported into another member State, but also goods imported from third parties. Article 34 provides for the gradual abolition, the third stage, of internal taxes designed to protect domestic production. It also prohibits any national legislation tending to put in place restrictive measures against goods originating in the subregion through the direct or indirect application of taxes.

There are exemptions, however, to the provisions of article 35, and particularly in regard to the protection of persons, firms and public morality. Exemptions also apply in situations where strict adherence to trade liberalization would entail balance of payments problems.

(ii) Rules and origin

In accordance with article 33 of the Treaty, there is a protocol which defines rules of origin for the purposes of the free movement of goods within the Community. The basic condition is that the goods are considered to originate from a given country or group of countries when they are produced entirely within the Community or are partially derived from inputs originating in a third country (the degree of derivation being at least 35 per cent of local value-added or at least 60 per cent of inputs coming from elsewhere). Production in an assembly line from inputs wholly imported from third countries are not considered as products originating from the Community.

(iii) Trade promotion

Article 42 contains key provisions relating to trade relations between member States. In particular, it urges member States to make greater use of goods—both intermediate and finished—that originate from the Community, and to promote and diversify the markets for manufactured goods within the Community.

(iv) The free movement of persons and right of residency and establishment

Article 43 enjoins member States to espouse the principle of free movement of persons, right of residency and right of establishment, which are considered to be of primary importance to the trade liberalization process.

2.2. Regional economic communities and trade liberalization within the framework of the Abuja Treaty

A number of liberalization schemes have been put in place by the regional economic communities within the framework of the Treaty establishing the African Economic Community (AEC). The common objective of these schemes is to establish a free trade area in each REC, followed by a customs union and eventually by a common market and an economic union. The implementation strategy for this objective comprises plans aimed at stabilizing and gradually eliminating tariff and non-tariff barriers, adopting a common external tariff in regard to trade relations with third countries, harmonizing macroeconomic policies and promoting the free movement of all the factors of production.

III. ANALYSIS OF THE PROGRESS MADE BY THE RECS IN THE IMPLEMENTATION OF TRADE LIBERALIZATION SCHEMES AT THE SUBREGIONAL LEVEL

3.1 Reduction and elimination of tariffs

The ECOWAS countries began to eliminate customs tariffs on raw materials and handicrafts in 1981 and adopted a programme aimed at eliminating duties on industrial commodities during the period 1990-2000. However, not all of the countries have implemented the liberalization policy in its entirety. Although all the member States, apart from Liberia, have eliminated customs duties on agricultural raw materials, only Benin has done so in regard to industrial commodities. Ghana and Nigeria are endeavouring to relaunch trade liberalization within the framework of an accelerated initiative.

The UEMOA countries committed to establishing a free trade area by gradually eliminating tariffs over the period 1994-2000. All the UEMOA member States agreed to implement that plan.

CEMAC's programme of reduction of customs duties was implemented in conformity with the time-frame set for it and all the requisite conditions for the establishment of a customs union have been fulfilled since 1994. There has been perfect synchronization in the CEMAC area between observance of the time frame fixed for embarking on the reduction of customs duties towards the establishment of a customs union and the stage CEMAC has reached so far in implementing the trade liberalization programme. By 1994, all the member States had eliminated tariff barriers, which means that they had fulfilled the requisite conditions for the creation of a customs union.

For eight years following its establishment, ECCAS pursued a step-by-step programme of trade liberalization. The Community intends, via a process of gradual reduction and eventual elimination of intra-Community barriers to trade, to become a customs union after the establishment of a PTA. Protocols have been adopted with a view to eliminating tariff and non-tariff barriers and implementing additional programmes designed to improve trade and promote development, such as harmonization of macroeconomic policy, infrastructure development in transport and communication, and so on. However, political instability in the subregion has resulted in a total cessation of trade, cooperation in general, and discontinuation of the integration programmes that had been put in place. There is at present a firm commitment on the part of the ECCAS member States to revitalize the Community through increased budgetary contributions and the adoption of a recovery programme. It is expected that this initiative will give new impetus to ECCAS. None of the objectives of the trade liberalization programme has been achieved. Indeed, the organization has been inactive for over 10 years owing to enduring socio-political instability in the region.

In Central Africa as a whole, CEMAC is the only regional integration area that is on a path towards becoming a customs union of its members. Consequently, the greater part of the activities are confined to CEMAC, which also has a common currency.

The tariff reduction programme for the Southern African Development Community (SADC) members reflects the varying approaches pursued by those economies to face competition from other countries in the Community. Unlike in more formal free trade areas, countries were able to choose the products on which to reduce duties so long as the overall goal was achieved. Mauritius agreed to allow 65 per cent of imports to enter its economy duty-free in 2000. Tanzania, however, could offer only 9 per cent that year, and the removal of its tariffs will be staggered—with 88 per cent lifted by 2008 and 100 per cent by 2012. The Southern African Customs Union (SACU) members of SADC, particularly South Africa, are required to reduce tariffs on intra-SADC trade faster than other members. SACU's offer provides duty-free entry for 77 per cent of non-SACU imports from SADC members by 2000, and 97 per cent by 2008. South Africa will eliminate all tariffs by 2012.

Because the SADC trade protocol is new, the tariff reduction programme has not been finalized. Angola and the Democratic Republic of Congo have not signed the protocol, probably because of their volatile political situation. Seychelles has already committed to COMESA tariff reductions and has few dutiable products to trade with mainland SADC countries. In non-SACU markets that are part of the SADC, imports from Botswana, Lesotho, Namibia and Swaziland are treated more favourably than imports from South Africa. For these countries this was the price for agreeing to share their preferences in South Africa's market with other SADC members. It also reflected the more rudimentary nature of their production relative to that of South Africa.

SACU activities are limited to implementation of a customs union. Every member has accepted South Africa's external tariff, and there are no duties on trade between group members. Origin rules are similar to, but slightly stricter than, SADC rules and are designed to encourage the use of South African (rather than third-country) inputs in production. Duties are distributed based on a formula that favours smaller members. After more than five years of negotiations, this formula was modified to make up for the shortfall in SACU customs collections as the EU-South Africa trade area is implemented. In addition, a new formula was developed to help Lesotho and Swaziland boost government revenue relative to Botswana and Namibia.

The Arab Maghreb Union (UMA) had trade liberalization high on its agenda when the organization was established in February 1989. In 1991 UMA countries signed a protocol under which goods originating in and traded among member States would benefit from the elimination of tariffs and nontariff barriers. Tariff elimination has yet to be fully implemented. Members trade more through bilateral arrangements than through the UMA trade protocol.

Members of the Indian Ocean Commission (IOC) initiated a trade liberalization programme under the PRIDE Initiative (an integrated regional programme for the development of trade), but so far only Madagascar and Mauritius are applying it. Because most IOC members also belong to COMESA, they are participating in and implementing the COMESA trade regime.

3.2 Removing nontariff barriers

Within the CEMAC area, nontariff barriers constitute the principal barriers to intra-regional trade. These barriers appear to be linked to customs clearance procedures. Moreover, given that some of the CEMAC countries are landlocked, road transport operators are often faced with checkpoints erected on whimsical grounds. Meetings aimed at finding viable and lasting solutions to these problems are held often between officials from Cameroon and their counterparts from landlocked Chad and the Central African Republic. There have been modest improvements, but a great deal remains to be done to completely eliminate these barriers to intra-regional trade in the CEMAC area.

One of the weak points in the SADC trade liberalization process is the issue of nontariff barriers. The member States have been encouraged to inform the secretariat of the existence of any nontariff barriers to trade, and they have agreed to eliminate cumbersome import/export licensing, remove unnecessary import/export quotas and lift unnecessary import prohibitions. They have been urged to move more rapidly towards the gradual elimination of import deposits. A recent study conducted in some of the member States revealed the existence of some new nontariff barriers to trade within the subregion. Serious efforts to eliminate nontariff barriers are essential for the eventual success of the free trade area. There is now no sustained regional mechanism for monitoring member country compliance so as to influence them to take the necessary corrective measures.

