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SECTORAL PLANNING IN SUBREGIONAL CO-OPERATIVE ARRANGEMENTS

PART II

- MAIN REPORT -

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PREAMBALE

1. The Joint Conference of African Planners, Statisticians and Demographers has, at its fourth session held in 1986, recommended that the study prepared by the ECA secretariat on sectoral planning within the sub-regional cooperation structures in Africa be pursued to cover other sectors of great importance for economic integration and cooperation, namely the transport and communications, and the trade and customs. 1/ The objective of this study is to see to what extent the efforts made by the subregional co-operation organizations had resulted in the institution of sectoral planning as an instrument for co-ordination, harmonization and economic integration, and to evaluate the results achieved in the area of co-operation and subregional planning. The underlying concern is to identify the main problems and obstacles encountered as well as to seek ways and means of strengthening such cooperation in line with the Lagos Plan of Action and Final Act of Lagos.

2. At this main report of the study are annexed four reports dealing more in detail with individual subregions; namely the report on the Economic Community of the Central African States (ECCAS), (E/ECA/PSD.5/7/Add.1), the report on the Economic Community of West African States (ECOWAS), (E/ECA/PSD:5/7/Add.2), the report on East and Southern Africa's Preferential Trade Area (E & S - PTA) (E/ECA/PSD.5/7/Add.3) and the report of North Africa's Preferential Trade Area (N-A PTA) (E/ECA/PSD.5/7/Add.4). This main report just summaries the issues involved in the sectoral planning within the framework of subregional co-operative arrangements. It then proposes a model of economic co-operation in Africa based on both market and global approach and analyses its practical implications. It finally concludes with some recommendations.

1/ The first study which delt with the agricultural and industrial sectors was presented at the fourth session under the title "Sectoral Planning in Subregional Arrangements - Part I" (E/ECA/PSD.4/8), Addis Ababa, March 1986.

I. INTRODUCTION

A. Objective and rationale of economic integration

1. For some time past, the Economic Commission for Africa (ECA) and the Organization of African Unity (OAU) have been engaged in promoting economic integration among African States in line with the objectives of the Lagos Plan of Action and the Final Act of Lagos which stipulates the establishment of Africa's Economic Community by the year 2000. The central objective of economic integration is to enable the countries agreeing to it to achieve, individually and collectively, higher rates of progress than they could attain in isolation. This is also its basic justification, without which, it would be absurd to ask sovereign states to submit to the restraint of a common organization.

2. That the objective is also feasible has been established by experience and theory. 2/ The advanced countries of Western Europe with high national incomes and large internal markets have joined to form a Common Market. The countries of Latin America have been for some time, trying to evolve a similar organization. In theory the expanded international market resulting from economic integration make it possible for member countries to establish and operate efficiently a variety of modern industries, in particular, the heavy industries e.g. iron and steel, heavy chemicals, etc. which are characterized by "economies of scale". The wider internal and sub-regional market also offers them an opportunity to specialize in the production of different goods and services and reach a higher level of efficiency. In order to accekerate the rate of economic development and to raise the standard of living of people, several AFrican countries have indeed to develop new branches of economic activity and to transform the existing branches. This process is handicapped, however, in most cases by the small size of the national markets and by the low average purchasing power of the potential buyers.

3. The variety and diversity of the natural resources (including agriculture) in each country of the various subregions further enhances the rationality of co-operation and of co-ordinated development. Some areas posses abundant mineral resources, while other areas lack them, but enjoy rich potential of hydro-power and other resources. Other areas, while having at the moment rather limited chances of developing heavy industries, have good prospects of substantially increasing their production of food and thus becoming food-surplus areas.

4. The development of all media of transport (rail, road and air) also calls for a co-ordinated plan. On the one hand, such a plan would contribute to the development of individual industries, and on the other hand, it would provide links between different countries of various sub-regions and in this way stimulate intra-sub-regional trade.

2/ See Barry Brocewell-Milnes, Economic Integration in East and West (London, Croom Helm, 1976).

5. The areas of co-operation are not limited to national resources, agriculture, industries, transport only; they extend also over a wide range of other activities, such as education (especially at the University level), pure and applied research, and trade, banking and insurance, social and cultural development, etc.

6. But obviously the benefits of wider internal sub-regional market can accrue only if first a common market is created and barriers to the internal movement of trade and commerce and labour removed or substantially reduced as well as restrictions on current payment transactions and on capital movements; and secondly, a common customs tariff is established against the external world. 3/ To this end, measures to render the African products relatively competitive with goods imported from outside the Community, and to seek and to obtain more favourable conditions for African products in the world market would be worth while. To the extent that internal obstacles exist, the common market is cut up and the effectiveness of economic integration reduced. Again to the extent that some members of the common market receive or give concessions in respect of the exports to and imports from countries other than the partners, the common tariff wall is breached, the centripetal forces gain over the centrifugal and economic disintegration begins to develop. It is difficult to reconcile the allegeance to the common market with that to an outside preferential system.

7. But though internal free trade and a common customs tariff are necessary conditions for economic integration, they are not sufficient. For the aim of economic integration is not only to raise the income of the member states taken together but also to ensure to each state an equitable share in the total progress. But this does not happen automatically; indeed the creation of a common market may retard the process of advanced countries or conversely benefit them at the expense of the least advanced. It may, therefore, be necessary to take compensatory measures to distribute the fruits of progress equitably, relying upon outside help for resources needed to accelerate the development of the least developed areas. This complex process of adjustment can be amplified and helped within the sub-regions. Cooperation is not only an economic necessity, but it is also politically wise. In other words, sub-regional economoc co-operation is also looked upon as a means towards future political co-operation and political unity. The example of the EEC can be quoted "Through economic unity towards political integration."

8. These are problems of integration which the African planners share with the European and the Latin American colleagues. But the former have a further basic task to perform. In Western Europe the problem of integration is, by and large, one of dovetailing national structures that are already well developed into an efficient mosaic. In Latin America it is partly this, but partly also developing the structures and establishing them on a multinational basis. But African economies are in many instances so underdeveloped, that there is little

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3/ See R.F. Mikessel, "The Theory of Common Markets as applied to Regional Arrangements among Developing Countries" in R. Harrod, ed., International Trade Theory in a Developing World (London: MacMillan, 1963).

to integrate, and the economic planners have to give as much attention to creating the structures themselves as to uniting them at the sub-regional level into consistent wholes. 4/ Probably, a term more expressive of this situation than "economic integration" would be "integrated economic development".

9. It is true that African countries since independence have considered and endeavoured to break the loggia of underdevelopment by adopting a number of alternative development approaches to the economic transformation of their economies. The first traditional approach has, generally, been on expanding exports of a small range of their primary commodities to the developed countries, in order to earn foreign exchange with which to purchase capital, intermediate and consumer goods not produced domestically. But this strategy has failed to transform the African economies as the demand for, and the price of the primary commodities have substantially decreased in the world market, in part as a result of increased synthetic products of substitution in developed countries.

10. Paralleling the export-oriented strategy, most African countries have adopted the second approach of import-substitution industrialization at the national level. The weaknesses of this strategy are that it largely caters for the consumption patterns of a small minority of the African population - the urban affluent - with the tastes of developed countries, and, for its success, it depends on earning enough foreign exchange to import capital goods, intermediate goods, raw materials and technical and managerial skills, as one of the reasons for the excess capacity and high-cost industries is inadequacy of foreign exchange to import spare parts and other inputs required for the efficient operation of African industries. Countries that have pursued aggressive import-substitution programmes with a view to replacing the machines and other inputs that are imported, have been constrained by limited national markets which do not permit the establishment of efficient size firms for the production of intermediate and capital goods. Even where individual national markets within the subregion suffice for primary import-substitution, secondary import-substitution for the production of intermediate, capital, and durable consumer goods, needs larger markets, because in such industries there are economies of scale and minimum plant sizes which require more than individual national markets.

11. The third approach adopted, which is closely related to the import-substitution strategy, was the promotion of exports of the manufactured and semi-processed products to the industrialized countries in the hope of overcoming the constraint of small markets and earning additional foreign exchange. But the current protectionist polices of the developed countries are frustrating such attempts to penetrate their markets.

4/ See P. Robson, Economic Integration in Africa (Evanston, Ill.: Northwastern University Press, 1968).

12. Fourthly and finally is the redeployment approach whereby some industrial plants in developed countries were transferred to African countries, mostly by multinationals. However, the flaw with this proposal is that it is the developed countries that decide on industries to be transferred and the terms and conditions on which they are transferred.

13. Therefore, African countries are left with no choice but to design collectively, a process of development which is directly relevant to their needs and enable them to produce much of the consumer, intermediate and capital goods that are now imported. None can do this alone, at the national level, if not through the strengthening of the subregional economic co-operation arrangements. There is ample evidence that the inflow of external resources has not only been inadequate since the beginning of the deep-seated world economic crises in early the 1970s, but it was also actually declining in relation to the needs of the African countries. That is why the Second United Nations Development Decade called for the adoption of an auto-centred approach to development - reliance on own resource endowments and technological achievements - which call for greater cooperation among developing countries themselves through the pursuit of the policy of collective self-reliance. African countries need therefore to pool their resources together so as to enhance their chances of achieving sustainable growth and development.

B. Past and present attempts of economic integration in Africa

1. At the continental level

14. The concept of economic co-operation among independent political units for the structuration and transformation of the economies through collective efforts is not new to Africa. The first attempts was the Conference of Independent African States held in Accra (Ghana) in April 1958, at which the African States recommended the setting up of an Economic Research Committee within each country and a Joint Economic Research Committee composed of representations from all independent States whose task would be to, inter alia, co-ordinate economic planning among the states towards the achievement of an All-African economic co-operation arrangement. This was followed by a second conference of independent African States in Addis Ababa, (Ethiopia) in 1960 which called for the creation of an African Council for Economic Co-operation. In May 1963, the Organization of African Unity (OAU) was created and one of the provision of its Charter calls for the "co-ordination and intensification of co-operation and efforts of member States with a view to achieving a better life for the people of Africa".

15. Two years later in May 1973, the "African Declaration of Co-operation Development and Economic Independence" was adopted by the tenth ordinary session of the OAU Heads of State and Government held in Addis Ababa. The Declaration underlined the importance attached by African countries to collective self-reliance and economic independence. The second extra-ordinary session of the

OAU Heads of State and Government and the First OAU Economic Summit, convened in Lagos in April 1980 adopted the Plan of Action and the Final Act of Lagos which enjoin all independent African countries to take, during the 1980s, all necessary steps to strengthen existing regional economic communities and establish other economic groupings so as to cover the continent as a whole - West Africa, Central Africa, North Africa and Eastern and Southern Africa - and during the 1990s, to promote co-ordination and harmonization among existing economic groupings for the gradual establishment of an African Common Market by the year 2000.

2. At the sub-regional level

16. The great action, within the framework of subregions, goes back to pre-independence era or in the early 1960s. But that action was boosted by the Council of Ministers of the African Economic Community (AEC) which adopted in 1977 a resolution 311 recommending the creation of five ECA subregional programming and operational centres (MULPOCs) which replaced UNDATS, with the basic aim of initiating and promoting economic cooperation at the subregional level. The desire of African countries to co-ordinate their economic policies in order to accelerate their economic growths has caused the establishment of various groupings in the area. Even in the colonial era, there was the need to create larger markets and to speed up the development programmes of the various territories. These policies have led to the creation of various groupings in West Africa, Central Africa, East and Southern Africa and North Africa and in the following paragraphs: brief mention is made of each of them.

