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PROMOTING REGIONAL ECONOMIC COOPERATION AND INTEGRATION IN AFRICA

Presented by:

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H.E. Mr. Salim Ahmed Salim, Secretary General of the Organization of African Unity,

H.E. Mr. Layashi Yaker, United Nations' Under-Secretary General and Executive Secretary of the Economic Commission for Africa,

Personal Representative of the President of the African Development Bank, Mr. Babacar N'Diaye,

Your Excellencies, Members of the Diplomatic Corps,

Distinguished Participants,

Ladies and Gentlemen,

I have the distinct honour of presenting to you a paper entitled "Promoting Regional Economic Cooperation and Integration in Africa" which was originally prepared by Mr. A. London of the African Development Bank and presented to the Global Coalition for Africa's meeting held in Cotonou, Benin, 09 - 10 June 1993. I have endeavoured to enrich the paper in several aspects.

I. (a) In Africa, cooperation aimed at integration has become an indispensable stage in the development process, and various organizations have been established for this purpose. This effort has been given greater impetus with the recent signing and ratification of the Abuja Treaty establishing the African Economic Community.

(b) However, past experience in Africa and elsewhere has shown that the process of economic cooperation and integration is fraught with numerous difficulties at the conceptual and design stages, and particularly so in the subsequent efforts to give practical and effective expression to the ideals expressed in the various arrangements, e.g., EC, Latin America, Asia and in Africa.

(c) Yet, its theoretical attraction remains unchallenged, as evidenced by continuing attempts to both resuscitate dormant mechanisms where they did not formally exist.

The objectives of this paper are:

(1) to briefly review some of Africa's major post-independence experiences with economic integration;

(2) to attempt to identify some of the principal constraints in this domain;

(3) to provide some broad perspectives on future actions that need to be taken to move the process forward;

(4) to make specific policy recommendations.

II. A Summary Review of African Experience with Economic Cooperation and Integration

The paper outlines the objectives, activities, achievements and problems of six regional and sub-regional economic communities established in Africa during the post-independence period. These include:

(a) The East African Community;
(b) ECOWAS;
(c) PTA;
(d) SADCC;
(e) ECCAS;
(f) Maghreb Arab Union (UMA); plus a multiplicity of IGOs.

III. Principal Constraints to the Integration Process in Africa

African integration schemes have generally aimed at achieving five main objectives:

(1) Trade liberalization involving the elimination of tariff and non-tariff restrictions on intra-regional trade;

(2) The establishment of a common external tariff and a common commercial policy towards third countries;

(3) The abolition of all obstacles to the free movement of persons, services and capital between Member States;

(4) The harmonization of agricultural, infrastructural, industrial, monetary and economic policies of the Member States;

(5) Trade facilitation through the establishment of clearing and payment arrangements and trade information systems.

Note: The initiatives were largely state-directed and motivated.

Constraints

(1) Institutional Constraints: Divergences in legal and institutional frameworks; tariff and nont-tariff barriers to intra-community trade; non-convertibility of national currencies; an unfavourable environment for private sector initiatives and private investment.

(2) Structural Constraints: Lack of basic infrastructures to facilitate intra-regional exchange; large discrepancies in resource endowment, etc.;

(3) Uncertainty regarding gains to be derived from regional cooperation and integration; and inequality of their distribution among the Member States;

(4) Political Constraints: Political and economic influence of the former colonial powers; military conflicts between and within Member States belonging to one regional community; reliance on State interventionism and centralized development; nationalistic policies and ideological boundaries between national development strategies.

Note:

(1) Serious shortages of financial, material and human resources are a major obstacle to economic integration. A country needs a growing economy to be motivated to look for markets and, therefore, an incentive to integrate. In all instances where integration efforts

have been made, those countries with rapidly growing economies are the most ardent supporters of economic integration.

(2) Political Factors:

- Political will of Governments of the Member States;
- Sovereignty.

(3) IGOs

- Multiplicity of IGOs has impeded the progress and viability of African integration groupings;

- Overlapping membership in each sub-region has led to serious financial difficulties.

- Rationalization of IGOs in each sub-region is a major issue.

On the whole, it is clear that the integration of States with significantly different levels of economic development; which does not ensure an equitable distribution of the benefits of cooperation; which is not directed towards the rapid promotion of the least developed member countries; which does not provide adequate economic space to the private sector; and which, moreover, is not backed by a strong, steadfast and pragmatic political will is unlikely to succeed, irrespective of whatever favourable geographical, historical and economic factors that could potentially contribute to success.