In the interim period before the signing of the final agreement and adoption of the official protocol on the establishment of the EAC customs union and until the EAC has defined its own rules of origin, the members apply the COMESA rules of origin in their intra-regional trade relations. It should be noted that the EAC envisages anti-dumping and compensatory measures as well as safeguards to cover material damage to the industry and to the economy of the importing country. The member States intend to adopt final recommendations relating to those areas which will be compatible with the World Health Organization (WHO) Statute as well as taking into account the interests of both producers and consumers.

Ahead of the full implementation of a compensation mechanism, the members are empowered to invoke loss of revenue and to wholly or partially restore the tariff and nontariff measures in force before the trade liberalization programme.

By definition, countries that are members of a free trade area facilitate intra-area trade expansion by removing all tariff and nontariff barriers to trade with one another. But each member country maintains an independent commercial policy with respect to non-members. Thus, to ensure that members do not cheat on each other and to prevent non-members from enjoying the benefits of free trade within the Community, rules of origin are needed to identify goods that qualify for free trade treatment. The rules of origin must satisfy General Agreement on Tariffs and Trade (GATT) requirements on barriers to trade with nonmembers. The rules should be simple and must be seen to promote investment and trade. The regional economic communities (RECs) are conscious of this principle and have striven to make their rules of origin more flexible and conducive to attracting foreign inputs.

In this context, regional economic community programmes to promote trade and market integration are usually accompanied by rules of origin to delineate areas of eligibility for preferential tariff treatment. Origin requirements for products are generally defined by the share of domestic capital and imported inputs used and the share of domestic value added in total product value. But these criteria tend to differ among economic communities–even when they have overlapping membership and originate from the same subregion.

In ECOWAS, domestic capital in pegged at 51 per cent of total capital, community raw materials at 40 per cent of raw material costs, and domestic value added at 35 per cent of product value. Between 1990 and 2000 the list of industrial products eligible for preferential tariffs jumped from 25 to 1,190.

UEMOA requires domestic value added at 40 per cent, higher than ECOWAS. In the interest of uniformity—given their common membership—the two economic communities have otherwise made stern efforts to adopt the same rules of origin for goods that qualify for reduced or eliminated tariffs. Recently ratified by the Council of Ministers of UEMOA and set to be ratified by ECOWAS by December 2003, a decision of harmonization will align ECOWAS' rules of origin with UEMOA's.

CEMAC requires that domestic inputs account for 40 per cent of the value of total inputs, rising to 50 per cent in 2003 and 60 per cent in 2008. In addition, industrial products should contain locally sourced value added equal to 30 per cent of the factory price, rising to 40 per cent in 2003 and 50 per cent in 2008.

SADC does not appear to have any hard and fast rules in this area, providing that short of products being wholly produced within SADC, there must be a sufficient transformation process. Non-originating materials may be used in the manufacture of a product as long as their value does not exceed 10 per cent of the product's factory price.

In the COMESA free trade area, goods must satisfy one of the following criteria: be wholly produced in a member State; contain no more than 60 per cent of imported inputs from non-member countries, incorporate local value added of at least 35 per cent of total cost; be designated as particularly important to economic development and contain no less than 25 per cent local value added; or be reclassified, after production, under a new tariff heading.

These rules of origin attempt to strike a balance between use of domestic inputs and foreign supplies. The rules fall short of WTO Trade-Related Investment Support Measure requirements on local content restrictions, but there is some merit in encouraging the use of domestic inputs to reduce dependence on imported raw materials and other intermediate inputs while promoting and enhancing value-added activities in the regional economic communities.

The IOC has also adopted rules of origin on the COMESA model. The value-added tax rate has been reduced by 45 per cent to bring it into line with the COMESA rate which stands at 35 per cent. Only Madagascar and Mauritius are applying the IOC integrated programme on trade.

UMA has also adopted the rules of origin. Commodities are considered to originate from the subregion when they meet the following conditions:

(i) All the basic components and raw materials are entirely produced in or derived from a member country of UMA;

(ii) Manufactured goods, where the goods contain at least 40 per cent of local value-added (20 per cent in the case of goods manufactured in an assembly plant) or at least 60 per cent of local raw materials;

(iii) For other industrial products that have been subjected to varying degrees of transformation in value-added in a member State, they are considered to be originating products when there is a consensus thereon among the member States;

(iv) Exports which meet the above-mentioned conditions are required to be accompanied by a standard-form Certificate of Origin prepared by an authorized entity and subject to verification by the customs authorities of the exporting country;

(v) There are other provisions relating to preservation, phytosanitary and anti-dumping measures and measures against export substitution and other unfair trade practices.

These rules of origin attempt to strike a balance between use of domestic inputs and foreign supplies. The rules fall short of WTO Trade-Related Investment Support Measures (TRISM) requirements on local content restrictions, but there is some merit in encouraging the use of domestic inputs to reduce dependence on imported raw materials and other intermediate inputs while promoting and enhancing value-added activities in the regional economic communities.

3.4 Adoption of common external tariffs

In 1994, CEMAC introduced a new common external tariff structure, considered an improvement over the more complicated one in place since 1992. The new tariff covers four categories of goods: items in category 1 (essential goods) face a 5 per cent tariff; category 2 (equipment and raw materials), 10 per cent; category 3 (intermediate goods), 20 per cent; and category 4 (general consumable goods), 30 per cent. A temporary non-renewable surtax not to exceed 30 per cent was introduced for goods that had been subject to quota restrictions. It was abolished in 2000.

In sum, CEMAC had clearly fulfilled the conditions for the establishment of a customs union in that it had a CET in place in 1994. The Community appears to have used its long experience under UDEAC to achieve remarkable progress towards eliminating all tariff barriers to trade in intra-CEMAC commodities. Clearly, this would not have been possible without a firm commitment on the part of the political leadership in each CEMAC member State in the regional integration process. As a corollary to all that, trade in services, including financial services, within the Common Market, has been liberalized.

The implementation of the provisions of article 47 of the COMESA treaty will culminate in the adoption of a CET over a 10-year period after the entry into force of the treaty. The CET was set to enter into force in 2004. The COMESA member States have negotiated a provisional CET under which capital goods would be assessed at zero per cent; raw materials 5 per cent; intermediate goods 15 per cent; and for finished goods 30 per cent.

SACU had a common external tariff (CET) in place and allows for free trade among its five members. It also has a common customs organization. Indeed, SACU is a customs union which has had a common external tariff for around a century, i.e. since 1910.

EAC hopes to leapfrog into a customs union, bypassing a free trade area. Member states are negotiating the structure of the customs union, particularly the common external tariff. The customs union should be in place within four years of the January 2001 signing of the EAC treaty. The treaty was indeed signed during the first quarter of 2004.

3.5 Trade facilitation

Trade facilitation usually involves practical measures to enhance trade flows among member States, such as simplifying and harmonizing documents and customs procedures and adopting common instruments. A number of regional economic communities have introduced measures to this end.

CEMAC has adopted a protocol on Inter-State Transit in Central African Countries to facilitate the transit of goods within member States. In most member States, tax and customs administrations in capital cities are equipped with computers for processing import-export operations; and since 1984 an annual trade fair has promoted trade in the CEMAC area.

Measures have been taken to facilitate the movement of goods. The CEMAC countries have adopted the protocol on Inter-State Transit in Central African Countries. This protocol encompasses a number of measures aimed at facilitating the movement of goods from one member State to another. In the section dealing with customs, it is stipulated that:

- Each State commits to facilitating customs clearance procedures and formalities, and accordingly, the movement of goods within the subregion;

- Each State also commits itself to improving information dissemination and inspection of goods along the transit corridors of the subregion by means of the SIAM;

- In regard to infrastructure, it also provides for the improvement of communication infrastructure alongside the Inter-State transit corridors, to be monitored by the transporters organization.