(a) The West African sub-region

17. In West Africa, immediately after independence in the early 1960s, several attempts of union were made. These include inter alia: (i) the West African Customs Union (1956) made up of the Federation of West African States Benin, (Dahomey), Burkina Faso (Upper Volta), Guinea, Cote d'Ivoire, Mauritania, Niger, Senegal and Mali) which, since 1973, has been transformed into the West African Economic Community (CEAO); (ii) the Conseil de l'Entente (1959) composed of Cote d'Ivoire, Benin, Burkina Faso and Niger and aimed at co-ordinating the economic as well as political policies; (iii) the Ghana-Burkina Faso Customs Union (1961); (iv) the Nigeria-Benin Customs arrangement; (v) the various customs agreements between Ghana and Burkina Faso; Ghana and Niger; Benin and Niger; Liberia and Sierra Leone; (vi) the grouping of Senegal, Guinea, Mali and Mauritania around the River Senegal Development project, etc. The examples of such West African economic groupings are: the Consiel de l'Entente, l'UDAO, l'UDEAO, CEAO, OCAM, Mano River Union, Cape Verde Guinea Bissau Free Trade Area, etc.

18. Some of these iniatives of union have undergone several economic and political difficulties and could not survive. However, the meeting of African States in Accra from 27 April to 4 May 1967 decided to prepare for the negotiation and conclusion of a Treaty by which an Economic Community of West Africa shall formally enter into force. It embraced: Benin, Burkina Faso, Ghana, Cote d'Ivoire, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo. Pending to the conclusion and the entry into force of the Treaty, the duly authorized plenipotentaries of these States signed "articles of association for the establishment of the Economic Community of West Africa", establishing an Interim Council of Ministers, the principal task of which was to draft the Treaty, submit it to member States and initiate action as necessary and appropriate to facilitate the entry into force of the Treaty. But the programmed follow-up actions did not materialize.

19. In 1973, Nigeria and Togo initiated actions to create West African Community and the Community came into being definitively on 10th June 1975 when nine signatory states ratified the Treaty which was signed on May 28, 1975, under the name of Economic Community of West African States (ECOWAS). However ECOWAS did not become operational till the beginning of 1977 after the signing of the five initial protocols in November 5, 1976, the location of its headquarters at Lagos, and the appointment of the statutory posts. During its formative period (1977-1979), the administrative structure of the institutions of the Community was shaped and basic background activities were undertaken, namely the recruitment of permanent staff, the rules of procedure of the decision-making bodies, organizational structures for the Executive Secretariat and for the Fund. In 1979-1981 ECOWAS launched its first programme action based on the following priority areas: trade and customs matters, fiscal and monetary matters, transport and communications matters, immigration matters, indsutrial cooperation and agricultural cooperation, energy cooperation, social and cultural cooperation, institutional and administrative matters and cooperation in defence matters. 1981-1985 was the period of identification and execution of projects based on the cooperation programmes. 5/

20. The West African sub-region which embraces all the ECOWAS member-States has a potential market of 174.3 million inhabitants in 1986 which provides a sufficiently wide market to sustain large-scale industrial projects (heavy industry) with an area of 6 162 700 km^2 giving a density of 28.3 inhabitants per km^2, the highest of the all African subregions. In 1986, its GDP at constant 1980 prices was estimated at US$104.9 billion, giving a per capita income of US$602.3. There are only three landlocked countries (Burkina Faso, Mali and Niger) each linked to at least two coastal countries. It has large sea-board, which is favourable to the development of coastal trading and the highest sea fishing off the coast in the world. Its agricultural potential include: groundnuts, cotton, millet, sorghum in the Sahel countries and coffee, cocoa, cabbage, palm, plantain, manioc, cereals in the forest countries. The mining resources include: oil (Nigeria), phosphates (Senegal, Togo), iron (Liberia; Mali, Mauritania), Bauxite (Guinea), Uranium (Niger). The exploitation of four great

5/ See ECOWAS, Ten Years of ECOWAS 1975-1985, Lagos, June 1985.

rivers (Niger, Senegal, Mano-Gambia) for hydro-electric sources has just begun. All these advantages could be used to the benefit of sub-regional economic integration if economic cooperation between member countries in production and services sectors is intensified and strengthened.

(b) The Central African sub-region

21. Three major groups of the countries can be identified in Central Africa: the ones which used to belong to the French regime (Cameroon, Congo, Gabon, RCA, Chad) 6/ the other one which used to be under the protectorate of the Belgian regime (Zaire, Burundi and Rwanda) and the final one is composed of the countries which were under the portuguese regime (Angola, Equatorial Guinea, Sao Tomé & Principe). In the "French Equatorial" African countries, there existed some measure of integration between Congo, Gabon, Central African Republic and Chad since 1910 with a governor-general and a permanent High Commission in Brazzaville. But this federation broke up in 1956 following the disputes that arose with respect to the territorial distribution of federal revenue which favoured the poor land-locked countries (RCA and Chad). In 1959, the Convention establishing the Equotorial Customs Union (UDE) was signed after an agreement on a new distribution formula for fiscal revenue. In 1961 the UDE accepted to integrate the Federal Republic of Cameroon into the Customs Union and this resulted in the signing of the Treaty establishing UDEAC on 1st January 1966 by the five Heads of State, under which quotas were abolished, although no fixed time-schedule for this was specified in the Treaty. The most important measures contained in the Treaty concern the harmonization of the external and internal tariff and tax structure and the co-ordination of economic activities such as development plans, transport policy and industrial development.

22. A solidarity Fund designed to compensate those member States of the customs union which threatened to benefit less than others from the operation of the customs union was created and the only source of revenue of this Fund was a share of 20 per cent of all import duties collected by common customs office. Chad and RCA were net receipient of the Fund and Congo and Gabon net donors. But alternatively, the problems of the co-ordination of industrial development within the customs union arose during the preparatory phase of the Treaty. Congo, Cameroon and Gabon in particular resisted industrial co-ordination strongly and preferred compensation arrangements on the basis of fiscal measure. Chad and Central African Republic strongly favoured some kind of industrial allocation, given their natural disadvantages as landlocked states. The final Treaty took account of the latter argument but no mention was made in the Treaty of the solidarity Fund's original role of compensating those countries that seemed to benefit less from the customs union. 7/

6/ See P. Robson "Economic Integration in Equatorial Africa" in A. Hazlewood (ed), African Integration and Disintegration (London: Oxford University Press, 1967).

7/ On 1st April 1968, Chad and RCA resigned officially from UDEAC, and joined Congo-Kinshasa (now Zaire) to form the Union of Central African States (UCAS). But nine months later in December 1968, the RCA withdrew from UCAS to rejoin UDEAC.

23. On the other hand, the UN trust territory of Rwanda-Urundi, which had been administered firstly as part of German East Africa until the Treaty of Versailles and then by the Belgians along with the then Belgian Congo (now Zaire) until July 1960, became two separate states in July 1, 1962: the Republic of Rwanda and the Kingdom of Burundi. The efforts of a UN commission to persuade Rwanda and Burundi, to remain as one political unit after independence failed because of fierce fighting and by the end of 1963 even the customs and monetary union agreed by the two countries (along with Zaire) had been abolished. Plans for economic cooperation between the two countries and their neighbour Zaire were in hand when fighting in Burundi during which Rwanda was accused of harbouring this, damaged relations again. After a subsequent change of Government in Rwanda and the establishment of the Republic in Burundi, reasonable relations have been restored and the Economic Community of the Countries of the Great Lakes (CEPGL) linking Zaire, Rwanda and Burundi, has developed into a secure institution. In the meanwhile, the other Central African countries: Equatorial Guinea and Sao Tome & Principe along with Angola were enjoying their traditional Portuguese-born cooperation until Equatorial Guinea decided to join UDEAC in 1985.

24. The ten countries[8/] of the Central Africa decided, in December 1987, to create an Economic Community of the Central African States (ECCAS) with headquarters established in Libreville (Gabon). The operational activities of the Community started two years later after the signing of the Treaty. The 10 countries of the Central African sub-region are sparsely populated, with a total population of 63.4 million in 1986, covering a total area of nearly 5.4 million km^2, giving thus average population density of only 11.7 inhabitants per square kilometer. There are 4 coastal countries (Cameroon, Congo, Gabon, Equatorial Guinea), one island country (Sao Tome & Principe), four land-locked countries (Burundi, RCA, Chad and Rwanda) and one semi-landlocked country (Zaire). The geographic distances within the Community are quite considerable; the shortest distance from the extreme North to the extreme South being more than 3000 km (distance Paris-Moscow). In 1986 the total gross domestic product (GDP) of the subregion was US$24.3 billion at constant 1980 prices of which more than one-half originates in Cameroon (US$8.9 billion) and Zaire (US$6.1 billion). In terms of GDP per capita, however, Gabon comes first, followed by Congo and the subregion's average per capita income is put to US$383.7 (see Table 1).

25. The Central African subregion has the greatest hydro-electric potential in Africa. The current surplus capacity of the Inga II hydro-electric power station of more than 1600 MW suffices to ensure the creation of industrial base in the Community and its main tributaries (iron and steel complexes, aluminium foundries), since the subregion possesses also rich mining resources (iron ore, bauxite, oil and gas, copper, manganese, phosphates, potassium salt, coal, etc.). The subregion is also endowed with rich agricultural and energy potential along the Zaire/Congo river basin with huge rainfalls. The exploitation of these different mineral, agricultural, energy resources should constitute the basis for rapid integration and economic development.

8/ Angola which could have been the eleventh member-State of ECCAS participated to the deliberation and discussions of ECCAS as a observor and has not yet decided to join the ECCAS.

