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ECONOMIC COOPERATION IN AFRICA

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ECONOMIC COOPERATION IN AFRICA

BACKGROUND

1. The developing African region is divided (as of the end of 1967) into 38 independent States and a number of non-self-governing territories. Half of the countries of the region have individually an annual income of less than 400 million US dollars - and this estimate includes subsistence production. In relation to the scales of production required for the efficient operation of many branches of modern economic activity the markets offered by most African countries are therefore very small indeed. Moreover, the volume of intra-African trade is small - and hardly increasing - in relation to the trade of the region with the rest of the world.
2. Through their regional bodies, in particular the Economic Commission for Africa and the Organization of African Unity, African countries have repeatedly expressed their determination to take measures aimed at overcoming, or at least mitigating, the adverse economic effects of this fragmentation of the continent. By now, the logic of a multinational approach to certain aspects of economic development in Africa is generally accepted among the politicians and officials of the region.
3. No re-grouping of African States has so far been accomplished with the aim consciously to integrate a number of national economies and to seek their development jointly. However various attempts at more limited forms of economic cooperation have been made some of which have been formally embodied in solemn treaties between African States or have taken firm root through other types of institutional arrangement. Broadly speaking, three methods of approach towards cooperation may be discerned, with some African States participating in more than one form of cooperation. At the lowest level there has been cooperation in the setting up of multinational enterprises and institutions. Some of these, like airlines and research institutes,

do not involve any coordination of economic policies or lead to much further extension of economic contacts between the countries concerned. Others, such as the multinational central banks in West and Central Africa, have the closest bearing on the domestic and foreign trade policies of the individual member countries but are not themselves designed to be instruments for furthering economic cooperation or integration among the member countries.

4. The second type of arrangement has involved the establishment - or reconstruction - of areas of free trade and customs unions in which the member countries grant each others' products preferential tariff treatment but have no elaborate machinery for planning jointly the development of the requisite productive capacity or of other sectors of their economies. The West African Customs and Economic Union and the East African Common Market under the Kampala Treaty belong essentially to this category. But the latter is accompanied by such a wide range of common services and financial arrangements as to go substantially beyond a simple customs union in its economic implications.

5. The third type of system for economic cooperation which has been tried in the region has concerned itself primarily with the development of selected areas of economic activity through concerted planning and implementation of agreed programmes. In the case of the Maghreb countries the element of trade liberalisation is now being progressively added to a process which was initially concentrated on joint selective planning and development. And in the Economic and Customs Union of Central Africa an essentially free trading arrangement is being increasingly complemented with joint development planning and harmonisation of policies.

6. Some of the most important successes achieved in establishing arrangements for economic cooperation in the recent past have consisted in the reconstruction of situations of cooperation or harmonisation which were inherited from the colonial period. Thus the East African Common Market has been rebuilt under the Kampala Treaty to meet the

fact that Kenya, Tanzania and Uganda are independent States rather than colonies whose trade and economic policies are determined by a common metropolitan power. The Common Markets which France built up in her colonies in West and Central Africa have been given new institutional forms and a re-defined content.

7. Some of the colonial era arrangements have yet to be reconstructed. A number might be considered permanent casualties of history, such as the Common Market under the former Federation of Rhodesia and Nysaland and the common currency in the sterling area countries in both East and West Africa. In the case of East Africa payments arrangements of almost equivalent effect have been instituted between the successor currencies, while in West Africa they have not been. So the consequences in terms of economic relations between the countries concerned are now very different.

8. In its contemporary form the idea of inter African cooperation was most clearly worked out in an all-African context, in particular at various meetings held under the Economic Commission for Africa. The political leaders also adopted the concept in that form, culminating in its incorporation into the basic principles of the O.A.U. Indeed by 1964 discussions were being organised to consider the formation of an African payments union as a prelude to the establishment of an African Common Market. It became apparent however that especially with the weak technical apparatus available to both the national governments and the international organisations in Africa, and given also the vast distances, the varying degrees of economic contact inside the region, the diversity of economic relations with countries outside the region and other such factors, a sub-African scale of action had to be adopted at the initial stage.

9. The Economic Commission for Africa, in cooperation with the Organization of African Unity, has since 1964 adopted the sub-regional approach as a pragmatic solution to the problem of size.

Its effort at fostering economic cooperation is based on four sub-regions into which the African States are being organised. Six countries have been brought together in the North, fourteen in the West, eight in Central Africa and twelve in Eastern Africa. These sub-regions are considered large enough to be economically viable and are meant to form the framework for an integrated economic development. Certain countries which have important economic interests in two sub-regions participate in the activities of both of them. In general the boundaries between the sub-regions are not intended to become rigid barriers to economic contact between countries which happen to be assigned to different sub-regions for reasons of convenience. And the sub-regional arrangements that are now being set up have to be suitable for future incorporation in an all-African system of economic cooperation.