ECOWAS has introduced a Brown Card insurance similar to the COMESA Yellow Card (a vehicle insurance scheme that covers third-party liability and medical expenses) and the Inter-State Road Transit scheme to ease road transit and transport across borders. Some members have not yet ratified the scheme. In addition, ECOWAS adopted the Automated System for Customs Data in 1990, and in 1998 it launched the Trade Opportunity Management System to foster trade and investment by disseminating information on trade and business opportunities and promoting business contacts among economic operators in the Community.

It should be noted that SADC is one of the regional integration agreements on the continent which have embarked on this process with particular emphasis on linkages between the Community and a network of transport and other infrastructures as a step towards market integration.

SADC's Sub-Committee on Trade Facilitation is responsible for harmonizing trade documentation and procedures concerning import/export licensing; insurance; transit operations; international transport and authorization of transport operators; as well as statistical monitoring and information dissemination on trade documentation.

SADC has also undertaken to simplify and harmonize trade-related procedures and documentation (such as certificates of origin, producer's declaration, form for verification of origin, cargo manifest for overland traffic, certificate of authorization of the transport mode, and customs transit inspection reports). It has embarked upon a study of COMESA rules with a view to clarifying these instruments to the nine SADC member States which are also members of COMESA. About half of the SADC members use the Automated System for Customs Data and the Community has established institutions to eliminate technical barriers to trade, promote quality production, and increase cooperation on standardization, quality assurance, accreditation, and metrology.

Among African economic communities, COMESA has the most extensive programme for trade facilitation and promotion. It has initiated, developed and set in motion fruitful negotiations among member States and mobilized the technical and financial resources to launch a remarkable programme of trade facilitation measures. Specifically, this is the adoption of a harmonized coding system for product description (SH) which is now used by 13 member States. It will be indispensable in the eventual establishment of the common external tariff (CET) and of a common tariff nomenclature (CTN). The accessibility of the GATT evaluation system to member States will harmonize the various evaluation systems applied by each State and ensure uniformity, equity and simplicity across the subregion.

Other trade facilitation measures have been put in place. For example, there is now only one form for declaring goods (the COMESA-CD), replacing the set of around 30 documents in some of the member States. A COMESA regional customs guarantee certificate has been introduced and is issued at the point of origin of goods, in order to eliminate the risk of unloading of cargo in a transit country. Road transit charges were harmonized in 1991. A COMESA transport permit was adopted, also in 1991, enabling transporters to operate within the subregion on a single licence. There is now an overland customs transit document to facilitate the cross-border movement of goods with a single transit document. Axle-load limits and maximum dimensions for vehicular-traffic have been harmonized. A regional insurance plan for motor vehicles (the yellow card) has been introduced.

Also noteworthy is the adoption, in a few of the countries, of a sophisticated and computerized information system on cargo; it facilitates the tracking of transportation equipment and cargo. An automated system of customs data management (ASYCUDA) was introduced in the early 1990s. The EUROTRACE system has been installed in most of the member States. ASYCUDA and EUROTRACE make it easier to harmonize the gathering, processing and dissemination of external-trade statistics within the subregion.

3.6 Facilitating and promoting trade

The CEMAC Trade Fair, launched by the Central African Customs and Economic Union (UDEAC) in 1984, is still held annually on the fringes of the meeting of the Council of Heads of State. The trade fair is held in whichever town or city is hosting the annual session of the Council.

Promoting trade is one of the priorities of COMESA as well. An in-depth study has been conducted to identify commodities for regional promotion. In 1986, the General Trade Fair of the First PTA was held in Nairobi to exhibit what producers and service providers in the PTA had to offer in the PTA market. This initiative has been reiterated every other year, in Zambia, Mauritius, Tanzania and Mozambique, the last one being in 1994. The trade promotion programme as a whole covers 90 regional supply-and-demand studies for selected commodities, interface between buyers and sellers of commodities, and the launching of an information network on trade, with 16 focal points at the country level.

The EAC generally applies the trade promotion and facilitation measures put in place by COMESA, in that all the EAC member States currently apply the COMESA information system on the movement of goods to promote their fast-moving goods trade. In addition, EAC has signed a cooperation protocol on standardization, quality assurance, metrology and testing. EAC is working on a detailed project to strengthen the role of the private sector and associated bodies such as the East African Business Council. Central to the plan is the adoption of a common competition policy to promote investment and development in the Community. EAC members hope to reach agreement on this policy in tandem with the establishment of their customs union. The collective regulatory framework will also cover harmonized principles to govern investment incentives and promote domestic and foreign investment.

It should be noted that some of the RECs have made considerable progress towards the implementation of free-trade areas and customs unions. At present, four of the RECs, i.e. CEMAC, SACU, UEMOA and EAC have achieved 100 per cent tariff reduction and established customs unions while others are at various stages in their trade liberalization programmes. For example, COMESA established its free-trade area in October 2000 with nine members. Two other countries have already joined the first signatories, bringing the total number to 11. UMA and ECCAS have taken measures to revitalize their trade liberalization programmes which have been in existence for a long time, while RECs like KAD and the IOC, some of whose members also belong to COMESA, are essentially engaged in the implementation of the COMESA programme. It should be underscored that ECCAS adopted the instruments relating to the implementation of its trade liberalization scheme in the first quarter of 2004. SADC also adopted a trade liberalization scheme which will run until 2012. The Economic Community of Great Lakes Countries (CEPGL) which are either in COMESA or in ECCAS are accordingly linked to the trade liberalization programmes of those large blocs. The Mano River Union (MRU) member States are in a similar position because they are also members of ECOWAS, which is engaged in a major effort to put in place a trade liberalization rather like that of UEMOA.

In regard to trade facilitation, ECOWAS has adopted the “brown card” insurance scheme for inter-State road transport, to facilitate road transport and cross-border transport. This scheme also exists in CEMAC while SADC has set up a Sub-Committee on Trade Facilitation whose main function is to harmonize trade documentation and procedures. Some of the RECs, such as ECOWAS and COMESA, have enabled their member States to participate in the Automated Customs System (SYDONIA) in each member State. Indeed, COMESA has the most ambitious programme of trade facilitation, development and promotion.

The overall conclusion appears to be that, with a few exceptions, there has not been much progress in terms of the establishment of free-trade areas in Africa, and especially when it comes to customs unions, despite the fact that a number of subregional integration groupings have been in existence for a long time. At present, only four RECs, namely CEMAC, UEMOA, SACU and EAC, have realized 100 per cent tariff reductions, while other RECs are at various stages in between. COMESA is already set to officially launch its PTA. A great deal of progress has been made by some of the RECs, such as CEMAC, SACU, UEMOA and EAC, which have all attained the level of functioning customs unions. Other RECs such as ECCAS, CEPGL, SADC, the IOC, UMA and CEN-SAD have not made significant progress in terms of implementation of trade liberalization programmes. In some cases, and even with the progress that has been achieved in the reduction of customs duties on intra-community trade protection schemes to be oriented towards nontariff barriers, which are to be found in nearly all the RECs.

The overall pace of trade liberalization appears to be slow, even though some of the RECs have made some headway towards establishing free-trade areas or customs unions. The slow pace of progress is attributable to continuous reviews of the implementation process and the concern caused by the loss that is expected to result from liberalizing. Even though trade liberalization policies are in place, the relative lack of progress in other areas, and particularly in infrastructure and productivity, dampen its impact. To take full advantage of the possibilities offered by trade liberalization and market integration programmes, efforts will have to be made, at the same time, towards addressing the problem of infrastructure and production. To that end, there will have to be a greater degree of collaboration between the transport, communications, energy and production sectors.

