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"PROMOTING REGIONAL ECONOMIC COOPERATION AND INTEGRATION IN AFRICA" 1/

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2/ This views expressed in this paper are those of the author and do not necessarily represent the views of the Government of Japan nor those of the institution to which the author belongs.

1. Introduction

In Africa, as in other parts of the world, cooperation aimed at economic 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 of the Abuja Treaty Establishing the Pan-African Economic Community (PAEC). However, as past experience, both in Africa and in other regions, has shown, 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. Indeed, even within the European Community (the standard by which almost all integration efforts are evaluated) and to a lesser extent in North America, the integration movement, despite its successes, has encountered various constraints; and progress has at times been slow. In other regions, particularly in Latin America and the Caribbean, Asia and Africa, the integration movement has met with significantly less success. Yet, its theoretical attraction remains unchallenged, as evidenced by continuing attempts both to resuscitate dormant arrangements and to establish new mechanisms where they did not formally exist – a process driven by the recent drift towards regional trading blocs in Europe and North America.

Against this background and the recent decision of African governments to proceed with the formation of a Pan-African Economic Community, this paper first briefly reviews some of Africa's major post-independence experiences with economic integration; and then attempts to identify some of the principal constraints to progress in this domain. Using the Abuja Treaty as the framework against which Africa's efforts are to be judged, the paper then provides some broad perspectives on future actions that need to be taken to move the process forward, taking into consideration other approaches that have emerged almost simultaneously, such as the so-called variable-geometry approach. Some specific policy recommendations are then outlined, with a view to advancing the Abuja effort; and the paper concludes with a summary of its main findings and recommendations.

2. The African Experience with Economic Cooperation and Integration: A Summary Review

A number of experiments in cooperation and integration have been conducted in the various sub-regions of Africa. These include the Community of East African States, ECOWAS, PTA, SADCC, CEEAC and MAU – organizations which are expected to play the role of prime building-blocks for the PAEC. The section of the paper briefly reviews these experiences; and draws some conclusions, in order to situate the nature of the challenges on integration that now confront the Continent, particularly in the context of the Pan-African Economic Community.

(a) *The Community of East African States (CEAS)*

This experiment in integration, after a most promising start, was subsequently abandoned. In fact, it began with very close cooperation between Kenya, Uganda and Tanganyika, before independence, through the Commission of East African States.

However, cooperation was formally codified in 1965 by the Treaty of the Community of East African States, covering a wide range of activities; support institutions, including a common market with common external tariffs; coordinated fiscal and monetary policies; an East African Development Bank; the right of joint ownership and management of common services, including railway lines, ports, postal services and telecommunications, an airline, agriculture and forestry research centers; a steady flow of goods, services and capital; and relative freedom of movement of labour.

However, various economic and political strains created by the encroachment of the Community's institutions on State sovereignty; by divergences relating to development philosophies and approaches; and by actual and perceived imbalances relating to the individual country benefits derived from the Community, seriously undermined the climate and quality of the integration process. Indeed, despite the adoption of various measures to narrow trade imbalances and to distribute benefits more equitably, political divergences between two of the Member States eventually led to its demise in 1977; and only the Community Bank has survived.

(b) The Economic Community of West African States (ECOWAS)

The aim of ECOWAS -- established in 1975; and, by 1977, encompassing all 16 countries of West Africa – is to create, successively, a customs union and common market in the sub-region. For this purpose, the Lagos Treaty provides for the harmonization of programmes in several sectors, notably agriculture, industry, transport and communications. A Cooperation, Compensation and Development Fund was established to ensure equitable distribution of the benefits of economic cooperation; to reduce diversities in the levels of development of the Member States; and to finance projects and guarantee foreign investments in these States.

The achievements of ECOWAS, set against the goals it has set for itself, can best be described as modest; and include the financing, by its Cooperation, Compensation and Development Fund, of several projects, particularly in the sectors of agriculture, industry, telecommunications, regional road networks; and the harmonization of highway regulations. Some progress has also been made related to the freedom of movement of individuals and goods. Similarly, several protocols and decisions have been adopted; and an organization of Chambers of Commerce has been established. Furthermore, the adoption of the Pacts of Non-Aggression and Mutual Assistance in defence has improved the conditions for mutual trust, the peaceful settlement of disputes and security; and a Clearing House has been operating in conjunction with the Committee of West African Central Banks to strengthen trade relations.