(c) Eastern and Southern African sub-region

26. In East and Southern Africa, there are also three distinct groups of the countires: the three East African countries which used to belong to the East African Economic Community, the Southern States (composed of Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe) which formed in 1980 the Southern African Development Co-ordination Conference (SADCC), and the others (Ethiopia, Djibouti, Somalia, Comoros, Seychelles, Mauritius, Madagascar ...). Indeed in the early 1960's, there existed Central African Federation and the other the East African Community. The first one disintegrated largely for political reasons while the second experienced serious difficulties stemming basically from different levels of economic development in each member-country These difficulties are briefly described here because they constitute a good lesson of the problems of economic integration.9/

27. The economic cooperation in the three East African countries (Kenya, Uganda, Mainland Tanzania) has a relatively long history. The customs authorities of Kenya and Uganda were merged as early as 1917 and the Kenya/Uganda tariff rates were adopted in 1922 by Tanganyika. A customs agreement in 1927 removed virtually all customs barriers between the three countries and a system of recording inter-territorial transfers of goods was established which enabled the authorities to distribute the import duties on imported items to countries of final destination. From 1920 onwards, moreover, East Africa had its common currency, the East African shilling, issued by the East African Currency Board. During the period prior to independence, a large number of commonly operated and administered common services were established among which post and telecommunications, railways and harbours, a university, customs and excise and income tax departments, a common list of traded agricultural and industrial products, research and technical services, a central legislative assembly, and a central body administrating the services (the East African High Commission replaced upon independence by the East African Common Services Organization). In 1954 onwards, several difficulties begun to emerge, namely those dealing with criticism on the centralization of the common services machinery in Nairobi and Mombassa, the unequal ratio of growth of inter-territorial trade and the unequitable distribution of manufacturing industry which tended to cluster around Nairobi. A Commission was set in 1960 to look into these grievances. Although the Commission did not see any logic to these claims since in any common market, countries endowed with economies of scale would benefit more in short-run and the poorly endowed countries could benefit more in the long-run than in the state of isolation, it nevertheless recommended that industrial licensing be discontinued, that an agreed general principles of inter-territorial co-ordination of policy in matters of trade and prices be made on a regularly basis, and that the Community be assisted by a Economic Adviser and secretariat free of territorial affiliation. The Commission also proposed that a Distributable Pool of revenue, which would offset in some degree the inequalities in the benefits derived, be set up, fed by two sources of income:

9/ See A. Hazlewood, "The East African Common Market: Importance and Effects" Bulletin of the Oxford University Institute of Economics and Statistics, Vol. 28, No. 1 (February 1966); B.F. Massel, East African Economic Union: An Evaluation and some Implication for Policy, the Rank Corporation, December 1963 and J.S. Nye (jr.), Pan-Africanism and East African Integration (Cambridge Mass.,: Harvard University Press, 1965).

a portion of the yield from the income tax charged to companies on profits arising from manufacturing and finance and a portion of the yield from customs and excise duties. 10/

28. Although the revenue redistribution through the Distributable Pool was quite substantial, this proposal again created a new source of controversy in East Africa. Kenya, as the major contributor to the Pool, complained that the large transfers to the Pool had a heavy burden on its public revenue Uganda and Tanganyika also did not accepted the purely fiscal redistribution as a fair compensation for the larger gains Kenya derived from the common market. Uganda and Tanganyika in fact disagreed with the Commission's diagnosis of the nature of the inequality: they wanted economic activity and more manufacturing industry in particular. 11/ In order to deal with this problem, the "Kampala Agreement for Correcting Trade Imbalances in East Africa" was reached in April 1964 at a ministerial meeting, which was slightly modified in 1965 at the Heads of State meeting in Mbale. The agreement basically stipulated that any expansion of capacity in existing firms should be located in Uganda or Tanzania and not in Kenya and that any new industry should be allocated fairly to the three territories. The Kampala agreement also suggested a system of quotas and suspended quotas whereby exports from surplus countries would be progressively reduced, and local production increased in the deficit countries. A study on a long-run industrial plan was to be commissioned.

29. Although the Kampala/Mbale agreement resulted in the expansion in Uganda and Tanzania of Kenya - based companies, Kenya never ratified the agreement and both the allocations of new industry and the common quota formulation remained dead end. As a result, Uganda and Tanzania imposed a large number of quotas. But, as the effects mostly offset each other, neither the Tanzanian nor the Ugandan balance of trade improved; indeed, contrary to what was hoped, Kenya's positive inter-territorial trade balance increased. The East African Common Market came about to collapse in June 1965 with the announcement of separate central banks, issuing separate currencies. Again another Commission was set in September 1965 and following its recommendations, the three Heads of State of Kenya, Uganda and Tanzania signed the Treaty for East African Cooperation in Kampala in June 1967 to become effective on 1st December 1967. The Treaty provided for the creation of an East African Community with its headquarters in Arusha (Tanzania) which took over the existing common services, except the railways, harbours, East African Airways and Post and Telecommunications which were left as self-accounting under statutory corporations. In addition, three ministries of the respective member countries were appointed to reside in Arusha to deal solely with East African affairs, independently of their national governments.

10/ See W.T. Newlyn, "Gains and Losses in the East African Common Market" Yorkshire Bulletin of Economic and Social Research, Vol. 17, No. 2 (November, 1965).

11/ This is exactly the same situation that happened in the Central African Customs Union between Chad and RCA on the one hand and Congo, Gabon and Cameroon on the other.

30. The most significant core of the new Treaty, apart that resulting from the creation of various specialized councils and the Common Market Tribunal, includes the measures to promote balanced industrial development through the harmonization of fiscal incentives offered by each country towards industrial development, the transfer tax system and the establishment of the East African Development Bank. According to the provisions of the New Treaty, a country that is in deficit in its total trade in manufactured goods with the other two countries may impose transfer taxes upon such goods originating from the other two countries up to a value of goods equivalent in each case to its deficit with that country. The East African Development Bank should attract more outside finance to deal with the problems of industrial allocation, particularly in Uganda and Tanzania.

31. The East African Common Market was the most advanced institutionally and structurally in Africa, but it collapsed in 1976 mainly due to the lack of politiaal and economic vision. The failure to rationalize industrial economic planning and development through specialization and programming throughout its existence and the institution by the member States of transfer tax system, the state trading cooperations and the exchange controls against one another which failed to function optimally were the main causes of the collapse. 12/

32. On the other hand, the southern States created in April 1980 in Lusaka (Zambia) the southern African Development Co-ordination Conference (SADCC) following the wish of the five Front Line States (Botswana, Angola, Mozambique, Tanzania and Zambia) to work collectively to integrate their economies and to achieve economic liberation and regional self-reliance. The Conference was joined later by Malawi, Lesotho, Swaziland and Zimbabwe. The objectives of SADCC are: 13/ (i) the reduction of economic dependence particularly, but not only on the Republic of South Africa; (ii) the forging of links to create a genuine and equitable regional integration; (iii) the mobilization of resources to promote the implementation of national, interstate and regional policies; and (iv) concerted action to secure international co-operation within the framework of the strategy for economic liberation. Basically, the SADCC member States, taking up on the failure of such trade-based communities as the Federation of Rhodesia and Nyasaland, the Portuguese Community, the East African Common Market, the Southern African Customs Union, collectively rejected models that would lead to growing gaps between stronger and weaker states and argued for more co-ordination of production than that of trade. Therefore, the SADCC should serve the needs of co-ordinated national and regional development and trade should be planned to flow from such needs.

12/ See Sena Eken "The Breakup of the East African Community" in World Affairs, Summer 1979; Suleiman I. Kiggundu "A Planned Approach to a Common Market in Developing Countries (Nairobi, Kenya): Coign Publications, 1983).

13/ See SADCC, Macro-economic Survey 1985, Gaborone, Botswana, 1986,

33. To overcome the difficulties inherent in a small grouping, such as those described above, and also to enlarge the size and the scope of the market in the sub-region, several member countries of East and Southern Africa expressed the need for the formation of an Economic Community for Eastern and Southern Africa. The Preferential Trade Area (PTA) came to being after several discussions in the United Nations Economic Commission for Africa and in the Organization of African Unity which encouraged the founders of PTA. The loss of the East African Community (EAC) and the Central African Federation led many to hope for a new much larger organization to replace them. There were nine intergovernmental committee meetings involving ministers from all the member countries who worked out the policies of the PTA and six meetings of lawyers representing all the countries involved to draft the actual Treaty document.

34. Following a decision by the Lusaka-based MULPOC Council of Ministers held in Lusaka on 4 November 1977, the first Extraordinary Conference of Ministers of Trade, Finance and Planning took place in Lusaka, Zambia 30-31 March 1978 at which the Ministers adopted the Lusaka Declaration of Intent and Commitment on the Establishment of a Preferential Trade Area for Eastern and Southern African States as a first step towards the creation of a common market and eventually an economic community for the subregion. The first meeting of an inter-governmental Negotiating Team of Officials which should conduct negotiations on the Treaty met in Addis Ababa 27-30 June 1978 and adopted the principles which were to form the basis of the proposed Treaty. The Eastern and Southern African subregion embraces the following countries: Angola, Botswana, the Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Seychelles, Somalia, Swaziland, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe.

35. The PTA cover an area of 8 248 900 square kilometer with a population of 183.6 million in 1986 (giving adversity of 22.3 per km^2) and a GDP of over US$42.1 billion (US$229.5 per capita). Sixty per cent of the area is endowed with rivers and lakes. The hydro electric potential of the subregion is estimated at well over 700 billion Kwh per year. Together the countries of the subregion produce most of world'sgold, diamonds, platinum, chrome and manganese. It has over 300 billion tons of coal, over 170 billion cubic metric metres of natural gas, over 200 billion metric tons of petroleum and large quantities of uranium, nickel, copper and cobalt. Therefore the PTA subregion has a great potential for the restructuring of the national economies and achieving collectively accelerated self-sustaining and self-reliant development.

(d) North African sub-region

36. The North African sub-region, embracing Algeria, Egypt, Libya, Morocco, Tunisia and the Sudan are linked together by the Islam traditions which have deeply influenced legal and social systems of the whole sub-region. But, in spite of the efforts made by the Economic Commission for Africa since the early 1960s to organize economic co-operation between all the countries of the sub-region, no concrete grouping had come out strongly, the countries of the sub-region preferring to cooperate on a bilateral rather than a multilateral basis. The

only strong economic cooperation organization that emerged is the one taken up by the so-called "Maghred" (the West) countries: Algeria, Morocco, Tunisia and Libya. When Algeria gained its independence in 1962, discussions on the co-ordination of foreign, cultural, judicial and economic policies were intensified, but the inter-ministerial council never met to agree on any of these policies. The failure of the countries to come to any concrete areas of co-operating was partly due to political considerations (left versus right wings) and partly to unfortunate border disputes. These controversies did not discourage the ECA from supporting the idea of closer economic co-operation between the Maghreb States. In October 1963, the Tangier ECA sub-regional office was created at the request of six countries of North Africa. In 1964, an industrial co-ordination mission to Algeria, Morocco, Tunisia and Libya, recommended co-ordinated actions in a number of important industries (energy, minerals, fertilizers, iron and steel, metal working and engineering, other chemicals and glass). This led to the foundations of economic co-operation between the Maghreb countries in 1964 and to the creation of a Centre of Industrial Studies in Tripoli in 1967.14/

37. In March 1987, the plenipotentiaries of the six member-countries of North Africa expressed the wish to create a Preferential Trade Area (PTA) for the sub-region. Subsequently, the intergovernmental group of experts of the six countries met in December 1987 to concretise that wish through the establishment of time-table schedule of discussions and negotiation of the Treaty establishing the Preferential Trade Area for North Africa by 1990.

38. The North African subregion is extremely rich in mineral resources (phosphates, oil, natural gas, iron and manganese ores, coal, lead, zinc, etc) and none of the countries is landlocked. The geographical closures to Europe gives the subregion a wider scope for its exports than the other African subregion. The North African area covers 8 257 500 km^2 with a population of 126.1 million inhabitants in 1986, giving a density of 15.9 inhabitant per km^2. The 1986 gross domestic product is estimated at US$138.5 billion, at constant 1980 prices, giving a per capita income of US$ 1098.9 the highest in Africa. The agricultural potential is concentrated to the coast where only about 4 per cent of the total area is cultivated. In contrast, the industrial potential is enormous and together the North African countries produced more than 50 per cent of the Africa's manufacturing output.