IV. IMPACT OF TRADE LIBERALIZATION ON THE DEVELOPMENT OF INTRA-REGIONAL TRADE

Bolstering intra-regional trade has long been of concern to most of the African regional integration organizations. Despite the importance attached to this issue and the many institutional mechanisms put in place with a view to improving intra-regional trade, the share of intra-regional trade in total trade has remained modest. Recent empirical studies suggest that the establishment of preferential trade regimes between African States have had little impact in terms of trade creation across the continent.

4.1 Characteristics of the intra-regional trade structure

In general, trade structures across the continent are virtually the same. There has been little change over the past 40 years, and the characteristics are generally as follows:

- A preponderance of primary commodities in the export structure, with an 80 per cent share or above;
- Imports consist mainly of manufactured goods; and
- Exports (over 80 per cent of which is mainly composed of primary commodities) are targeted to the European, Asian and North American markets, while imports (which account for a similar proportion) come from these same regions.

Another characteristic of intra-regional trade in Africa arises from the non-complementarity of domestic production. A product mix consisting essentially of raw materials leads these countries to produce the same goods which are exported as basic products to other regions, or are overproduced, thus leading to a glut and non-exportability, apart from being at the mercy of environmental conditions (this has been the experience with cereals, and particularly maize, as well as with cassava, plantains and so on).

4.2 Analysis of intra-regional trade in the RECs

The analysis of intra-regional trade covers nine RECs in respect of which statistical data are available in the UNCTAD Statistical Manual, UNCTAD 2004. On the basis of these data, it appears that the volume of internal trade among regional economic groupings as a share of their total trade was low. Indeed, the total volume of intra-regional trade among these RECs accounted for a relatively low share of total exports from those RECs, which translates into 10 per cent or less in general, with the exception of UEMOA and SADC whose relative shares of intra-community exports in total exports were slightly above 10 per cent. The tables and graphs shown below indicate the internal trade profiles of African RECs by reference to their total exports, taking the years 1980, 1990, 1995, 2000, 2002 and 2003.

Graph 1:

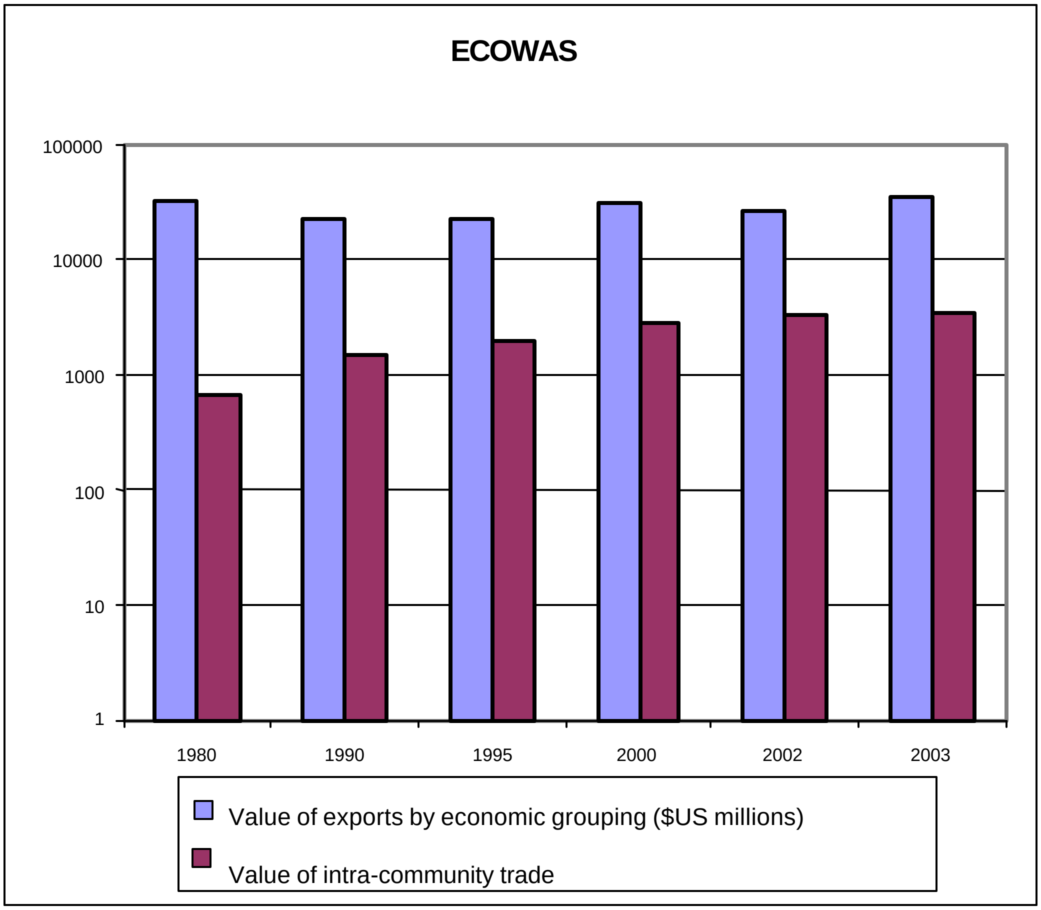

Table 1: Profiles of intra-community trade (in total value and %)

ECOWAS						
	1980	1990	1995	2000	2002	2003
Value of exports, by economic grouping (in millions of dollars)	33348	22743	22305	30338	26829	35186
Value of intra-community trade	661	1532	1875	2811	3192	3541
Share of internal trade in total exports (%)	9.6	8.0	9.0	9.5	11.5	9.8

Profile of intra-regional trade in West Africa (ECOWAS, UEMOA, MRU)

Intra-regional trade in West Africa is still low, representing, on average, around 10 per cent of total exports. Intra-community exports within UEMOA accounted for 9.6 per cent of total exports from the area in 1980, 13 per cent in 1990, and 10.3 per cent and 12 per cent in 1995 and 1997 respectively. Intra-community exports within UEMOA witnessed steady growth over the period 1980-2003 at around 12 per cent of total exports from the area. This remarkable performance may be attributed to gains in competitiveness and relative trade creation for businesses as a result of the introduction of the common external tariff.

The characteristics of intra-community trade within ECOWAS are similar to those of UEMOA, although there is noticeable stabilization at around 9.5 per cent of total exports from ECOWAS since 1980. This level is still far above the production of a number of RECs.

Intra-regional trade within the Mano River Union (MRU) area was almost negligible, at less than 1 per cent of total exports from the area. This weak performance may be attributed to chronic instability in the subregion over the past few years.