However, despite these modest advances, many obstacles have stood in the way of the integration process in ECOWAS. First, trade liberalization has made little progress, partly because of the very high cost of implementing the adopted system. Similarly, the overstringent and unphased design of criteria governing rules of origin, which require that 51 per cent of the shares of firms be held by nationals of Member States, has done little to stimulate interregional trade and investment. Furthermore, the objective of removing tariff

barriers has not been attained, partly on account of the adverse short-term fiscal impact, particularly in a period of slow growth on government revenues. At another level, Member States continue to experience the negative effects of large-scale industrial plants of which neither the location nor the size has been conducive to the harmonization of industrial and related policies.

Other major obstacles to the integration process have included the non-convertibility of some currencies; the non-payment or late payment of contributions by Member States; the existence of more than thirty inter-governmental organizations, often with similar objectives and competing for the same scarce resources of Member States; delays in ratifying agreements; the low level of implementation, or even non-implementation, by Member States of instruments and decisions adopted by the Community; arrears on loans granted by the Compensation and Development Fund; the absence of a common development strategy in key areas such as industry and agriculture; and the unpredictability of the immediate benefits expected from the integration process itself. Even the principle of the free movement of persons within the sub-region has been compromised with the imposition of some residency taxes on non-nationals. Thus, although in many areas of cooperation ECOWAS has succeeded in establishing legal instruments for the Treaty's implementation, the results have so far fallen well short of expectations.

(c) The Preferential Trade Area of Eastern and Southern Africa (PTA)

The principal aim of the PTA — established in 1980, and at present comprising 17 Member States -- is to liberalize trade and encourage cooperation among these States in the following areas: industry, agriculture, transport and telecommunications, natural resources, monetary matters and the establishment of a regional common market.

The PTA has, to date, recorded some successes. Travellers' cheques in PTA currency units (UAPTA) were introduced in 1988, and are in fairly wide use. Similarly, the PTA Clearing House, which centralizes the registration and control of local currency transactions, estimated that over 70 per cent of inter-State transactions pass through this service, and that almost 60 per cent of all such transactions are in local currency. The former rule requiring that at least 51 per cent of the capital of companies be held by nationals of Member States and that at least 45 per cent of the value of a final product should be accounted for by value added, has been relaxed. The PTA has also agreed on a gradual timetable for reducing tariff barriers over a period of eight years.

However, the PTA is still far from achieving the planned gradual reduction of tariff and non-tariff barriers between Member States, which was intended to create conditions that would lead to an increase in the volume of inter-State trade. The principal goals of establishing a common monetary system, promoting specialization on a cost- effective basis and achieving complementarity of agricultural and industrial production are as remote as in the case of ECOWAS, even though the PTA has successfully adopted a number of protocols, agreements, instruments and decisions relating to preferences and increased trade among Member States.

(d) The Southern Africa Development Coordination Conference (SADCC)[1]

Established by the Lusaka Declaration of 1980 and comprising 10 Member States since 1990, the objectives of SADCC are to reduce economic ties with South Africa; contribute to the rational integration of the regional economies; mobilize support for national and regional projects; and coordinate actions to mobilize international assistance for the achievement of these objectives. Each Member State is responsible for coordinating community projects in specific areas.

SADCC has recorded some successes. For instance, of financial resources estimated at about $6.5 billion for 490 projects, $3 billion were secured and disbursed by 1989, including 80 per cent in the form of foreign aid to SADCC Member States. SADCC has also rehabilitated some of the transport and communication networks, such as the Beira Corridor and the Harare-Maputo railway line. These repairs and rehabilitation works have helped reduce the dependence of some SADCC Member States on the South African transport network.

There remain, however, several obstacles to integration within SADCC. For instance, the current volume of trade among Member States, estimated at a mere 5 per cent of total trade, is well below potential. Similarly, because Botswana, Lesotho and Swaziland are members of the Southern African Customs Union (SACU), under the leadership of the Republic of South Africa -- the objectives of which include trade liberalization, establishment of a common external tariff, a standard consumer tax, and fiscal compensation -- it is difficult to harmonize the policies of the States and ensure their integration, since those of SACU are only partially compatible with the broader objective of an economic community of the size of SADCC or PTA.