14/ For more detailed analysis, see the annex IV (E/ECA/PSD.5/7/Add.4).

Table 1: General Indicators of African Sub-regions in 1986

Subregion/country	Population (million)	Area (000 km^2)	Density (pop/km^2)	GDP US$ a/ million	GDP per capita (US$)	Share of GFCF in GDP b/ (per cent)	Share of Transport & Communica- tions in GDP (in per cent)	Share of African Trade in Total Trade (per cent) X	M
West Africa									
1. Benin	4.18	112.6	37.1	1 068.6	255.6	19.5	8.2	5.1	5.4
2. Burkina Faso	7.12	274.2	19.6	1 264.5	178.3	3.4	5.1	2.8	2.9
3. Cape Verde	0.33	4.0	82.5	144.7	438.5	20.7	7.2	0.5	2.8
4. Cote d'Ivoire	10.16	322.5	31.5	8 754.5	861.7	10.6	7.9	10.5	10.2
5. The Gambia	0.66	11.3	58.44	239.9	363.5	26.7	9.9	4.2	65.3
6. Ghana	14.04	238.5	58.9	15 334.2	1092.2	8.6	3.6	11.6	0.5
7. Guinea	6.23	245.8	25.3	1 113.3	178.7	11.8	2.8	2.4	0.3
8. Guinea Bissau	0.91	36.1	25.2	157.8	173.4	15.1	0.4	8.8	4.5
9. Liberia	2.26	111.4	20.3	635.9	281.4	11.8	7.2	1.4	0.8
10. Mali	8.32	1 204.0	6.9	1 727.5	207.6	21.3	4.4	27.5	8.5
11. Mauritania	1.95	1 085.8	1.8	640.3	328.4	20.3	10.1	4.6	2.4
12. The Niger	6.30	1 267.0	5.0	2 365.8	375.5	16.3	3.7	21.4	10.4
13. Nigeria	98.52	923.8	106.6	66 871.7	678.8	16.0	3.1	0.6	2.8
14. Senegal	6.61	197.2	33.5	2 892.6	437.6	11.5	8.5	11.3	16.8
15. Sierra Leone	3.67	71.7	51.2	883.6	240.8	32.8	13.6	11.3	1.2
16. Togo	3.05	56.8	53.7	875.4	287.0	22.0	8.0	2.5	1.8
ECOWAS	174.30	6 162.7	28.3	104 975.3	602.3	16.8	6.1	5.9	4.9
Central Africa									
1. Burundi	4.86	27.8	174.8	1 009.2	207.7	12.7	2.8	4.2	1.9
2. Cameroon	10.15	475.4	21.4	8 969.4	883.7	24.1	5.2	1.7	0.4
3. C. Afr. Republic	2.64	613.0	4.2	905.0	342.8	8.3	4.1	1.6	2.5
4. Chad	5.14	1 284.0	4.0	782.6	152.3	6.6	1.9	4.1	1.1
5. Congo	1.79	342.0	5.2	2 062.9	1 152.5	18.1	8.2	0.3	1.7
6. Equatorial Guinea	0.40	28.1	14.2	40.6	101.5	18.2	2.7		0.3
7. Gabon	1.17	267.7	4.4	3 183.9	2 721.3	31.9	5.5	0.1	0.8
8. Rwanda	6.28	26.3	238.8	1 229.5	195.6	16.6	1.8	0.3	2.9
9. Sao Tome & Principe	0.10	0.9	103.7	30.1	301.0	23.5	12.0	-	-
10. Zaire	30.85	2 345.4	13.2	6 104.7	197.9	15.4	2.1	1.0	0.4
CEEAC	63.38	5 420.6	11.7	24 317.9	383.7	17.5	4.6	1.1	1.3

Table 1: General Indicators of African sub-regions in 1986 (cont'd)

Subregion/country	Population (million)	Area (000 km^2)	Density (pop/km^2)	GDP $US a/ million	GDP per capita	Share of GFCF in GDP b/ (per cent)	Share of transport & communications in GDP (in per cent)	Share of African Trade in Total Trade (per cent	
								X	M
East & Southern Africa									
1. Angola	8.98	1 246.7	7.2	3 320.2	369.7	6.2	5.1	0.1	30.0
2. Botswana	1.15	600.4	1.9	7 389.9	1 208.6	14.0	1.9	5.0	4.4
3. Burundi	4.16	27.8	174.8	1 009.2	207.7	12.7	2.8	3.1	6.5
4. Comoros	0.45	2.2	200.4	159.1	345.9	19.1	4.3	42.4	12.7
5. Djibouti	0.38	22.0	17.3	253.4	666.8	22.4	1.2	6.5	1.0
6. Ethiopia	44.74	1 221.9	36.6	3 670.0	82.0	14.2	5.9	14.5	1.4
7. Kenya	21.48	582.6	36.9	6 292.3	292.9	18.7	5.5	0.3	0.0
8. Lesotho	1.56	30.3	59.5	352.1	225.7	46.6	1.1	2.6	10.2
9. Madagascar	10.30	587.0	17.5	2 923.5	283.8	14.3	7.4	7.8	10.2
10. Malawi	7.17	118.5	60.5	1 159.6	161.7	14.8	5.8	5.8	1.2
11. Mauritius	1.07	2.0	535.0	1 236.8	1 155.9	18.7	10.9	1.9	10.3
12. Mozambique	14.34	801.6	17.9	985.8	68.7	6.7	10.2	1.9	10.3
13. Rwanda	6.28	26.3	238.8	1 229.5	195.8	16.6	1.8	1.6	27.1
14. Seychelles	0.08	0.3	266.7	124.3	1 553.6	22.4	26.1	0.9	7.7
15. Swaziland	0.67	17.4	38.5	556.9	831.2	25.4	5.5	-	-
16. Somalia	4.76	637.6	7.5	1 432.7	301.0	11.0	8.6	1.3	5.3
17. Uganda	16.02	236.0	67.9	2 592.2	161.8	20.1	2.1	0.6	34.7
18. U.R. Tanzania	23.33	945.7	24.7	3 495.0	149.8	21.3	7.5	2.8	3.5
19. Zambia	6.30	752.6	9.2	3 673.3	532.4	9.3	11.7	6.7	7.6
20. Zimbabwe	9.10	390.6	23.3	6 285.4	690.7	12.9	5.8	2.5	3.3
ES-PTA	183.63	8 248.9	22.3	42 141.2	229.5	17.4	6.6	5.5	5.1

Table 1: General Indicators of African sub-regions in 1986 (cont'd)

Subregion/country	Population (million)	Area (000 km2)	Density (pop/km2)	GDP $US a/ million	GDP per capita	Share of GFCF in GDP b/ (per cent)	Share of transport & communications in GDP (in per cent)	Share of African Trade in Total Trade (per cent)	
								X	M
North Africa									
1. Algeria	22.42	2 381.7	9.4	42 149.8	1 879.7	36.9	5.0	0.1	1.2
2. Egypt	48.02	1 001.5	47.9	33 115.7	689.6	18.0	9.5	0.8	1.4
3. Libya	3.74	1 759.5	2.1	27 902.7	7 460.6	22.1	3.6	0.3	0.7
4. Morocco	22.48	445.4	50.5	17 794.2	791.6	20.5	5.5	1.4	0.6
5. Sudan	22.18	2 505.8	8.9	8 130.0	366.5	21.6	9.9	25.7	1.6
6. Tunisia	7.23	163.6	44.2	9 427.4	1 303.9	23.9	5.5	6.1	3.4
North AFRICA PTA	126.00	8 257.5	15.3	138 519.8	1 098.6	23.8	6.5	3.6	1.3
Developing Africa	536.20	28 035.6	19.5	307 715.5	573.8	18.9	6.0	3.6	3.2

Source: ECA secretariat.

X = Exports
M = Imports

a/ At constant 1980 prices

b/ Gross Fixed Capital Formation (GFCF)

C. Projected time-table for the establishment of the African community

1. At the continental level

39. In the Lagos Plan of Action and Final Act of Lagos, the Heads of State and government of OAU agreed to set up, by the year 2000, an African Economic Community so as to ensure the economic, social and cultural integration of the African continent. The aim of this community would be "to promote collective, accelerated, self-reliant and self-sustaining development of member States; co-operation among these States; and their integration in the economic, social and cultural fields." 15/ To achieve this objective, the African Heads of State and Government proposed the following time table:

(a) During the period 1980-1990, African countries should endeavour to:

(i) strengthen the existing sub-regional economic communities (West Africa) and establish other economic groupings in the other subregions of Africa so as to cover the continent as a whole (Central Africa, Eastern Africa, Southern Africa and Northern Africa);

(ii) strengthen, effectively, sectoral integration at the continental level, and particularly in the fields of agriculture, food, transport and communications, industry and energy;

(iii) promote co-ordination and harmonization among the existing and future economic groupings for a gradual establishment of an African Common Market.

(b) During the period 1990-2000, African countries should endeavour to:

(i) take steps for further sectoral integration through: harmonization of their strategies policies, and economic development plans; promotion of joint projects, particularly in the above-mentioned economic fields; harmonization of their financial and monetary policies;

(ii) take measures to affect the establishment of an African Common Market and other measures that would lead to the attainment of the aims and objectives of the African Economic Community.

15/ OAU, the Lagos Plan of Action for the Economic Development of Africa (1980-2000), OAU, Addis Ababa, Ethiopia (1985) p. 128.

2. At the subregional level

40. It is in this spirit of the Lagos Plan of Action and Final Act of Lagos that the Heads of State and Government of different African sub-regions have decided to create the intergovernmental sub-regional institutions such as the Economic Community of West African States (ECOWAS), the Economic Community of Central African States (ECCAS), the Eastern and Southern African Preferential Trade Area (PTA) and the forthcoming Preferential Trade Area of North African States. It belongs to each sub-region to endeavour itself to fix and implement its own time table within the framework of the overall calendar assigned to the Continent which targeted the year 2000 for the establishment of the continent's Economic Community. The classical approach to the process of economic integration envisages a certain number of phases, namely:

(a) The Free Trade Area which implies the suppression by the participating member countries of tariff and non-tariff barriers as well as the quantitative restrictions which constitute obstacles to the free circulation of goods and services between the countries concerned

(b) The Customs Union which supposes that the member-countries apply an external common tariff in their trade relations with the third countries in order to create a vast internal market to the benefit of the products originating in the member countries of the Customs Union.

(c) The Common Market which implies a more extensive integration and a more close cooperation in the key sectors of the economy: agriculture, industry, transport and communications, natural resources and energy, money and finance. Within this phase, measures are taken to facilitate the free movement of persons, capital, goods and services with a view to creating the favourable conditions for the exploitation of the natural resources and the local means of production allowing to achieve the optimum utilization and allocation of the sub-regional resources.

(d) The Economic Community (or The Economic Union) which supposes harmonization of economic policies in a certain number of the key-sectors including inter alia: trade, customs, money and payments, fiscality, finance, industry, agriculture, science and technology, energy, transport and communications, natural and human resources. This harmonization of sectoral policies should necessarily lead towards harmonious and coherent economic relations with a view to achieving a balanced economic development at the sub-regional level. The basic aim of the Lagos Plan of Action is precisely to realize a collective self-reliant, self-sustained development at the community level where the benefits of integration will profit fully to all the member States.