Graph 2: Profile of intra-regional trade

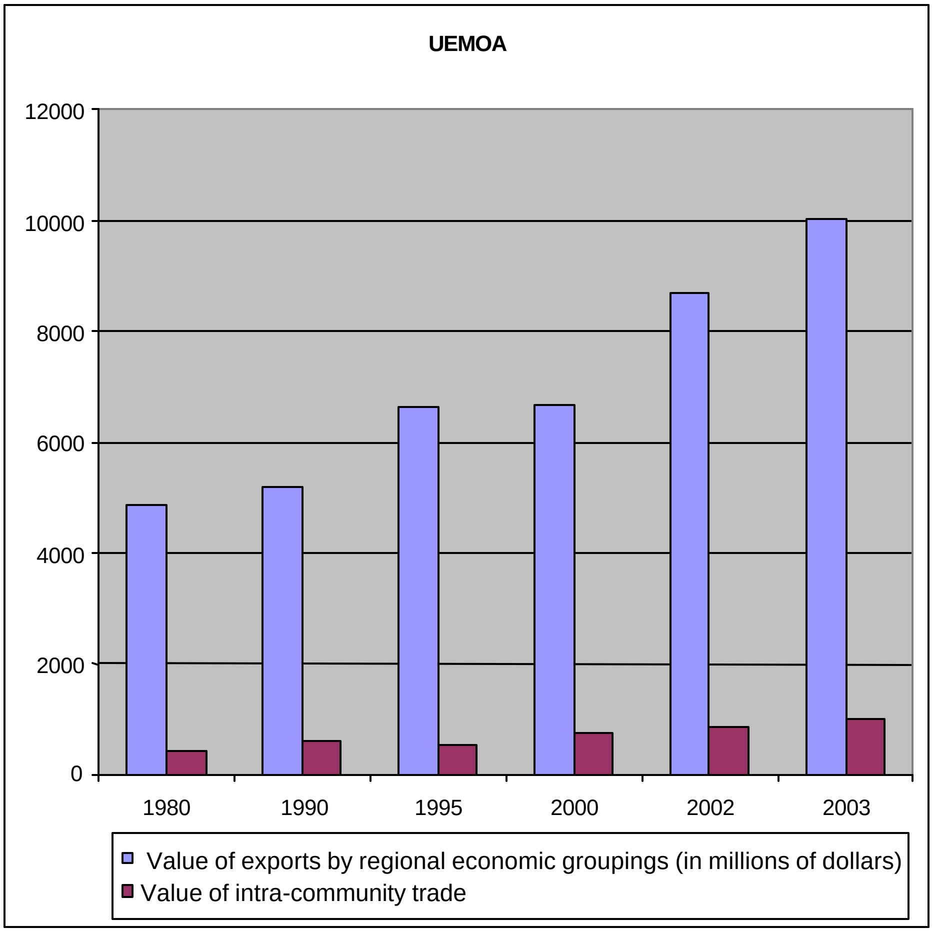

Table 2: Profile of intra-regional trade

	1980	1990	1995	2000	2002	2003
Value of exports, by economic grouping (in millions of dollars)	4884	5202	6648	6668	8672	10007
Value of intra -community trade	460	621	560	741	857	1043
Share of internal trade in total exports (%)	9.6	13.0	10.3	13.1	12.1	12.8

Graph 3:

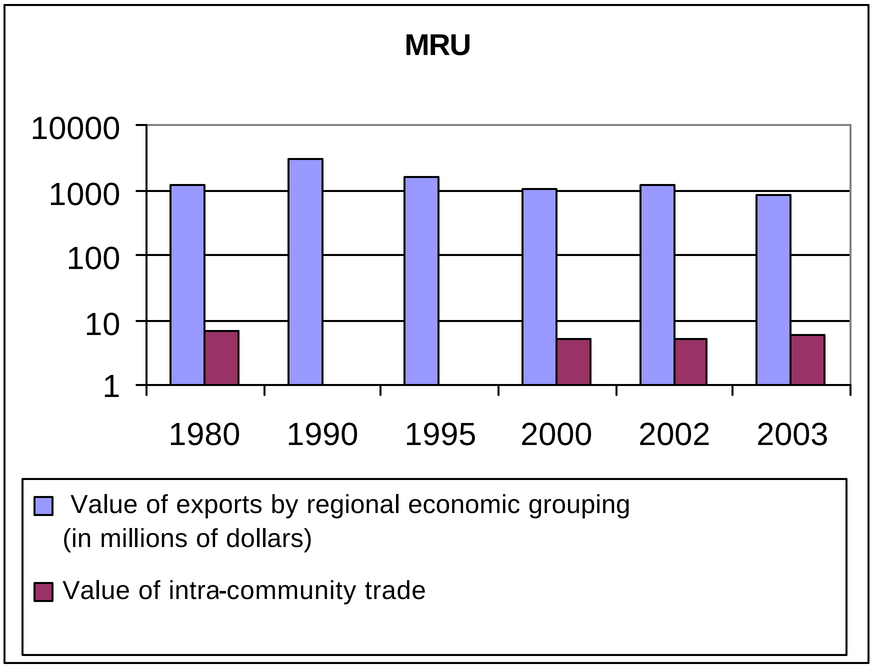

Table 3: Profile of intra-regional trade %

MRU						
	1980	1990	1995	2000	2002	2003
Value of exports, by economic grouping (in millions of dollars)	1225	3016	1564	1008	1162	839
Value of intra-community trade	7	0	1	5	5	6
Share of internal trade in total exports (%)	0.8	0.0	0.1	0.4	0.2	0.3

The situation of intra-regional trade in the Eastern and Southern African region (SADC, COMESA)

After a low rate of growth during the period 1980 to 1990, trade within SADC grew steadily from 1995-2003. The percentage of internal trade involving total exports within SADC increased from 0.4 per cent on average in 1980 to 12 per cent in 2000, but dropped again to 10 per cent in 2003. During the same period, trade within SADC was about 10.5 per cent, placing the region in the second position behind UEMOA. This performance was partly due to the influence of the South African economy and such other countries as Mauritius and Zimbabwe with a strong export base also contributed to the growth. With regard to COMESA, its internal trade grew slightly during the period 1980-2003. The growth rate here was 5 per cent on average during the period under review.