(e) The Economic Community of Central African States (CEEAC)

Established in 1983 in Libreville, CEEAC comprises ten Member States, some of which also belong to the Central African Customs and Economic Union (UDEAC) or to the Economic Community of the Great Lakes Countries (CPGL). In keeping with its main objective, namely:' the gradual formation of an economic union, by creating a preferential trade area to be achieved in three 12-year phases, its founders attached special emphasis to the development of transport; to the promotion of cooperation in agriculture, industry and energy; and to an equitable distribution of the benefits of integration.

As with other sub-regional organizations, CEEAC has adopted several protocols, instruments and decisions, with a view to strengthening inter-State trade, particularly in the areas of customs, finance, transport and telecommunications. In 1988, it also sought to establish a clearing-house to promote trade, despite the existence of five currencies in the region. And, as with other sub-regional communities, CEEAC has encountered numerous

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1 *Now, SADC, The Southern Africa Development Conference.*

implementation difficulties, most notably, the problems of transport in a vast geographical area where huge stocks of products may perish owing to their very limited access to markets; the non-payment or late payment by some Member States of their contributions; and the poor implementation of regional industrial programmes, partly due to fiscal and other difficulties.

(f) *The Maghreb Arab Union (MAU)*

From the early 1960s, the Maghreb Permanent Consultative Committee (MPCC) was assigned the task of formulating a Maghreb cooperation and integration strategy. Various bilateral and multilateral agreements were, therefore, concluded in sectors such as trade, industrial and agricultural production, energy, tourism, transport and telecommunications, scientific and technical cooperation, education and training, fiscal and customs policy, legal cooperation, and terms and conditions for the settlement and movement of persons. Relations were established with, in particular, the European Community, which led to useful dialogue on cooperation with and among Maghreb States.

The Treaty establishing MAU was established in 1989, the main objective being the establishment of a Maghreb Common Market. To this end, uniform tariffs on imports are to be applied; and the customs union should be effective from 1995. Harmonization and coordination measures have been taken to facilitate the achievement of other objectives. These include the strengthening of existing economic complementarities in the agro-food, energy, mining and industrial areas; freedom of movement of individuals and goods; standardization of taxes on agricultural products; food security; pest and disease control; and the abolition of double taxation. It remains to be seen whether the success of this effort will parallel or surpass these of other sub-regions in Africa.

(g) *Related Integration Measures*

Beyond the formal integration efforts noted above, Africa has also, over the past two decades or so, seen the emergence of a multiplicity of intergovernmental organizations (IGOs), often with overlapping objectives. In these instances as well, the results have been similar to those of the more formal sub-regional integration movements; and their actual achievements have fallen well short of expectations. In this respect, mention could also be made of the administered experiment at a form of monetary integration in the context of the CFA zone monetary arrangements. While there is much debate as to the net benefits of this monetary and exchange rate arrangement, it does, in fact, represent an integration effort, albeit supported and financed externally.[2] And even in this case, there is no firm consensus on the net benefits to the countries involved of this particular set of arrangements.

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2 It is interesting to note that this particular effort is not a purely African initiative; and depends on the important financial support of the former colonial power.

3. Principal Constraints to the Integration Process in Africa

The experiences of the various integration and cooperation efforts summarized above illustrate the limited achievements to date and the long road still to be covered. They point broadly to the fact that African integration schemes have generally aimed at achieving five main objectives, namely:

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

(ii) the establishment of a common external tariff and a common commercial policy towards third countries;

(iii) the abolition of all obstacles to the free movement of persons, services and capital between member States;

(iv) the harmonization of agricultural, infrastructural, industrial, monetary and economic policies of the member States; and

(v) trade facilitation through the establishment of clearing and payments arrangements and trade information systems.

Notably, these initiatives were largely State-directed and motivated, reflecting the broad philosophy of African development in the post-independence era and the dominant role assigned to the State vis-à-vis the private sector, in influencing economic policy decisions. In this regard, it could be argued that successful integration schemes have usually been led the private sector, with the State acting largely as a facilitator of the process.

Progress on the five main objectives identified above has been uneven, with some integration schemes making relatively more progress than others in particular areas. In this respect, the PTA trade liberalization programme has probably gone further than others; ECOWAS has made modest, but real, progress in implementing the first phase of the agreement on the free movement of persons, while SADC has had some notable achievements in the coordination of sectoral policies process of regional integration.