Table 2. Phased time-table from the subregional organizations

Subregional Institution	Date of entry into force of the Treaty	Free Trade Area	Custom Union	Common Market	Economic Community
		Complete eliminations of tariff & non-tariff barriers	Application of a Common bilateral Tariff against third countries	Cooperation in the key sectors of the economy	Harmonization of economic policies in the economic and social sectors
ECOWAS	10 June 1975	1989	1992		
ECCAS	18 October 1983	**1992**	**1996**	2000	
E & SA PTA	21 December 1981	1991			
North Af. PTA	1990				

Source: subregional Treaties and reports.

41. The Table 2 above gives the planned timetables of the various subregional institutions as they were initially designed in the respective Treaties instituting these institutions.

D. Areas of cooperation and means available for action

42. The founding documents (Treaty and Protocols) of the various subregional organizations have set themselves more or less the same general objectives leading to the co-ordination and harmonization of national policies more effectively with a view to defining common development strategies. These objectives are inter alia:

(i) To promote and encourage the harmonious and balanced development of all economic activities conducted by member States, partiuclarly in agriculture, industry, transport and animal husbandry, communications, energy, trade and finance, human and natural resoruces development and utilization;

(ii) To maintain economic stability and contribute to the development of the African continent;

(iii) To achieve the economic integration of their subregion by strengthening co-operation among member States and by creating free trade areas that will lead to a genuine common market.

43. The means whereby these subregional organizations operate come from a limited resources, namely: (i) their budget of contributions paid in by member States; (ii) Financial institutions set up within the framework of these subregional organizations like the Fund for Co-operation, Compensation and Development of ECOWAS, the Clearing House and the Development Bank for the Eastern and Southern States, the Development Bank for the Central African States, etc.; (iii) External bilateral and multilateral technical and financial assistance which is, at present, extremely limited in view of the fact that external donors prefer to deal with the African development problems on a country-to-country basis rather than on the subregional level concerning the multinational projects.

II. SECTORAL PLANNING IN SUB-REGIONAL COOPERATIVE ARRANGEMENTS

44. As was said earlier, this study and its annexes concentrate mostly on the Transport and Communications and Trade and Customs. The agricultural and industrial sectors have been dealt with in the previous study. However, for the sake of analysis, some of the main concerns for the cooperation in the production sector will be reviewed briefly before summarizing the main features of the subregional institution's cooperative programmes in the fields of transport and communication, trade and customs and manpower development and utilization. The detailed analysis of the programmes of transport and communications, and trade and customs and their implementation are provided in each subregional institution report annexed to this main report. The main report just tackles the issues of economic cooperation and integration in a more general form.

45. Looking at the various subregional documents (Treaty, Protocols, sub-regional programmes of action, subregional sectoral programmes, subregional survey of economic and social conditions, etc.), one can, in general, identify initial strategies and priority areas, which emphasize first the importance of producing, within the subregion, the goods and services currently being imported from the outside world, and secondly the need to rehabilitate the subregion's existing transport and communications network and, where is necessary, to create a new one in order to allow for the expansion of the intra-subregional trade in those produced goods and services. Therefore, sectoral programmes have been established for cooperation in the key production sectors (food and agriculture, and industry, including mining, manufacturing and energy) and in the key services sectors (Transport and Communications, intra-African trade, and manpower development and utilization). The main features of these subregional sectoral programmes are globally and briefly reviewed below.

A. Review of subregional co-operation in agriculture and industry

1. Basic assumptions

46. In approaching the problems of increasing production in the African economies, one should bear in mind the following three basic assumptions:

(a) All the African member States of the various subregional organizations do not have a uniform approach to economic management. For instance, although all member States see a role for both private and public enterprises in their economies, the balance in each national economy varies considerably. In some countries, state enterprises play the leading role in the economy, while in others the private sector is dominant. For all member States, however, there is a mix within the economy. But all member States, because of the fact of being at the first stage of economic development with poor resource endowment, make provisions in their development plans for attracting foreign investments and for mobilizing external technical and financial resources to

complement their own national resources; provided that such external assistance is provided for under the normal, non-constraining conditions.

(b) Despite their political approach of economic management, all member-States signing the sub-regional Treaty of cooperation believe that national economic growth/development will be achieved more rapidly and will be more effective if development takes place in the context of global subregional cooperation. This will increase production through specialization and enhance intra-subregional trade behind the small national market.

(c) All member-States are willing to accept foreign companies and investment institutions that make a long-term real commitment to the development of the national/subregional economy and share the costs and risks of investment, on the understanding that they also share reasonably in the benefits and that they respect the laws and customs,habits of the countries concerned. In this context, capital, technology and expertise are most welcome to strengthen and develop further the national/subregional productive capacity.

2. Co-operation in food and agriculture

47. The importance to agricultural development as it provides employment and/or means of subsistence for more than three-quarters of the population has been highlighted in the various subregional programmes of action. For many reasons, (structural, natural (drought) and financial) the performance of the agricultural sector in many countries of the subregions over the past half of the 1980s decade has been extremely disappointing. This resulted in increasing levels of foods imports which, in turn, have compounded the pressures on the balances of payments of member-States. In addition, the inherited dualitic structures of several African agricultures, with a small holder sector employing the majority of the labour force and operating at a subsistence level though moving now into the cash economy, make it difficult to use intensive capital and modern technologies. Therefore, there is vast scope here for national and subregional efforts to raise output relatively quickly, given the fact that in many countries only a small proportion of land available for arable agriculture is actually used for it.

48. Subregional cooperation in agricultural development is designed to reinforce national agriculture and to support strategies that are targeted at increasing production and employment and raising incomes in the rural areas. This strategy is generally based on the premise that food deficit member States will give higher priority to increasing food production while food surplus countries will be giving more attention to agricultural diversification into cash and industrial crops, so that the intra-subregional exchange of food products and cash crop products can take place, not only to feed the needed population, but also to feed the infant agro-industries in the respective countries. This wish to expand the intra-subregional trade in foods, livestock, and other agricultural items is explained by the fact that the policy being presently pursued by the industrial countries - which used to offer markets for African

agricultural products - in favour of protecting their subsidized agricultural producers or of developing synthetic substitutes has not only inhibited the development of the African agriculture and reduced the export earnings - thus compounding foreign exchange difficulties - it has also penalized consumers in the member States who must pay high prices for the local produce.

3. Cooperation in industry (mining, manufacturing and energy)

49. As was indicated in the previous paragraphs, all the four African subregions possess a tremendous amount of minerals in varying numbers and quantities. In most of the states substantial developments have been undertaken to exploit these resources; but, in all cases, this development has been geared to production for export and priority was given to this sector in terms of foreign exchange allocations, despite its highly costly imported machinery and equipment. Subregional institutions seek cooperation in the mining sector on the assumption that, given the current international economic climate, the continuing low level of base metal prices and the fact that for many countries in the subregion, the prospects for finding large scale new deposits are limited, joint multinational ventures with or without foreign investors can facilitate the exploitation process. Attention is also being given to the development of mining in order to serve the subregional economy rather than simply for export overseas. Co-operation is being sought in order to produce jointly some of the basic inputs which the mining industry requires and to share facilities.

50. The manufacturing development in most of African countries is, in general, at a relatively low level, contributing to not more than 10 per cent of GDP in most countries. Many of the existing manufacturing industries which are generally import dependent are related to the agriculture and mining sectors, either as processors of their outputs or as producers of inputs. The main thrust in the subregional manufacturing industry programme is to promote self-reliance among member-States by ensuring increased production of goods and services to satisfy the basic needs of the people. Subregional programmes in this field concentrate thus on the development of basic needs industries and core industries and in relating it to the need for greater intra-subregional trade. In this connection, programmes are being developed to strengthen coordination in industrial support services in standardization and quality control; research and development; engineering design and other product development activities; management and skills development services; industrial and consultancy services; intra-subregional industrial linkages; investment policies and mechanisms; and small/medium scale technology development. However, the subregional market has to be accessible to subregional producers in order to stimulate both subregional industrial production and investment and, therefore, this can be done on the basis of coordinated subregional production and trade, the gradual rationalization of the subregion's industrial development and the joint planning of major new industrial investments. The priority, therefore, is fully to utilize the subregional market as a basis for industrial development; and in order to provide a firm platform for seeking external markets. Cooperation in the full utilization of the existing subregional energy resources (hydro-electric power, oil, gas, water resources, etc) is sought as a means for the expansion of the industrial capacity in the subregions. The development of the

sub-regions' massive energy resources to provide economic and reliable sources of energy to industry, mining and agriculture is an essential prerequisite for a general expansion in investment which, in turn, calls on the construction industry.

B. Cooperation in the services sectors

51. The key services sectors include transport and communication, trade and customs, and manpower development and utilization. These represent a prerequisite for an intensified and concerted development of the various subregions.

1. Cooperation in Transport and Communications

52. The general objectives within the operational co-ordination activity of transport and communications that can be found in the various subregional transport and communication programmes are: (i) the rehabilitation and upgrading of the existing intra-subregional transport facilities and the creation of the new ones and the provision of adequate inter-state telecommunications and civil aviation services, and co-operation in their operations through establishment of bilateral and multilateral transport and communications agreements and by joining international conventions; (ii) the promotion of subregional co-ordination and co-operation on maintenance of infrastructure and equipment; (iii) the subregional harmonization of standards and specifications; and (iv) the harmonization of rules, regulations and practices related to operations and maintenance of the infrastructure and facilities for services. The specific objectives and detailed programmes for implementation have been prepared for each transport sub-sector and the implementation is, in some cases, coordinated and monitored through meetings of country representatives of all transport and communications sectors. In communications which include telecommunications, meteorology and postal services, these goals are achieved through the existing communications institutions, such as subregional PANAFTEL offices

53. The area most recommended of intra-subregional cooperation is the expansion and implementation of the United Nations Decade for Transports and Communications for Africa and the ECA TransAfrican Highways projects which try to foster the links between member States. Although these programmes were conceived at the regional level, its implementation is assured at national and subregional levels. The subregional planning of transport and communications sectors aimed at guaranteeing the cohesion of the subregional economic areas of the prime importance are the roads and road transports linking the various subregional railways;transport planning deals with the problems of linking road transports. The subregional air transport planning deals with the problems of harmonizing passenger and merchandise traffics and that of creating a subregional airlines company to complement the activities of national airlines. The subregional maritime transport planning deals with the problem of coastal shipping and propositions to create a subregional coastal shipping company serving the coastal

countries with their neighbouring landlocked countries have been made in the various subregional meetings of Heads of State and Governments and their plenipotentiaries. The PANAFTEL and the African satellite projects have become subregional cooperation projects found in the various subregional programmes of action, since they facilitate communications between all the member States and contribute powerfully to exchanges of all kinds of information: linguistic, commercial, cultural, etc. More detailed analyses of these programmes are found in each subregional report in annexes.