Graph 4

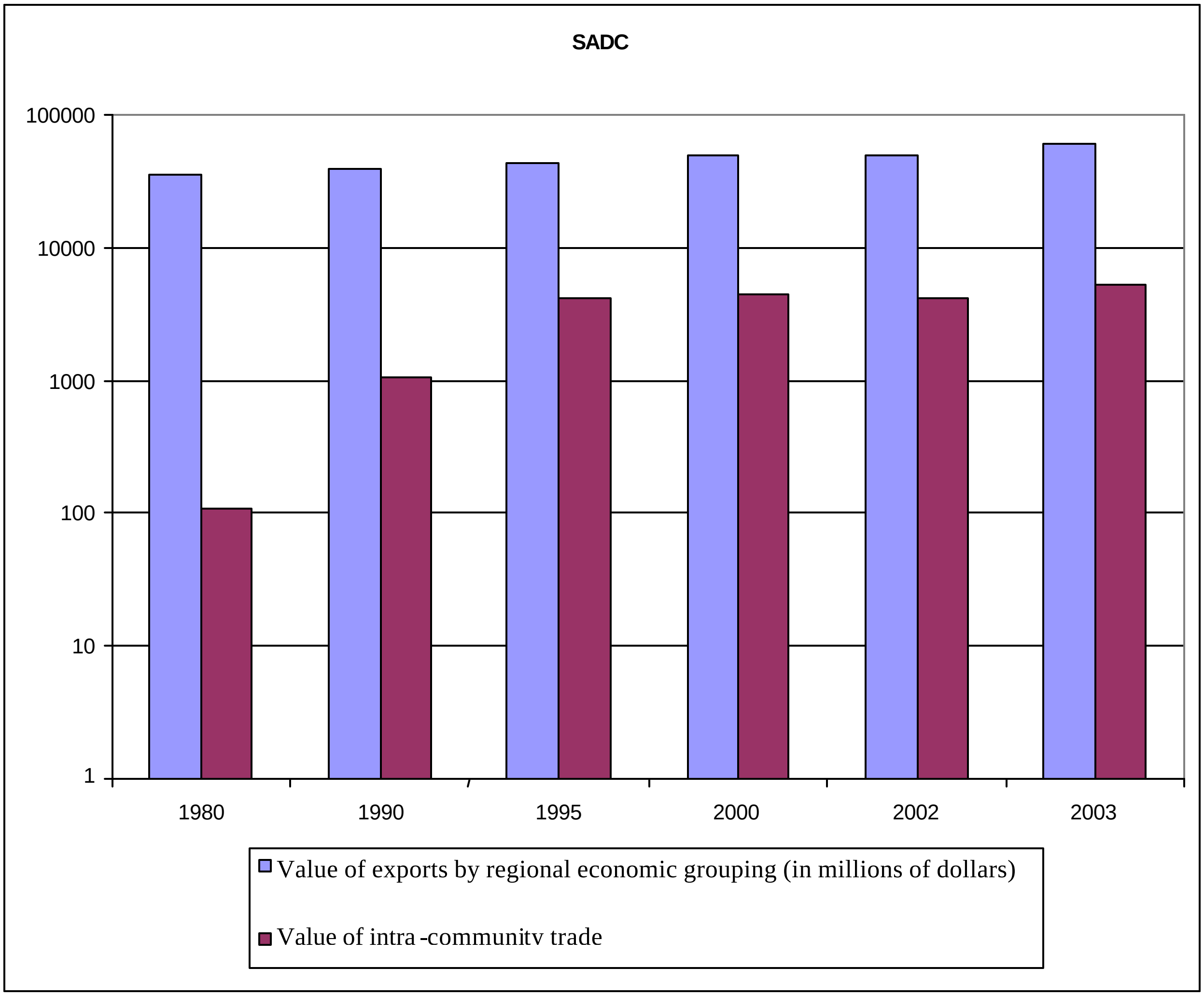

Table 4: Profile of intra-regional trade %

SADC	1980	1990	1995	2000	2002	2003
Value of exports by regional economic Community (in million of dollars)	34884	38425	43803	49573	50690	60450
Value of intra-community trade	108	1058	4124	4453	4240	5345
Share of intra-community trade in total exports (%)	0.4	3.1	10.6	12.0	9.3	10.0

Graph 5

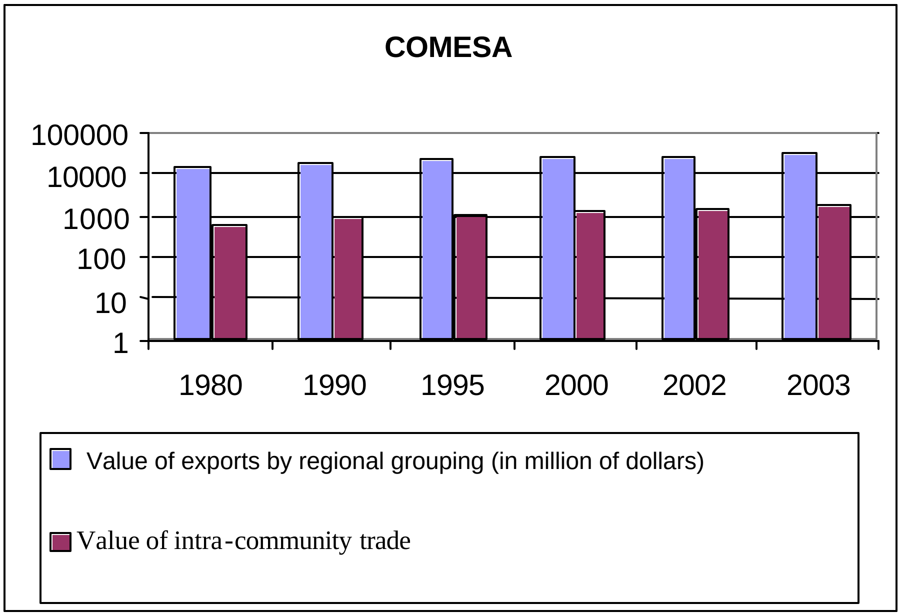

Table 5: Profile of intra-regional trade %

COMESA

	1980	1990	1995	2000	2002	2003
Value of exports by regional economic grouping	14204	19911	20335	25772	26861	30950
Value of intra-community trade	555	890	1027	1281	1465	1812
Share of intra-community trade in total exports (%)	5.7	6.3	6.0	4.9	5.4	5.8

The situation of intra-regional trade in Central Africa (CEMAC, ECCAS, CEPGL)

The levels of intra-regional trade for CEMAC, CEPGL and ECCAS were low during the period under review, as shown by tables 6, 7 and 8 below. Internal trade in these RECs accounted for less than 2 per cent of their total exports, a performance surpassed by that of UEMOA, SADC, COMESA and ECOWAS. Graphs 6, 7 and 8 clearly illustrate the low share of the internal trade of these economic groupings relative to the value of their total exports.

Graph 6

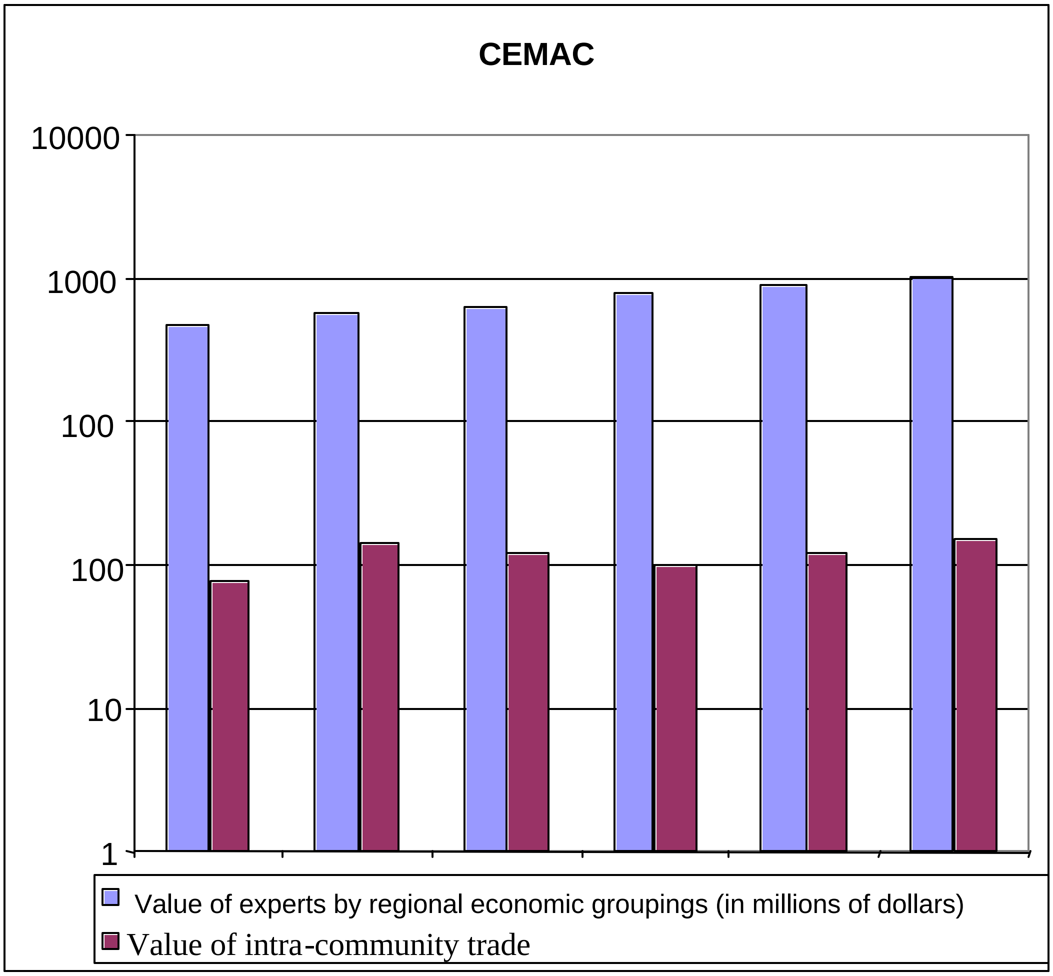

Table 6**:** Profile of intra-regional trade %

CEMAC

	1980	1990	1995	2000	2002	2003
Value of exports by regional economic groupings (in millions of dollars)	4668	5558	6016	7926	8823	10296
Value of intra-community trade	75	139	120	101	120	157
Share of intra-community trade in total exports	1.6	2.3	2.1	1.0	1.4	1.4