However, among the more important factors impeding greater progress are:

- institutional constraints: divergences in legal and institutional frameworks; tariff and non-tariff barriers to intra-community trade; nonconvertibility of national currencies; an unfavorable environment for private sector initiatives and private investment;

- structural constraints: lack of basic infrastructures and absence of infrastructures to facilitate intra-regional exchange; large discrepancies in resource endowment and development perspectives between countries belonging to one region; low complementarity of production;

different administrative cultures;

- uncertainty regarding the gains to be derived from regional cooperation and integration; and the inequality of their distribution between Member States, in relation to the requirements with respect to human and financial resources, and overriding national priorities; and

- political constraints: the political and economic influence of the former colonial powers; military conflicts between and within Member States belonging to one regional community; a reliance on state interventionism and centralized development; nationalistic policies and ideological boundaries between national development strategies;

In examining these constraints more closely, the serious shortages of financial, material and human resources, emerge as a major obstacle to economic integration. A country needs a growing economy to be motivated to look for markets and, therefore, an incentive to cooperate. In all instances where integration efforts have been made, those countries with rapidly growing economies are the most ardent supporters of economic cooperation. Similarly, the benefits from economic cooperation should be shared in an equitable and transparent manner, or risk becoming a constant cause of friction. Indeed, the actual or perceived difference between the costs of integration in the short term and its long-term benefits is especially important to countries which are overdependent on short-term earnings. Difficulties in harmonizing policies also seriously impede economic cooperation.

Beyond strictly economic issues, a further factor underlying the slow pace of the integration process in Africa relates to the political will of the actors, namely, the Governments of the Member States, whether reflected in deliberate actions to undo integration processes (as in the case of the Economic Community of East African States); or whether in the form of implementation delays which frustrate the declared political will; or in the creation of many competing and mutually paralysing organizations which effectively dilute the broad integration and cooperation effort. Related to this is the issue of sovereignty. This is particularly acute in newly independent countries which may not have a clear perception of the inevitable limits imposed on their legal sovereignty by the very nature of economic interdependence and cooperation.

It should also be noted that the multiplicity of IGOs in the various sub-regions has impeded the progress and viability of African integration groupings. Aside from the large number of IGOs dealing with sectoral issues, there is a multiplicity of integration groupings with overlapping memberships in each sub-region. Given the difficult financial situation of most African countries, spreading available resources over a large number of IGOs has led to serious financial difficulties, and substantially impeded the implementation of their principal objectives. In each subregion, the problem of rationalizing or integrating the various institutions must continue to be a major issue engaging the attention of African leaders.

On the whole, it is clear that the integration of States with significantly different

economic levels; 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.

4. The Abuja Treaty – Future Perspectives and Policy Recommendations

Perspectives

While, on the whole, the results of Africa's integration efforts since independence have, as outlined above, 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, even though there is still some debate about the approach for dealing with these problems.

It is notable that recent developments in the overall African 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) the 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 labor; and raises the prospect of a decline in capital inflows required for growth, resulting in the need to accelerate the transition towards auto-financed and self-sustained development.

However, in spite of these advances, and more particularly, even 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 flexible membership in various sub-regional organizations should not be attempted, as a way of making faster progress. Two proposals have emerged in this context. The first points to advantages of common currency zones; and argues the case for establishing a new community to incorporate the two monetary zones linked with the French franc. Hence, an African Franc Zone Economic Community has been proposed, to embrace the member countries of UMOA and BEAC. 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 subregion. In this regard, an Economic Community for Southern

Africa, which will include a democratic South Africa and most member countries of SADC, has been proposed.

This debate on a flexible approach to African economic integration has gathered momentum at precisely the time that the establishment of the Pan-African Economic Community has begun to move to provide a continent-wide framework for rationalizing the activities of existing integration groupings. It is worthy of note that the Treaty establishing the PAEC provides that the existing sub-regional groupings serve as the building-blocks for the new Community, and that the first five years of the new institution will be devoted to the strengthening of these sub-regional groupings. The relationships between the PAEC and the sub-regional groupings are to be governed by a protocol to the PAEC Treaty which is now under discussion, and which is expected to make a positive contribution to the institutional framework for African economic integration.

The concept of 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 further 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 decesion-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 in two, as the remaining Member States of the Community have only two options: implementing the decisions taken by the "core community" or taking a direction more consistent with their joint interests. The variable geometry-strategy becomes an especially important concern when the pace of progress of the core countries depends on the impetus carried into the community from outside the region. Indeed, an integrative strategy is unlikely to succeed if the steam for the locomotive is not generated by the Member States forming the very community.