2. Cooperation in Trade and Customs

54. The increase in the agricultural and industrial production and the improvement in the subregional transport and communications links will inevitably call for increased intra-subregional trade in agricultural products and mineral and manufactured goods. The importance of trade development within the subregion have been recognized in most of the subregional trade programmes. However, as it was seen in Table 1 above, the magnitude of intra-subregional trade compared to the total world trade of most African countries is very small. In 1986, it represented on 3.6 per cent for exports and 3.2 per cent for the improts for the whole developing Africa. The low level of intra-subregional trade is basically a result of lack of complementarity between the African economies which are primarily related to the low level of industrialization. The intra-subregional trade is also limited by other factors, including an insufficient transport network, the economic crisis, and the trade-related activities such as high transportation costs, lack of credit, small markets with low income demand, the inadequate payment mechanisms with the existence of inconvertible currencies, etc.

55. The objectives of trade as spelled out in the various subregional programmes is to enable the increase of production, employment and incomes and to exchange the goods thus produced with other goods that better satisfy the needs for consumption and future developments. The aim of intra-subregional trade is to further increase these benefits, to obtain better conditions in trading relationships, to diversify the economy and reduce external dependence, and possibly create a basis for mutually re-inforcing inter-linkages for future developments.

56. Subregional programmes of action in trade and customs generally recommend measures to be taken on a bilateral and multilateral basis, using a step-by-step, flexible approach depending on commodities involved. Trade co-operation evolves long-term trade agreements between member States based on specified product lists and annual targets. This approach seems to be particularly pertinent in support of industrial products for joint industrial co-operation ventures, the primary products being easily accorded free trade. A system of preferences with the famous "most favoured nation clause" coupled with the programme for reduction and/or elimination of tariff and non-tariff barriers and the establishment of a clearing house have been advocated. Programmes of trade promotion measures, including trade fairs, seminars, exchange of trade mission, computerized trade information, etc. have been and are being developed. The improvement of transport and communications within the subregions and the establishment of trade facilitating mechanisms between member States, such as insurance and forwarding, export and imports credit facilities, etc. have been assigned an important role in several subregional programmes with a view to promoting intra-subregional trade.

3. Co-operation in manpower development and utilization

57. Several member States of the various subregions face serious shortages of highly qualified personnel in the priority development areas mentioned above. Very often this situation arises out of insufficient numbers of students with the requisite grounding in scientific, technical and mathematical subjects. This leads a number of African countries to highly depend on expatriate personnel to fill the highly technical positions. Cooperation in manpower development and utilization is based on the premises that some of the technical positions could well be filled by experts of the same caliber recruited from within the subregions in order to minimize the costs of handling foreign experts.

58. The manpower sectoral strategy of the different subregional institutions generally identifies the following priority activities for the sector: (i) training to support the activities of the other priority sectors specifically with regard to the execution, operation and maintenance of projects; (ii) training in management and public administration; (iii) without detracting from the need for high-level personnel, the vocational training of sub-professional cadres especially agricultural and engineering craftsmen, technicians and trainers; (iv) foundation training in scientific and technical subjects through such activities as seminars and workshops, the production of text-books and other materials, language training, etc.; (v) training in project formulation and design and the mobilization of technical resources in support of the above activities. In this connection, several institutions of high learning and research have been and are planned to be created for the purpose of serving the manpower need of the subregions in the priority areas. In some cases, subregional institutions encourage the maximum possible utilization of the existing training institutions in the subregion to fulfill mandates in already identified priority areas of co-operation.

III. A NEW STRATEGY FOR SUB-REGIONAL CO-OPERATION AND ECONOMIC INTEGRATION

A. The problem setting

59. The move towards economic integration on an subregional scale has caught the attention of economic policy-makers throughout the developing Africa. For the types of economic integration experienced by other groupings in the World-like the EEC countries and the ECOMECON countries - have resulted in large economic benefits, mainly to the member countries. However, countries in Africa, as in other developing countries of Latin America and Asia, have parallel economies. Each produces a relatively narrow range of nonoverlapping exportables. Hence, the scope for intra-regional trade growth is constrained as it was seen in the earlier paragraphes of the paper. Even if the range of exportables does overlap, it usually is oriented toward the industrial countries of Europe and

North America, for the exportables generally are primary commodities. In addition, the African developing countries - which generally have a labour surplus and a shortage of capital - find limited benefits, if any, from allowing free movement of the factors of production throughout the subregional integrated area and the disparities of the structures of the African economies often tend to keep economic benefits to a minimum.

60. Although these factors should not necessarily discourage integration efforts by African countries, they do show that integration among them must accomplish different objectives than those that have made for success in developed countries. These objectives, trade creation and improved resource allocation, should focus primarily on structural transformations since the existing structures represent a critical bottleneck to cooperative efforts. Structural transformation means a dynamic increase in intersectoral dependence in both the subregional economy and its constituent national units, for production as well as consumption. Thus, the probable economic effect of the integration of national economies depend, among other things, on the type of approach as well as on its adaptation to the group of nations involved.

B. The "free market" versus "planned" appraoch to subregional economic integration

61. There are two types of appraoches to regional or subregional economic integration: (1) the micro, or project, approach and (2) the macro, or globalist, approach. With the project approach, the countries commit themselves to the relation of jointly formulated projects which have mutual benefits. This method does not necessarily require inter-state institution building, nor is it based on a pre-planned model for further integration of the co-operating countries. It rather concentrates on specific products, for instance the industrial co-operation projects initially promoted by ECA in North Africa which involved a matching of underutilized capacities, or specialization and complementarity agreements related to the existing, planned or new industrial ventures. The main objectives of such co-operation are to obtain better economies of scale, and to exploit the existence of comparative advantage.

62. Supporters of this flexible project approach argue that integration in one sector would encourage integration on a larger scale, especially where political obstacles hinder integration on a broad front.16/ The European Coal and Steel Community is a good illustration of this approach, since it did demonstrate the possibility of integration in Europe and thereby helped in the establishment of the European Economic Community (EEC). The nonsympathetic authors of this project appraoch to integration argue that, whereas the simultaneous integration of all

16/ D.U. Sticker, "The Functional Approach to European Integration" Foreign Affairs, April 1951, pp. 436-444.

sectors bring about compensating changes, integration in one sector or project leads to a readjustment in that unique sector while price and cost distortions persist in the non-integrated sectors. Others argue that, in the absence of exchange rate flexibility, the sectoral/project approach put additional burdens on the external balance since it unnecessarily burdens exchange reserves in some participating countries while inflating reserves in others. 17/ In addition, the project approach requires complex and time-consuming negotiations at the State, industry and company level, that must be conducted before the project can go ahead; this was the case, for instance for the Latin American Free Trade Association (LAFTA).

63. On the other hand, within the globalist approach, one can distinguish two types of integration approach: (i) market integrations approach and (ii) Development integration approach.

64. The market integration approach is based on the premise that market forces set free at one stage have spill-over effects to the next one, making implementation of this an economic necessity. This is evident from the assumption of perfect markets, full employment, constant terms of trade, no transport costs, etc. The tight political co-operation and delegation of powers to super-national bodies will only be relevant in the later stages of integration. The mechanism by which the ideal market integration approach functions can be presented as follows:

Table 3. The ideal-types of market integration action

Action / Ideal-types	Elimination of tariffs and quotas	Common external tariff	Free flow of labour and capital	Harmonization of economic policies	Unification of political institutions
1. Free Trade Area	(A)				
2. Customs Union		(B)			
3. Common Market			(C)		
4. Economic Union or Community				(D)	
5. Political Union					(E)

Source: SADCC

17/ Bela Balassa, Economic Development and Integration (Mexico City: CEMLA, 1965), p. 16.

65. In other words, the ideal market integration process would follow the five major stages of integration: (i) the free trade area, which implies the removal of customs tariff and non-tariff barriers and quantitative restrictions; (ii) the customs union, which implies the tariff of the participating countries within the subregion against outsiders; (iii) the common market, where all restrictions on factor movements within the subregion are abolished; (iv) the economic union, where economic, monetary, fiscal, social and counter-cyclical policies are, to some extent, harmonized; and (v) the supernational union, where the respective governments completely abandon their sovereignty over the policies (i) to (iv) above and a supernational authority issues binding decisions.

66. Most of the major African subregional integration schemes analysed in this paper (ECOWAS, ECCAS, PTA-East and Southern Africa, PTA-North Africa) are found struggling to implement (A), whereas the EEC could be placed some where between (C) and (D) and the Federation of the United States of America would fit into (E). Two major concepts are being advocated in this market integration approach: trade creation and trade diversion. The trade creation represents the amount of trade created, when low cost products from one country, due to tariff reductions, substitute high cost production in another country within the trade union; and the trade diversion represents the trade loss which the countries suffer when hindering, through high external custom duties, high cost subregional products from being substituted by low cost products from outside the union. Thus, the subregions in which the countries have a lot of trade with each other and a relatively small trade with the rest of the world and have structures of production that complement each other, are likely to gain from subregional economic integration. That is, the trade created will be greater than the trade diversed. 18/

67. In application of these concepts of the market approach to integration, one can argue that external trade of the African countries is likely to be more beneficial with industrialized countries with which they trade most than with countries in their own subregion for which trade is small. In addition, most of their exports are raw materials which seldom have a subregional market and which seldom have tariff problems on the world market where they largely are traded freely (except that their prices had gone down). Thus, the subregional market integration cannot be beneficial to the majority of developing African countries, since its underlying assumptions - perfect markets and full employments - are basically static and do not correspond to the realities of developing world where large underutilized human and material resources prevail. The market integration approach rather creates the so called "polarization effect"; that is, the unequal distribution of benefits resulting from subregional economic integration

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18/ See Jacob Viner, The Customs Union Issue (New York: Carnegie Endowment for International Peace, 1950). and R.G. Lipsey "The Theory of Customs Union: A General Survey", Economic Journal, Vol. 70, September 1960, pp. 496-513.

In other words, if the utilization of new economic opportunities is left solely to the market, growth will occur in the areas that are most advanced in terms of industrial and financial infrastructure, communications, etc. Countries with an initial advantage will reap the benefits of co-operation, as was illustrated in the example of Kenya with Uganda and Tanzania in the East African Community (EAC), Cameroon, Congo and Gabon with Chad and RCA in the UDEAC. The least developed areas become pools of stagnation. These backwash effects which include the movement of capital and skilled labour towards the more advanced countries and the establishment of new industries in these countries would tend to increase subregional disparities in levels of economic development. 19/

68. The supporters of the market integration approach advance the argument that the market forces, in the course of time, create a counterforce - the spread effects that tend to minimize disparities within a market area. These include such factors as increased demand in the more developed areas for the products of the less developed ones and the transmission of technology, improved skills, and capital to less devleoped areas as a result of the over-congestion, for high costs of manpower, land and services motivate industry to move into lesser developed areas with lower costs. 20/ However, it is argued that the spread effects which reduce regional/subregional disparities are likely to operate more effectively in developed countries than in developing ones, because in those countries highly developed price systems permit the exploitation of cost differences, existing industry structures will benefit easily from increased intra-industry specialization and the developed infrastructure will discourage the concentration of foreign investments in any single member country. But in developing countries, specially in Africa it will take a long time for these diseconomies to manifest themselves because labour reserves are abundant even in the relatively industrialized areas. Consequently, the spread effects offers little hope of offsetting the inequitable distribution of benefits from market integration. Therefore, compensatory and corrective mechanisms have to be developed.