Graph 7

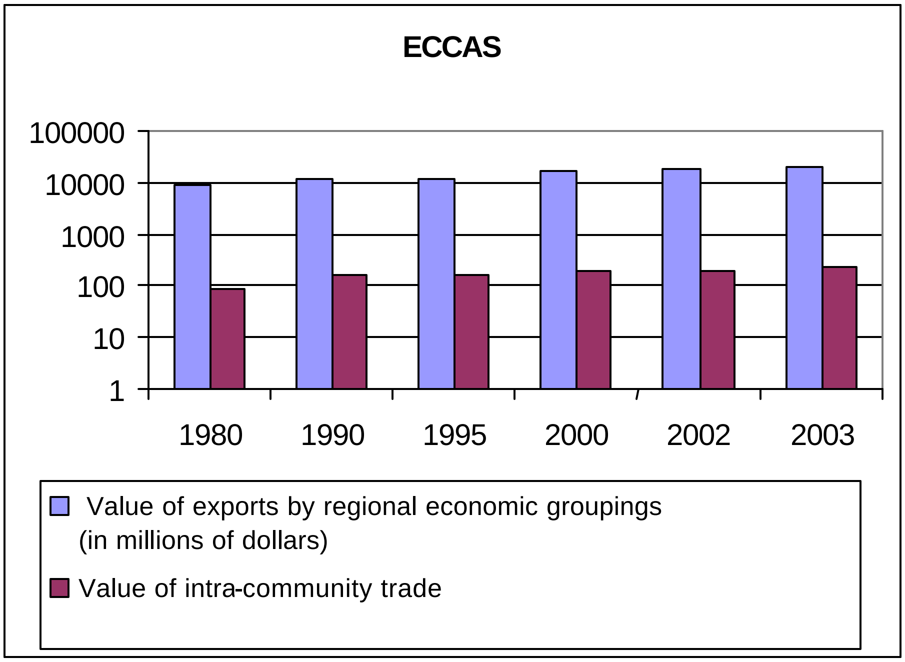

Table 7: Profile of intra-regional trade %

ECCAS						
	1980	1990	1995	2000	2002	2003
Value of exports by regional economic grouping (in millions of dollars)	9023	11956	11550	16712	17724	20298
Value of intra-community trade	89	163	163	196	193	236
Share of intra-community trade in total exports	1.4	1.4	1.5	1.1	1.1	1.1

Graph 8

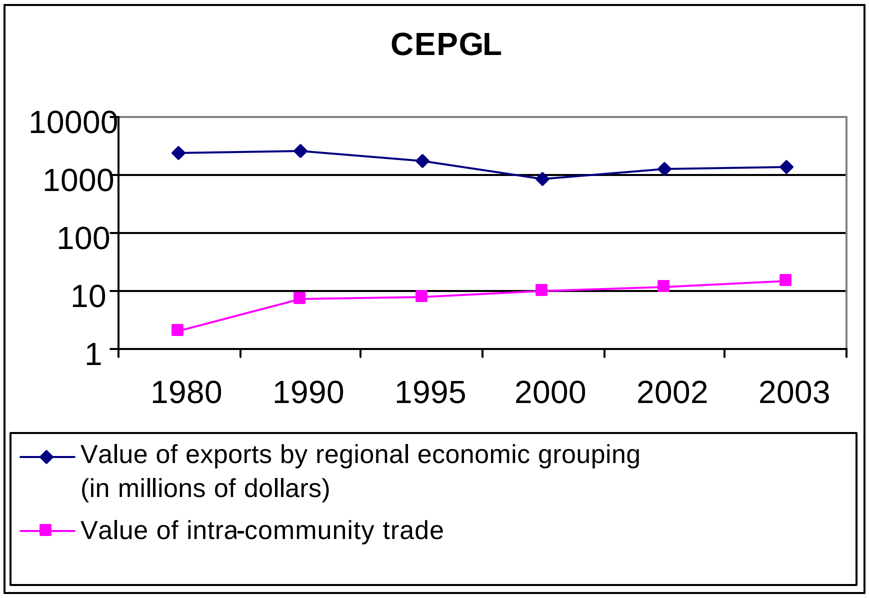

Table 8: Profile of intra-regional trade %

CEPGL

	1980	1990	1995	2000	2002	2003
Value of exports by regional economic groupings (in millions of dollars)	2455	2510	1807	862	1296	1335
Value of intra-community trade (in millions of dollars)	2	7	8	10	12	15
Share of intra-community trade in total exports	0.1	0.5	0.5	0.8	0.7	1.2

The situation of intra-regional trade in North Africa by reference to total exports from the area

The trade potential within UMA is partly jeopardized by the similarities between some Maghreb countries, such as Morocco and Tunisia. These could also be due to the predominance of Morocco and Tunisia in terms of exports to European Union countries, which has in turn resulted in the productive structures of these two countries being basically similar. Other obstacles, including an inadequate export structure for intra-regional trade and the priority given to the North-South strategy, have also vitiated the level of trade within UMA.

Graph 9

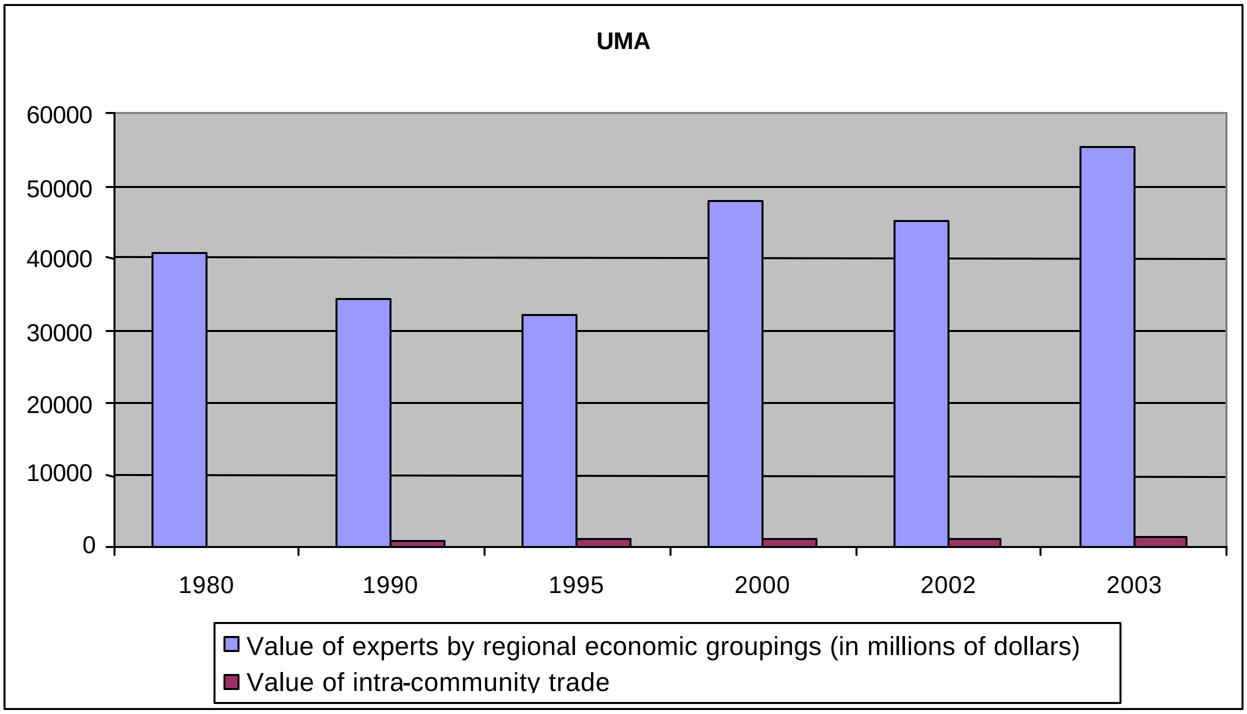

Table 9

UMA						
	1980	1990	1995	2000	2002	2003
Value of exports by regional economic grouping (in million of dollars)	40648	34394	32071	47887	45146	55350
Value of intra-community trade	109	958	1109	1112	1243	1553
Share of intra-community trade in total exports	0.3	2.9	3.8	2.3	2.8	2.7

4.3. Comparative analysis of the internal trade of selected RECs

The table above, drawn from the 2004 Statistical Manual of UNCTAD, gives estimates of the intra-regional trade of some of the African RECs. The figures contained in the table highlight the weak impact of the African integration schemes on the growth of intra-regional trade. In sub-Saharan Africa, the performances of UEMOA and SADC stand out. The total intra-regional exports within these regions were in the range of 12 per cent and 10 per cent of their total exports, respectively, during the period 2000-2003.