IV. The Abuja Treaty - Future Perspectives and Policy Recommendations

While, on the whole, the results of Africa's integration efforts since independence have fallen far short of expectations, there are promising signs that the Abuja Treaty can point the way to future progress. More importantly, there is now greater awareness of the constraints to progress.

Recent developments in the overall Africa political and economic environment have contributed to the gradual removal of some of the major constraints to integration identified above. These include:

i) the progressive withdrawal of governments from activities in productive sectors and the realization that the private sector needs to become the driving force in economic growth and integration;

ii) liberalization of domestic markets and foreign trade brought about by programmes of adjustment and reform that have contributed to a certain convergence in macro-economic policies; and

iii) the common challenge presented by the formation of new trade blocs in other areas of the world which threatens to reduce further Africa's share in the international division of labour; and raises the prospects of a decline in capital inflows required for growth, resulting in the need to accelerate the transition towards auto-financed and self-sustained development.

As Africa begins to put in place mechanisms for implementing the Abuja Treaty, debate has surfaced on whether yet another approach to integration based on the principle of <u>flexible</u> membership in various sub-regional organizations should not be attempted, as a way of making faster progress. Two proposals have emerged in this context:

i) The first points to advantages of a common currency zones, and argues the case for establishing a new community to incorporate the two monetary zones linked with French Franc. Hence, an African Franc Zone Economic Community has been proposed to embrace the member countries of UMOA and BEAC.

ii) A second proposal argues that, in the evolving situation in Southern Africa, the emergence of a democratic South Africa should provide an opportunity for a rearrangement of the present economic groupings in the sub-region. It has therefore been proposed that a Southern African Economic Community (SADC), which will include a democratic South Africa and most members of SADC, be established.

This debate on a flexible approach to African economic integration has gathered momentum at precisely the time that the Abuja Treaty has begun to move to provide a continent-wide framework for rationalizing the activities of existing integration groupings. The Treaty provides that the <u>existing</u> sub-regional groupings serve as the building blocks for the new Community, and that the <u>first five</u> years of the new institution will be devoted to the strengthening of these sub-regional groupings. The relationship between the African Economic Community and the Regional Economic Groupings are to be governed by a protocol to the AEC Treaty, which is now being discussed, and which is expected to make a positive contribution to the institutional framework for African economic integration.

The concept of a "variable geometry" bears some resemblance to the concept of a "community at two speeds" reflected in the European Monetary System. Its proponents see merit in a group of countries within a regional economic community proceeding at a faster pace towards economic union, and in so doing, acting as a locomotive for the slower Member States. It is argued that, as the "core countries" make progress towards economic integration, the benefits of economic integration are likely to become more apparent and will create additional incentives for slower Member States to catch up.

However, these arguments are valid only to the extent that they are applied to the concept of a "community at two speeds", characterized by full participation of all community Member States in the decision-making process and by different transitional periods for the implementation of joint decisions. This suggests that the strategy of variable geometry may not be consistent with the concept of a community at two speeds. If the more advanced Member States of an economic community proceed along decisions in which the remaining Member States of the Community have not taken part, the variable geometry strategy can become a disintegrative strategy, splitting the community into two.

The Abuja Treaty, an African initiative, signed by African Heads of State and Government, must therefore be the foundation on which Africa's integration efforts should be built, dynamically taking into account any future decisions that African countries may jointly wish to take with a view to advancing this process.

For the effective implementation of the Treaty, the following requirements must be met:

(a) Member States must sacrifce political autonomy for the benefit of the Community as a whole;

(b) For regional integration to succeed, it must have a political constituency among political leaders, government officials, the private sector and the public at large;

(c) There must be viable, transparent and undistortive mechanisms for the fair distribution of the costs and benefits of integration within the regional community;

(d) Tariff and non-tariff barriers must be eliminated, and efforts must be made to achieve greater policy convergence related to fiscal and monetary regimes, inflation and currency convertibility;

(e) Existing regional economic communities must be strengthened, and the regional organizations must be rationalized under the authority of the RECs;

(f) Closer cooperation must be forged among the RECs, particularly through coordination and harmonization of their activities in all fields or sectors.

Some Specific Policy Recommendations

(1) Institution-Building:

(a) Strengthen and restructure OAU.
(b) Strengthen ECA's support for economic integration.
(c) Restructure and strengthen RECs' Secretariats.
(d) Establish national structures for economic integration.

(2) National economic management.

(3) Promotion of the Private Sector.

(4) Improve productivity and competition.

(5) Freedom of movement of labour, capital, goods and services.

(6) Human resource development.

(7) SAPs and Integration:

i) Regional impact of SAPs;
ii) Regional impact of national sectoral programmes.