10. In all of the sub-regions there exists some form of on-going inter-state organisation that provides a nucleus for grouping together a larger number of states into a still more viable economic unit. The four Maghreb countries have to extend their contacts with the UAR and Sudan. The seven members of the Customs Union of West Africa (UDEAO) have to forge new links in trade and general economic development policy with the other seven countries of West Africa. The five franc-zone countries which now comprise the Customs and Economic Union of Central Africa (UDEAC) have to find the means by which they can cooperate with Congo (Kinshasa) and with Rwanda and Burundi in a stronger, and mutually more profitable, economic entity. The three members of the East African Common Market as reconstituted under the Kampala Treaty are already considering the gradations of economic relationships that can be developed between them and other countries in the sub-region.

11. These constitute the crux of the problem of economic cooperation as it must be tackled in the African region in the period immediately ahead. Within each sub-region the programme proposed by the ECA and increasingly accepted by the member States is meant to proceed

on two levels. First, the principle of economic cooperation must be translated into inter-governmental institutions in which the Governments can initiate collective policies and projects, and generally build up stable relations in the economic field. Of great importance among the institution proposed is the creation of a civil service machine, comprising international officials who will, and can, advise on and promote joint undertakings on behalf of the group as a whole. Secondly, and simultaneously, a number of concrete multinational projects should be agreed upon and means found for implementing such projects.

12. So far the progress made by the four sub-regional groups has been rather uneven. In particular, up to the present time none has built up a strong technical arm to work out policies and projects. A number of opportunities for enlarging the scope of economic co-operation in each sub-region has been identified, mostly through preliminary studies carried out by the ECA. But the gap between these prefeasibility studies and the formulation of properly documented, bankable projects has yet to be bridged. It is in performing this very essential task that sub-regional technical and civil service bodies and massive technical assistance from the outside are most urgently required.

PRESENT SITUATION

13. The following presents in a summary form the progress which has been made in establishing the institutions and processes of economic co-operation in the various sub-regions.

Eastern African sub-region

14. Economic cooperation in the Eastern African sub-region was set in motion when the ECA convened a sub-regional meeting on economic cooperation in Lusaka in October/November 1965. This meeting recommended to the governments the creation of an Economic Community of Eastern Africa. In May 1966 a meeting of the Interim Council of Ministers representing most of the countries of the sub-region signed the Terms of Association for the Economic Community of Eastern Africa. Ten countries - Burundi,

Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Somalia, Tanzania and Zambia - signed or initiated the Terms of Association which constitute transitional arrangements for the group until a more elaborate Treaty can be signed. Uganda, and Botswana, Lesotho and Swaziland have yet to sign these Articles. The latter countries have shown an interest in diversifying their economic contacts in the direction of neighbouring African countries.

15. A meeting in October/November 1967 of the principal group of technical representatives (the Interim Economic Committee which comprises senior officials of the member States of the Community) has prepared the way for a number of important and clear-cut decisions to be reached on the harmonisation of the policies of the members of the Community in various fields. Their recommendations include practical methods whereby all trade barriers within the Eastern African Economic Community should be progressively eliminated, to be paralleled by negotiations aimed at achieving the establishment of a full customs union. It recommended that a first trade negotiation conference for the sub-region shall take place in the second half of 1968.

16. Meanwhile Kenya, Uganda and Tanzania have started implementing the new Treaty for East African Cooperation which came into effect from 1st December 1967. Under it the existing Common Market is substantially preserved as are the former Common Services, while new political and financial arrangements have been introduced. Other countries of the sub-region, in particular Ethiopia, Somalia and Zambia, have expressed an interest in being associated with this cooperative effort.

Central African Sub-region

17. A meeting on economic cooperation in the Central African sub-region, held in April 1966, recommended that the Heads of States and governments in the sub-region set up a ministerial committee to consider institutional arrangements for economic cooperation. No firm time-table

for the achievement of this goal was laid down, and although useful work has been carried out, the sub-region has been marking time on the major issues in sub-regional development and economic cooperation.

18. On the other hand, there already existed the Customs and Economic Union, comprising five of the countries of the sub-region and having its own permanent institutions for joint policy making, including an authority at the Heads of State level, a common central bank and currency, and a number of common services especially in the field of transport. There are fiscal arrangements designed to effect a more equitable redistribution of the benefits from the customs union. And more recently there have been attempts at a more positive approach to industrial planning and location, leading to some success in the field of textiles and vegetable oil industry.

West African Sub-region

19. In the West African sub-region a meeting in April/May 1967 signed Articles of Association establishing an Interim Council of Ministers. The Articles of Association constitute an international treaty binding upon its signatories and deposited with the Secretary-General of the United Nations. The intention to bring into being a permanent community is declared at the very outset of the Articles, which, however, do not themselves create such a community. This latter is the principal task of the Interim Council of Ministers and of a provisional secretariat which was also set up.