69. The development integration approach or otherwise called to "planned" approach differs from the market integration approach in two respect: political co-operation and intervention, and distribution of benefits. While in the market integration approach, close political co-operation comes in at a rather late stage in the integration process, in the development integration appraoch, political co-operation on a high level is a prerequisite for the successful implementation of the integration schemes. That is, economic integration is better conceptualized,

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19/ See Balassa, Economic Development and Integration, op. cit., p. 123.

20/ This is the case of movement of multinational cooperation from developed countries with high production costs to developing countries with cheaper manpower and lands. See Gunnar Myrdal, Economic Theory and Underdeveloped Regions (New York: Harper & Row, 1956), and Balassa, op. cit., p. 204.

at least in its first stages, in terms of "high politics", because a great deal of bargaining and negotiation and a conscious intervention by the regional/subregional partners in promoting co-operation and interdependence are needed, rather than traditional economic theorizing. It is not left to the market mechanisms to define the sectors and scope of co-operation. For instance, political maneuvers are required in the negotiation of industrial location, given the disparities in socio-economic infrastructures and the pre-integration low level of industrialization of some member-countries. This exercise in politics is a delicate task, for it involves the ultimate question of national sovereignty. A nation entering an integration scheme must be prepared to renounce the right to take certain measures with regard to its economic policies and to offer politically motivated concessions. 21/ Political maneuvers, especially in developing countries, are of crucial importance in the consolidation of the institutions necessary for economic integration. This does not mean that the economies of the participating countries must be centrally directed by a supra-institution. It only indicates a higher degree of state intervention compared to the market integration approach. The creation of supra-national institutions might come at an earlier stage than in the market approach just to co-ordinate the integration activities and to secure that the commonly defined objectives or plans are carried out successfully.

70. On the other hand, the distribution crises that arise from time to time in many of the integration schemes over for instance industrial plant location or fiscal distribution of common funds may well result from the preoccupation of each member-State with problems of domestic modernization and development. Thus, one should expect disagreements and political differences to arise from frictions among a union of developing countries. The State intervention is needed to secure an equitable distribution of the benefits from subregional co-operation and to counteract the polarization tendencies. Member countries must coordinate and harmonize their national economic policies regardless of differences in their political structures. The equitable distribution of the benefits from an economic integration scheme can be achieved through compensatory and corrective measures.

71. The main compensatory measure is inter-governmental budgetary transfers to cover the cost of trade diversion or the custom revenues lost. The latter can be calculated by a formula favouring the least developed member-states like the type of compensation formula used in the Communautté Economique de l'Afrique de l'Ouest (CEAO) or the ECOWAS fund used to compensate member-States that will lose from the implementation of the trade liberalization programme. However, compensatory mechanisms alone cannot in themselves change an uneven pattern of economic development or counteract the polarisation effects, since they

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21/ See Ardy Stoutjesdijk "Economic Integration among Developing Countires" Columbia Journal of World Business, September-October 1970, pp. 54-60; and Harry G. Johnson, "An Economic Theory of Protectionism, Tariff Bargaining and the Formation of Customs Union", Journal of Political Economy, October 1965, pp. 280-283.

do not create jobs, industries, spin-off effects, etc. To do so, they must be coupled with corrective measures which include inter alia: (i) planned subregional industrial development favouring the least developed, poorly industrialized member countries; (ii) creation of funds or banks that give priority to the LDCs for infrastructure and industrial development projects; (iii) using the formula that allows a longer period to abolish or reduce tariffs for LDCs (like the one used in ECOWAS) and (iv) offering specially favourable fiscal incentives for investments in LDCs. It is believed that the compensatory and corrective mechanisms can offset the polarization effect of trade liberalization if they are fully implemented.

72. However, the central problem of the development integration approach is whether such a co-operation that involves binding commitments and possibly direct economic support from the more developed to the least developed member countries of the union would succeed or not, since the political situation in the more developed subregional partners might not allow for such concessions. The more developed member countries, such as Nigeria and Cote d'Ivoire in the ECOWAS, Kenya in the EAC and PTA, Zimbabwe in the SADCC and PTA, Cameroon, Gabon and Zaire in the CEEAC, and Cameroon, Gabon and Congo in the UDEAC, Zaire in the CEPGL, etc are "core states". Very much depend on their political willingness to use their economic potential in promoting subregional economic integration and a reasonable distribution of benefits.

C. A Possible new "Development market Pole" approach

73. The Lagos Plan of Action (LPA) recognized the importance of regional/ subregional economic cooperation and integration as necessary instruments for pursuing the objectives of national and collective self-reliance. Economic integration or cooperation is generally seen in LPA as not only desirable, but also as a necessity if Africa is to industrialize, develop intra-African trade, reduce her dependency on vulnerable and fluctuating overseas markets, mobilize and maximize scarce resources of capital and skills and finally forge the way to effective African unity, both political and economic. But so far concrete achievements of these LPA concepts and strategy in Africa have been very modest in view of the problems and constraints enumerated above, namely those arising from the charms of national sovereignty, those of reaching acceptable formulas and procedures as to the way in which the costs and benefits of economic cooperation should be shared, those of the failure of political initiatives and declared collective goodwill to be matched by practical actions, those arising from political and ideological cleavages, etc. However, since the early 1970s, the world recession and its severe impact on Africa's economic performance have strengthened interest in accelerating the implementation of LPA's strategy for the increased regional/subregional cooperation through the establishment of new subregional groups and the geographical extension of existing ones. With the forthcoming creation of Preferential Trade Area (PTA) for the North African States scheduled for 1990, African countries will have accomplished the LPA

objective, by doting each African subregion with a major socio-economic integration and co-operation scheme. (ECOWAS for West Africa, CEEAC for Central Africa, PTA for East and Southern Africa and PTA for North Africa).

74. By the definition of their title, to ECOWAS and the CEEAC seem to favour more the global development approach to economic integration than the market approach since in their instituting treaties economic integration and cooperation aretreated as a strategy for economic development rather than a mere tariff issue. The PTA for East and Southern Africa and the PTA for North Africa favour more the market approach to integration, than the global development approach, since they put more emphasis on trade rather than on development issues. However, the East and Southern African Preferential Trade Area (PTA) while using the traditional market integration approach with a clear indication of how it intend to develop into a free trade area a customs union, common market and eventually an economic community, it nevertheless includes, through its protocols of transport and communications, industrial and agricultural development, deliberate development integration efforts on its profile. 22/ The same things go for the forthcoming preferential trade area for the North African States judging from the principles of the declaration of intent of North African plenipotentiaries. 23/ Likewise, the ECOWAS and the CEEAC while putting emphasis on the development approach started their integration process by freeing market trade. Thus, it can be asserted that the major subregional integration schemes in Africa have adopted a rather mix approach combining both the market and development approaches to integration.

75. This mix approach can be developed into a "development-market pole" appraoch, that is, an acceptably balanced package approach which involves inter-governmental agreement on both (i) a harmonized industrial, agricultural and investment policy which guarantees each member State a fair share of potential industrial and agricultural investments and (ii) a harmonization of fiscal and monetary policy, and payment and credit agreements that lead to an equitable distribution of benefits arising from intra-subregional trade. This mixed package approach must be politically and economically feasible, so as to offer the possibility to each of the co-operating member State to get a fair share in the distribution of integration induced, industrial, agricultural, and trade projects programmes to be implemented at the subregional level and their benefits. In fact, the two concepts are complementary rather than competitive: the pattern of industrial and agricultural development largely determines the direction and volume of trade and vice versa.

22/ See Annex III (E/ECA/PSD.5/7/Add.3).

23/ See Annex IV (E/ECA/PSD.5/7/Add.4). Among various protocoles, there will be protocols relating to the cooperation in the field of agricultural development, industrial development, energy, transport and communications.

76. This is a more comprehensive approach to economic integration that involves a partnership between government and the enterprise sector of the participating countries in promoting both production and trade. It is a practical programme oriented approach implying that subregional co-operation should be based on a careful analysis of the national interests of the participating states and the extent to which these interests are compatible and can be developed into common activities. It also implies that there should be a dove-tailing of national and subregional programmes such that they are mutually supportive.

77. However, the harmonization and co-ordination of the mix policy package approach will not be possible without a strong, flexible and devoted intergovernmental subregional institution empowered with the full responsibility to implement the subregional programme/projects of common interests, ensure the equitable distribution of gains from subregional union and safeguard conflicting national interests. The approach requires that such institutionalization should follow the articulation of subregional and national programmes/projects and respond to their implementation needs. The subregional institutions should be able to enhance the efficiency of resource utilization through the "pooling" and the "economies of scale" effects, demonstrate the capacity to mobilize resources beyond what the countries individually could afford and ensure that the benefits of subregional programmes are not only equitably distributed, but are perceived to be so. To achieve this, it is essential that subregional organizations provide for the direct involvement of member States in the identification, design and implementation of subregional programmes and projects that address more directly their immediate national needs through a phased and maturing process. 24/ This decentralization goes beyond a simple bureaucractic machinery to make respective national governments politically accountable for the conception, operation and implementation of the subregional programme/project which are located on their territories, using national structures and institutions. 25/

78. The Lagos Plan of Action envisaged the establishment of the continental economic community by the year 2000 and this should be done through reinforcing the process of subregional integration. With this understanding that the real foundations of the continental community are the sub-regional economic communities, the consolidation of these sub-regional entities into "development poles" will provide the conditions for a solid continental structure. In other words, the creation of a continental economic community would require that the subregional communities be essentially changed into viable "economic development entities"

24/ For instance, there is a well-established ECOWAS machinery in each member state to coordinate and monitor the implementation of community decisions and programmes within the country. Such a national secretariat of ECOWAS is responsible not only for preparing country positions on community issues, but also it serves as an effective link between the member state and the institutions of the Community. It has also been created a special unit within the ECOWAS executive secretariat to monitor the implementation of Community acts and decisions at the national and subregional levels. See Annex II (E/ECA/PSD.5/7/Add.2).

25/ This method is presently being implemented in the SADCC countries. See SADCC: "Trends in African Co-operation: Role and Relevance of Regional and sub-regional Institutions" ECA/CERAD/87/23 Abuja (Nigeria) June 1987.

(poles) that give the necessary economic cohesion to the continental community.26/ This, in turn, would require the consolidation of the cohesion of the subregional economic institutions and the establishment of a subregional production capacity centres within these institutions with specialization in their resources-based fields of economic development. The consolidation of the cohesion of the African Community's area into the existing four development zones (poles) of North Africa, West Africa, Central Africa and East and Southern Africa to be incorporated into the existing subregional institutions (PTA-North Africa, ECOWAS, CEEAC and PTA-East and Southern Africa respectively) as the Community's major production and trade centres will help intensify intra-community trade by increasing the efficiency of the structure of production in the respective sub-region and the countries that compose it. That is why the new approach comes to be termed "development-market pole" approach.