Concern must, therefore, be expressed about the implications of the variable geometry approach for the Abuja Treaty and for the present integration groupings. Indeed, the proposed Franc Zone Community will cut across the present memberships of ECOWAS and ECCAS, while the proposed community in Southern Africa may further complicate the delicate problem of merging SADC and PTA. Hence, it may be counter-productive, especially at a time that the sub-regions are coming to grips with the rationalization of the existing integration groupings, to propose this "flexible" approach as it may serve only to make an already complex situation even more complicated; and it may compromise some of the gains that have already been achieved in the existing groupings. 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 consideration any future decisions that African countries may jointly wish to take with a view to advancing this process.

In practical terms, the implementation of the Abuja Treaty will ultimately depend on the motivation of Member States to sacrifice political autonomy for the benefit of the community as a whole. The transfer of political authority in specified areas of economic policy is feasible only on the basis of a progressive harmonization of the legal and institutional framework; and it requires converging macroeconomic and sectoral policies. Given the fact that the gains accruing from integration to every individual Member State and to the entire community remain uncertain, substantial efforts will need to be undertaken to make the process of integration more transparent. For instance, to date, there is neither a comprehensive database nor an economic framework incorporating economic data generated at the national level to trace economic developments and trends on a continent-wide scale. Estimates on the magnitude and structure of unrecorded intra-regional and inter-regional trade differ widely; and little is known about the links between the informal sectors of neighbouring countries. Increasing knowledge about economic structures and developments, growth perspectives and constraints to economic development, generated on a regional scale, rather than being confined to isolated country analyses, will help to identify common problems and mechanisms for addressing these problems more effectively.

Although the perception of governments of the potential economic costs and benefits is important, it is their political will and commitment which will ultimately determine the pace of regional economic integration. Thus, unless governments and political leaderships are convinced that the process of integration will help them deal with domestic economic, political and social issues better than they otherwise could, they will naturally limit time and resources to dealing with such issues rather than to regional integration. Thus, for regional integration to succeed, it must have a political constituency among political leaders, government officials, the private sector and the public at large, including the non-governmental sector.

There is also need for a clear recognition that existing regional economic communities comprise countries with disparate population and industrialization levels, as well as different market sizes; and that trade liberalization within the region will initially result in an unbalanced pattern of intra-community trade. Beyond this, in the majority of African countries a high proportion of government revenues stems from customs duties levied on imported manufactured goods. It follows that replacement of imported manufactures by goods produced within the community is likely to lead to substantial loss of customs revenue in the short run; and that these losses will fall disproportionately on the less-developed countries within the community. Consequently, unless mechanisms are developed for the orderly and equitable distribution of the costs and benefits of economic integration, the less developed members of the region will be reluctant to participate in the integration process. There is thus need to demonstrate the net long-term economic benefits of regional economic integration; and to identify viable, transparent and undistortive mechanisms for the fair distribution of the costs and benefits of integration within the regional community.

Apart from the elimination of tariffs and non-tariff barriers, efforts will also be required to achieve greater policy convergence related to fiscal and monetary regimes, inflation, and currency convertibility. In virtually all instances, this would require subordinating sovereign national interest in the short term in order to achieve regional benefits in the long term. In this regard, the design and implementation of regional structural adjustment and reform programme (see discussion below) will be an important step towards regional macro-economic convergence.

Strengthening existing regional economic communities will also be necessary; and this requires a rationalization of the multiplicity of regional organizations under the authority of the regional economic communities. Given the budget constraint of the Governments of member states, the existing cooperation arrangements must be rationalized and streamlined, so that there are fewer IGOs that are more productive and cost-effective. In order to ensure consistency of this process with the time-frame of the Treaty, timetables need to be established at the level of each regional community; and some regional organizations may be absorbed during the transitional period by national and other regional administrations.

The Abuja Treaty also envisages that Member States take all necessary measures aimed at progressively promoting increasingly closer cooperation among the communities, particularly through coordination and harmonization of their activities in all fields or sectors. Member States should be encouraged to create, within the technical ministries responsible for certain priority sectors (such as agriculture, commerce, and industry, the financial sector, energy, transport and communication), units with specific responsibilities in respect of international coordination and cooperation. It is essential that these officials become familiar with the objectives of the Treaty, with the institutional environment, and with the procedures to be adopted.