Table 10: Comparative intra-regional trade profiles

Economic grouping	Share of intra-regional exports in total exports (%)					
	1980	1990	1995	2000	2002	2003
CEPGL	0.1	0.5	0.5	0.8	0.7	1.2
COMESA	5.7	6.3	6.0	4.9	5.4	5.8
ECCAS	1.4	1.4	1.5	1.1	1.1	1.1
ECOWAS	9.6	8.0	9.0	9.5	11.5	9.8
MRU	0.8	0.0	0.1	0.4	0.2	0.3
SADC	0.4	3.1	10.6	12.0	9.3	10.0
CEMAC	1.6	2.3	2.1	1.0	1.4	1.4
UEMOA	9.6	13.0	10.3	13.1	12.1	12.8
UMA	0.3	2.9	3.8	2.3	2.8	27

Source : UNCTAD Statistical Manual, 2004

4.4. Comparative analysis of the internal of African RECs and other economic groupings: global picture

Table 11 below shows the volume of exports by economic groupings over the period 1980-2003, as well as the volume of internal trade for each economic grouping, as a percentage of total exports per grouping. It emerges from these statistics that trade within the European Union (the 25) accounted for 60 per cent world trade on average. The same applies for the countries of the Latin American Free Trade Agreement (ALENA) area, whose intra-regional trade accounted for 55.7 per cent, 56.7 per cent and 56.1 per cent of total exports in 2000, 2002 and 2003. In the case of the Association of South East Asian Nations (ASEAN), their internal trade slightly surpassed the 20 per cent level attained in total exports from the area. Intra-community trade within the Southern (American) Common Market (MERCOSUR) was in the range of 20 per cent of total exports from the area. This percentage is even lower in the case of the African RECs. Intra-community trade in the African RECs was hardly above 10 per cent of total exports from the RECs, even though a number of institutional arrangements are in place to promote intra-regional trade. The regional trade agreements concluded in Africa are mainly faced with the problem of lack of complementarity of their economies and a narrow local market.

Table: 11 Trade profiles of selected regional economic groupings

	Value of exports by regional economic grouping (in millions of dollars)						Value of intra-community trade (exports, millions of dollars)						Share of intra-community trade in total regional exportsde chaque groupement					
	1980	1990	1995	2000	2002	2003	1980	1990	1995	2000	2002	2003	1980	1990	1995	2000	2002	2003
EUROPE																		
EU (25)	821020	1547400	2146174	2369069	2554030	3047551	483141	1022932	1385805	1618929	1732227	2063450	60.9	67.1	66.1	67.2	66,7	67,2
EU (15)	782251	1510435	2062889	2247585	2400829	2948905	456857	981260	1259699	1420090	1491272	1767282	60.8	65.9	62.4	62.1	61,1	61,4
AMERICA																		
CARICOM	11443	47764	5684	7791	7066	9550	599	456	877	1076	1252	1538	5.4	8.0	12,2	14.4	12,5	12,5
MERCOSUR	29522	46418	70499	84590	89096	106118	3424	4127	14199	17910	10573	13383	11.6	8.9	20.3	20.0	11,3	11,8
NAFTA	311331	561932	856482	1224127	1106936	1161940	102218	226273	394472	676441	626985	651213	33.6	41.4	46.2	55.7	56,7	56,1
AFRICA																		
CEPGL	2455	2510	1807	862	1296	1335	2	7	8	10	12	15	0.1	0.5	0.5	0.8	0,7	1,2
COMESA	14204	19911	20335	25772	26861	30950	555	890	1027	1281	1465	1812	5.7	6.3	6.0	4.9	5,4	5,8
ECCAS	9023	11956	11550	16712	17724	20298	89	163	163	196	193	236	1.4	1.4	1.5	1.1	1,1	1,1
ECOWAS	33348	22743	22305	30338	26829	35186	661	1532	1875	2811	3192	3541	9.6	8.0	9.0	9.5	11,5	9,8
MRU	1225	3016	1564	1008	1162	839	7	0	1	5	5	6	0.8	0.0	0.1	0.4	0,2	0,3
SADC	34884	38425	43803	49573	50690	60450	108	1058	4124	4453	4240	5345	0.4	3.1	10.6	12.0	9,3	10,0
CEMAC (UDEAC)	4668	5558	6016	7926	8823	10296	75	139	120	101	120	157	1.6	2.3	2.1	1,0	1,4	1,4
UEMOA	4884	5202	6648	6668	8672	10007	460	621	560	741	857	1043	9.6	13.0	10.3	13.1	12,1	12,8
UMA	40648	34394	32071	47887	45146	55350	109	958	1109	1112	1243	1553	0.3	2.9	3.8	2.3	2,8	2,7
ASIA																		
ASEAN	71916	144152	321417	427678	406357	453081	12413	27365	79544	98060	91765	102281	17.4	19.0	24.6	23.0	22,7	21,2
GCC	161307	87565	104240	175496	163183	204754	4632	6906	6832	7218	6905	7864	3.0	8.0	6.8	4.5	4,6	4,2

Sources : UNCTAD Statistical Manual, 2004.

Table 12: Share of Intra-community trade in the total regional exports per economic groupings

	1980	1990	1995	2000	2002	2003
EUROPE						
European Union (15)	84.5	89.2	90.8	91.9	91.0	90.8
European Union (25)	85.2	87.9	86.5	85.9	84.5	84.1
AMERICA						
Caribbean Common Market (CARICOM)	7.6	13.6	20.5	22.3	18.4	17.2
Latin American Integration Association (ALADI)	25.4	21.3	25.8	17.0	15.2	16.5
Southern Common Market (MERCOSUR)	31.8	22.2	43.1	38.7	23.1	25.5
North American Free Trade Agreement (NAFTA)	79.0	88.7	87.3	91.0	91.3	91.6
AFRICA						
CEPGL	3.6	6.2	6.0	32.4	9.8	9.8
COMESA	78.5	61.3	45.4	50.7	54.4	56.4
ECCAS	49.1	26.0	35.5	53.9	36.6	33.5
ECOWAS	73.5	75.5	77.0	71.6	74.8	73.0
MRU	59.3	0.7	1.6	7.4	10.4	9.4
SADC	54.9	86.3	82.0	79.8	76.3	76.6
CEMAC (UDEAC)	66.0	27.3	38.9	34.9	34.8	32.3
UEMOA	52.9	49.3	47.2	46.7	39.2	46.0
UMA	33.6	69.3	66.8	73.3	67.1	67.9
ASIA						
Association of South-East Asian Nations (ASEAN)	29.0	34.0	41.9	39.1	37.8	35.1
GWF Cooperation Council (GCC)	7.2	14.6	12.1	6.9	7.2	6.7
Source:	*UNCTAD Statistical Manual, 2004*					