D. Practical Implications

79. In practice, the "development-market pole" appraoch will imply the following practical considerations:

1. Consolidation in each sub-region of all national and multinational institutions into one flexible supra-national institution

80. One of the problems of the sub-regional economic co-operation and integration in Africa is the existence of multiple intergovernmental organizations sometimes with conflicting and competitive interests, though no much difference in terms of their broad objectives. Some of them have their origins in the colonial period, and others were created during the post-independence period. The "development-market pole" approach assumes that there must emerge a dynamic centre of gravity within the prospective subregional integrating area around which development and trade can be coordinated. Such centre will play the role of "leader" in the process of integration in charge of coordinating, with flexibility, not only the policies and programmes of the participating countries, but also those of the intergovernmental organizations in the subregion in order to avoid duplication, unnecessary competition among them and, above all, dissipation of the meager resources of the sub-region. Sometimes the old intergovernmental organizations have much more experiences of cooperation than the newly created ones and had already gone far in the process of integration. This is the case of CEAO, MRU in West Africa, UDEAC and CEPGL in Central Africa, the defunt EAC and SADCC in East and Southern Africa and the Maghreb in North Africa, etc. But the programmes of these specialized institutions should be coordinated with those of the all-embracing newly created large subregional frames of co-operation to which all member-State of the sub-region belong (i.e. ECOWAS, CEEAC, PTA-East and Southern Africa and PTA-North Africa), in such a way that they become complementary rather

26/ The political ramification of this continental and subregional cohesion has been suggested by L. Sangare. "The Challenge of Economic Integration in Africa", ECA/CERAD/87/24, Abuja (Nigeria), June 1987.

than competitive.27/ The objective is to put all the intergovernmental organizations within one framework, to build "a composite machinery" of economic integration, with every part having a definite task to fulfill.28/

2. Strengthening the subregional technical organs

81. The existing and newly created technical and services integovernmental organizations in all fields ofeconomic development should also fit into the new scheme of production/trade integration as institutions providing services of a technical or scientific nature for the benefit of the member countries of the subregion. In this respect, the ECA-MULPOCs and other organizations of the UN systems should be able to provide technical assistance to the "subregional poles" by strengthening their subregional offices with highly competent technical staff in the sectoral fields of agriculture, industry (including mining, manufacturing and energy) transport and communications, trade and customs, and manpower development and utilization.

3. Enhancing the efficiency of resource mobilization and utilization

82. The "subregional poles" around which production and trade would be integrated should be able to mobilize financial resources from within and outside the sub-region beyond what their member States can raise individually in order to implement subregional programmes/projects. The subregional activities should be planned to reflect both the likely resource availability and the internal capacity to implement these activities. The capacity to articulate subregional programmes/projects which will attract and maintain the interest of member States and generate the necessary resources depends to a considerable extent on the leadership and competence of the subregional organizations themselves. Although there is a need to maintain some balance of nationalities in subregional organizations, such balance should be subordinated to the factors of competence, efficiency and expertise.

27/ The ECOWAS Executive Secretariat has indeed been working consistently, since 1977, towards the creation of an efficient cooperation framework for all the economic cooperation institutions operating within West Africa (in particular CEAO and MRU) despite the political constraints encountered.

28/ ECA "Proposals for Strengthening Economic Integration in West Africa", July 1983.

IV. CONCLUSION AND RECOMMENDATIONS

A. Conclusion

83. The four major integration schemes in Africa discussed in this paper - the ECOWAS, the CEEAC, the PTA-East and Southern Africa and the PTA-North Africa - vary considerably in size both in terms of population and in terms of their domestic gross product (GDP). All four have a much larger population which vary from 63.1 million inhabitants in the CEEAC to 174.1 million in the ECOWAS and a GDP per capita varying from US$ 229 in East and Southern PTA to US$1099in North African PTA (see Table 1). They also vary considerably in scope. The official descriptions (Treaty and Protocols) of the ECOWAS and the CEEAC, free trade being a goal which is projected to be attained by the early 1990s, put more emphasis on the global development than on the market integration approach; whereas in the East and Southern African PTA and the North African PTA, by definition, market integration is the first priority and development integration the second, although in all the four integration frames the two approaches are, in practice, being executed simultaneously. Within these four major newly created co-operative arrangements, there exists a multitude of other integration schemes with small markets (population and per capita GDP), some of which date from the pre-independence period and thus having considerable experience in the integration process. This already constitutes a positive element for the acceleration of time table for the establishment of the African Economic Community by the year 2000 based on the subregional cohesion if these other subregional organizations willingly accept to harmonize and consolidate their policies with those of the four major subregional cooperative schemes which were created within the framework of the Lagos Plan of Action.

84. Although the progress achieved in the field of trade liberalization might in most cases be limited as demonstrated by the poor performance of intra-subregional trade, some schemes have achieved considerable co-operation and co-ordination in other matters. One of those fields is that of commonly operated services such as transAfrican highways, railways, air transport, ports and communications, income tax and customs revenue administration, insurance, shipping, etc. In monetary matters, very little progress has been achieved so far in most of the integration schemes, except in the East and Southern PTA where an effective Clearing House using both a common currency (UAPTA) and national currencies is now on the operational stage for settling intra-subregional trade payments, and in ECOWAS where the Community Development Fund is being used to reduce the disparities in the levels of economic development among the member States. The CEEAC on the other hand made commendable efforts for the collection of subregional data needed for assessing the performance of member States in the major fields of economic development. The institutional set-up of the various integration schemes is more or less similar: the basic model being a policy-making authority of Heads of State and Government assisted by the Council of Ministers, an executive committee, a varying number of technical commissions and sub-commissions and a Secretary-General with a permanent secretariat.

85. In none of the schemes at present in operation, comprehensive subregional investment planning plays a significant role.29/ Development plans are in all cases based on national rather than subregional resource endowments, and although subregional imports and exports are usually projected separately from all other external trade, their treatment in economic planning is essentially similar. Although thus comprehensive planning on a subregional scale has not been applied so far, in a number of schemes, subregional sector planning has taken place or is being attempted, particularly in the services sectors: (transport and communications) although in isolated cases subregional planning in industrial sub-sectors has been attempted such as the iron and steel in PTA and some specialization agreements in ECOWAS. On the whole, the little subregional planning that took place and a few specialization agreements concluded are predominantly based on the desire to achieve equitable distribution of costs and benefits of the integration schemes and a policy directed at making optimal use of existing resources in the subregion only comes in as a secondary consideration. The basic problem in all integration schemes which have matured is that all partners in the scheme usually insist on an equitable distribution of costs and benefits related to the operation of the scheme. But most of the major newly created African cooperative arrangements are on the first stage of the integration process and, therefore, to predit the solution to such distributional problems, a mix package approach was proposed here which takes into account both production and trade considerations.

86. A methodological objection to the identification approach as it has been applied so far is that it is essentially static. Gains and losses are assessed at one given point in time and no account is taken of cumulative past effects and potential future effects. The methodologically ideal criterion to assess these not only is lacking, but also the partial assessment made so far in practice suffer from the existing gaps in statistical information. It is, therefore, not surprising that the closely linked problem of compensation in those integration schemes has almost everywhere remained unsolved, in the sense that dissatisfaction of at least some of the members persists in virtually all schemes, although all integration schemes have adopted a certain set of compensation measures, mostly of rather ad hoc nature. The mix market-development package approach to integration has the merit to proposing both the compensatory measures to correct the market distortions and the corrective measures to reduce major disparities in the levels of development among member States in order to ensure a fair balance of reciprocity of benefits and equal opportunities of growth and maintenance of comparable levels of social services.

B. Recommendations

87. The main aims and advantages of subregional cooperative arrangements are to create optimum conditions for economic growth and balanced development. Among the means to this end are the enlargement of insufficient national markets, the establishment of a wide industrial base, improvement of agriculture, and general strengthening of the export sector, thus lessening external vulnerability and enhancing the bargaining power of Africa with the outside world. Therefore, in addition to the provisions of the subregional Treaties and Protocols, it is imperative to pass on to a new stage of the following commitments, in the form of agreement to supplement the various Treaties and Protocols:

29/ The CEPGL has, however, initiated a subregional Five Year Plan (1986-1990) based on the priority projects in various sectors, but still it remains far from being

1. There is a need for the programming and promotion of investments at the subregional level; a compensatory payments and reciprocal credit system; more precise definition of the principle of reciprocity; special treatment for the relatively less-developed countries with special attention to developing their infrastructure and transport and communications lines with the rest of the subregional area; proceduces to correct dislocations resulting from trade liberalization, avoiding any market disparities between internal price levels and the external value of currencies; the stimulation of the role of the private sector and of indigenous business initiative through adequate technical and financial assistance; and a competent institutional system able to function effectively and independently for the mobilization of resources and for the implementation of the aims and principles of subregional cooperative arrangements.

2. Given the presumption that the efficient manipulation of the trade policy instruments is not enough, that their function is solely to establish an adequate framework, but that subregional integration requires constructive action beyond the play of economic forces which might be stimulated by trade liberalization, there would be a need to develop a subregional investment policy, that ensure industrial complementarity and specialization arrangmeents on a sectoral basis, starting with the conclusion of a series of sectoral agreements, over the next few years, especially in iron and steel, some non-ferrous metals, heavy chemical and petro-chemical industries, including fertilizers, motor vehicles, ships and heavy industrial equipment, based on development plans. Apart from the sectoral agreements, the subregional investment policy should concentrate on any country where the process of integration might give rise to substantial difficulties (namely to LDCs). In agriculture, with production not expanding fast enough to keep pace with the population growth, there has to be cooperative arrangements for an increase in production of food and industrial raw materials, a corresponding reduction in imports from the outside world and encouragement of trade from within the subregion, keeping in mind the most efficient utilization of land and avoidance of chronic rural unemployment.

3. Special attention should be given to infrastructural investment of the subregion, particularly in transport, communications and power production and distribution. There is need for joint action in air transport and shipping, for the integration of artifically divided national border areas,for the co-ordination and harmonization of transport and communications policies of the member States who are to keep each other informed of their plans for improving and developing communications routes that may be of interest to one or more of the States, as well as of their national regulations on transport and movement. There is also need to develop and effectively utilize the indigenious manpower at all levels of economic development, and to include such skills in the overall subregional investment programming.

4. In the area of trade policy, there is need to co-ordinate the general economic policies, above and beyond trade liberalization in the fiscal, monetary and other fields. Since the ultimate objective of the establishment of the four large subregional African cooperative arrangements in each ECA subregion is the eventual creation of a common regional market for the whole of Africa, this aim must be reflected in adequate provision for the maintenance of existing trade, and even more importantly, stimulation of new intra-African trade between the four sub-regions. For this purpose, a three-tier tariff level set up can be envisaged, as follows: (i) one, the highest, for the rest of the world, (ii) a second, intermediate level among the subregions, and (iii) the lowest level, for trade within each subregion. Pending a global negotiation of such tariffs, individual countries of a sub-regional cooperative arrangement must be free to negotiate bilateral trade agreements with other African, especially neighbouring,countries on the basis of the intermediate tariff level. The global negotiations could start on a product by product basis, especially for goods which could be most economically produced for a market of a size exceeding that of any of the subregion market or for goods which can be produced in only certain areas. Since inflation is a serious obstacle to integration, co-ordination of the monetary policies of the Central Banks in the subregions is urged as well as the strengthening of the capacity the subregional institutions for international negotiations. Finally an adequate system of reciprocal and multilateral payments and credits is indispensable for the policy of trade liberalization.