Some Specific Policy Recommendations

The most important first step in demonstrating Africa's political commitment to, and ownership of, economic integration and cooperation on the Continent is the ratification of the Abuja Treaty by at least two - thirds of the members of the OAU. Without a deadline for the entry into force of the Treaty, it is unlikely that a critical mass of African countries will be under pressure to ratify it. Thus, in order to speed up the entry into force of the Treaty, a firm deadline for ratification of the Treaty by member countries should be established, to speed up the integration process and to reduce the length of the transitional period.

Beyond this obvious imperative, the following recommendations focus on factors and conditions which are likely to contribute to the creation of an environment favourable to the implementation of the Treaty establishing the Pan-African Economic Community.

(a) *Institution-Building*

(i) The Secretariat of the Organization of African Unity should be considerably strengthened so as to be able it to fulfil the tasks assigned to it by reason of its new responsibilities as Secretariat

for the Community. The OAU could be restructured to include a special unit responsible for coordinating the activities related to the implementation of the Treaty of Abuja, and should be provided with adequate human and financial resources.

(ii) The ECA should strengthen its support for African economic integration, notably by defining appropriate strategies and priorities, and by intensifying action aimed at identifying and preparing multinational projects. In addition, it should adapt its organization and its activity programmes and significantly strengthen the departments and structures responsible for economic integration issues.

(iii) Since the implementation of the economic process depends mainly on the Regional Economic Communities, it is necessary to restructure their secretariats and provide them with sufficient human and material resources to enable them to operate efficiently and without excessive bureaucracy.

(iv) Efficient and unbureaucratic national structures should be etablished to ensure coordination and liaison between the governments of Member States on the one hand, and on the other, regional and continental organizations of cooperation and integration.

(v) The process of strengthening regional economic communities needs to be geared to the requirements of the next stage of the implementation of the Treaty. In order to reinforce the cohesion[3] between national and community administrations, the following measures need to be taken:

- The establishment and training of a pool of national civil servants, representatives of professional organizations and business leaders, representatives of labor unions, and of representatives of socio-economic groups who will contribute to a better understanding and coordination of programs and initiatives within the regional economic

3 Experience from SADCC indicates that the sharing among member states of responsibilities for the planning and coordination of community initiatives and programs improves the prospects for donor support and successful program implementation. While putting an additional burden on the human and material resources of national public administrations, the sharing of responsibilities among member states is likely to facilitate the identification of individual member states with the regional community, to stem the proliferation of bureaucracy at the regional level, and to pave the way for diversification and specialisation at intra-community level.

communities;

- The establishment of sector conferences that will promote a regular exchange of information and views between high-level civil servants responsible for the implementation of policies both at the regional and at national level;

- The creation and promotion -- with the possible support of the donor community -- of university centers for African integration that will conduct research and provide training to future civil servants and businessmen in disciplines of particular relevance to economic integration (such as public and business administration, public sector management, economic policy and international trade).

(b) *National Economic Management*

The Member States should take the necessary steps to improve the management of national affairs at all levels, through better economic management, by making it possible for the population to play a greater part in socio-economic development and by ensuring responsibility, transparency and accountability in the management of public affairs. Compliance with the basic principles of pluralist democracy and human rights will create a setting more conducive to economic development in general, and to economic integration in particular.

(c) *Promotion of the Private Sector*

The creation of an institutional framework conducive to the revival of the private sector will foster the emergence of competitive conditions under which capital will be able to generate income and hence, savings for increased investments. Privatization programmes relating to public enterprises may be applied whenever needed in the light of the situation of such enterprises. Political measures and multisectoral programmes for truly promoting the private sector should be implemented.

(d) *Improved Productivity and Competition*

African countries must improve their productivity and production, including the quality of goods and services, and strengthen their market competitiveness. The production of quality goods and services will foster a further increase in the volume of intra-African trade and of trade flows from Africa towards the rest of the world. The achievement of these objectives requires the adoption of modern methods of production and the utilization of appropriate technologies and highly skilled efficient labour.

(e) *Freedom of Movement of Labour, Capital, Goods and Services*

To improve the allocation of resources and their mobilization within the Community, individuals should be empowered to carry on the economic activity of their choosing in any member country. Capital, goods and services should also circulate freely. Such measures would enable African countries to make use of their comparative advantages within and outside the regional communities. The protocols to be adopted in this connection should deliberately take into account these important aspects of integration.

(f) *Human Resource Development*

With the assistance of the appropriate institutions – including the ADB – the Member States should upgrade the quality of their human resources by undertaking large-scale educational and training programmes, especially in the areas of science and technology, and make optimal use of these human resources. The full participation of women and young persons in the planning and execution of projects at all stages of the economic integration process should be ensured and the cultural aspects of development should be taken into account.

(g) *Structural Adjustment Programmes (SAPs)*

While economic integration could be seen as a means of fostering economic growth and development by making African countries inward-looking, albeit on a collective basis, the SAPs adopted by various countries have mainly been outward-oriented. However, structural adjustment and economic integration have the common goal of promoting economic growth and development. They both involve actions on the same macroeconomic and sectoral variables. Even without any conscious attempt to link SAPs with integration programmes, policy in one sphere necessarily has implications for actions in the other sphere. Hence, SAP policies and integration objectives will need to be much more mutually reinforcing than hithertofore.

Thus, conscious efforts need to be made to ensure that SAPs and economic integration are mutually reinforcing. Such measures need to be based on: (i) analyzing the regional impact of national macroeconomic measures; and (ii) explicit examination of the regional impact of national sectoral programmes. It follows, therefore, that since structural adjustment and economic integration have become central elements of the development strategies of most African countries, they must relate to each other positively. It also follows that if structural adjustment provides a framework for articulating programmes and establishing priorities for resource allocation; and if economic integration is to have a priority claim on resources, the latter needs to be related to, and serve the purposes of, structural adjustment. If this is to be achieved, there should be full exchange of information among

countries about national SAPs and the programmes of relevant integration groupings, at the design, as well as at subsequent stages. Furthermore, it should be possible for regional economic groupings to assess the regional impact of national SAPs, as well as the national impact of regional programmes on the implementation of SAPs. Such assessments should be on the agenda for priority action by the regional economic groupings; and the idea of a regional structural adjustment programme must, therefore, not be ruled out; but, indeed, strongly encouraged.

In combining the strategy of market integration with the objective of converging national macroeconomic and sector policies, and by relying on the strengthening of the integrative forces of existing regional economic communities, the Abuja Treaty offers a flexible framework for the promotion of economic integration in Africa. In pursuing this question, certain areas of policy provide major points of linkage between SAP policies and integration objectives. Chief among these are the following:

- *Trade liberalization*. This will include the regional impact of the trade liberalization component of structural adjustment, as well as the implications of intra-regional liberalization on trade with third countries;

- *Harmonization of economic policies*, including the establishment of common policies in agriculture, economic diversification and industrial development;

- *Trade facilitation arrangements*, including various arrangements for facilitating intra-regional payments (e.g., full or limited convertibility arrangements, the use of clearing houses, use of member States' currencies and monetary union); and

- *Free movement of labour and capital; and rights of residence and establishment*. This should include financial deregulation, harmonization of investment codes, the promotion of cross-border investment, and the facilitation of multinational projects.

Summary and Conclusions

This paper has sought to identify some practical mechanisms for advancing the process of economic integration in Africa. Drawing from the lessons of past experiences, it has identified certain key actions which will be important in defining the pace of future progress. However, while there are important steps to be taken at the governmental level, it needs to be stressed that governments' primary role should be that of facilitators -- creating the necessary conditions such that individual economic agents can seek out and act upon those opportunities that ultimately result in the closer integration of the African economies. Drawing extensively on the experiences of those individuals in the formal and informal who

now, in a de facto sense, have moved well ahead on integration, in spite of the odds, Africa can develop a forward-looking and dynamic set of economic and other arrangements to advance the development prospects of the Continent.

Filling the gaps left open for negotiations among Member States on the protocols that are to define the measures to be implemented during the five stages leading to the Pan-African Economic Community will be a monumental task, and it will require continuous support from all Member States and from the three institutions forming the Joint Secretariat. The Joint Secretariat and the three institutions supporting it, are to play, particularly during the First Stage of the implementation of the Treaty, a leading role in mobilizing intellectual resources in support of the implementation of the Treaty, and in directing technical and financial assistance to the Member States and Communities needing them most. Continuous improvement and innovation in policies, instruments, and procedures at all levels will be crucial in a joint strategy to promote economic cooperation among Member States and Regional Economic Communities.