20. The first meeting of the Interim Council of Ministers, (composed of representatives of Dahomey, Gambia, Ghana, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo, and Upper Volta) took place in November 1967. It decided as the ultimate aim that the Community should try to develop cooperation between the member States in all fields, and it set up arrangements for further study to secure a more thorough appreciation of all the concrete measures necessary to achieve economic integration in West Africa. The provisional secretariat is to prepare a new draft of the Treaty of the Economic Community of West Africa, as well as these economic studies. After they have been considered at

technical meetings during the year these are to be taken up again by the Interim Council of Ministers which will meet not later than November 1968.

21. Meanwhile, on the initiative of the four Heads of State who are working together on the development of the Senegal river basin a West African Summit meeting has been called for the middle of 1968 to set the seal of approval on, and define the principal directions for, economic cooperation in the sub-region.

22. The West African Customs Union (UDEAO) embraces seven countries of the sub-region. By a series of parallel national legislation the Union has now been reconstructed on the general principle of mutual tariff preferences, though this is applied in different ways by the various countries. The adoption of a common external tariff is the next assignment which the member States have set themselves. There also exist a common central bank and currency for the franc-zone countries of West Africa; Mali which had previously left these institutions is now negotiating to return to them. And trade among a number of West African countries is covered by trade and transit agreements of various types.

North African Sub-region

23. Three sub-regional meetings have been held in the North African sub-region. The ECA secretariat has provided a series of pre-feasibility studies in the fields of agriculture and industry, while further studies on maritime transport and tourism are being carried out as a means to extend economic cooperation in the sub-region.

24. This sub-region already has an extensive complex of industrial capacity especially in the UAR. The adaptation and utilisation of this capacity to meet sub-regional needs rather than the national markets for which it was in most cases originally constructed is the immediate issue to which the North African group has to address itself. In addition, the Economic Commission for Africa is conducting studies into a pattern of further

industrial development over a perspective period designed to complement the existing facilities in meeting the expected future demand for industrial products in the sub-region.

25. As an essential part of the above programme studies are now to be commenced into the possibilities for a progressive elimination of trade barriers between members of the sub-region.

26. Meanwhile the four Maghreb countries have since 1964 built up a consultative and advisory machinery to enlarge the scope of their economic co-operation. The work of the Ministerial Council and its various committees now covers most branches of large-scale industry, transport, energy and trade. And the latest project is to study the creation of a Maghreb development bank which will support the realisation of the many possibilities for multinational projects that are being thrown up by the preparatory work in the group.

FUTURE PROGRAMME OF ACTION

27. Partly as a result of the activities of the Economic Commission for Africa in the field of sub-regional economic cooperation during the past two years the potential scope for economic development in Africa has widened considerably, especially in transport and industry. Many projects which were once regarded as being obviously non-viable in an individual national context have been shown to be commercially and technically feasible within a multinational framework. This is especially true of the most technologically advanced and strategic industries such as those producing intermediate and capital goods, in which Africa is at present completely dependent upon non-African sources of supply.

28. Corresponding changes are emerging in the aid policies of some major donor countries and of the multi-lateral financial institutions, a greater emphasis being now placed on the identification and financing of multinational projects. The further programme for the development of economic cooperation in Africa must therefore be directed at producing the projects towards which this potentially available financing can be channelled.

29. Before this can happen, however, certain conditions have to be fulfilled requiring in particular initiatives and commitments on the part of the African countries themselves. Firstly, they must build their inter-governmental institutions so that these can act authentically in the name of the governments, especially in mobilizing external assistance. Secondly, and to this end, the members of the sub-regional groups must accept the material responsibility for the maintenance of these institutions. Assistance from multi-lateral and other donor sources can only be supplementary to the countries' own provisions. Thirdly, the necessary commitments, usually of all or a part of the national markets for stated products, must be clearly made by the governments so that multi-national projects can command the requisite standing in the capital markets of the world in terms of their likely profitability. Fourthly, the assigned pieces of national action which together go to make up a programme of multi-national development must come to be reflected in the planning and policies of the cooperating governments.

30. More specifically it is suggested that African countries in the period ahead concentrate on the three following principal tasks:

- (i) To set up or strengthen institutions in which they can discuss and take decisions on their collective policies and projects, frequently and on a working level, in the same way that national policies are made in cabinets and committees;
- (ii) To create a multi-national civil service machinery which will advise them and promote their joint undertakings. This is particularly important since each participating government is constantly getting advice based on individual national interest from its own civil servants and there is need for a strong and neutral focus for the multi-national approach. Besides, the common interest of a group of countries tends to be nobody's interest in particular and is always in danger of going by default in the midst of all the pressing details of national policy which occupy the authorities in each country;

- (iii) To agree on, and find the material means for implementing, a number of concrete development projects which increase economic contacts between their countries and thereby enhance their joint prosperity.

THE CONTRIBUTION OF INTERNATIONAL ECONOMIC POLICY TO THE PROGRESS OF ECONOMIC COOPERATION IN AFRICA

31. The issues of international policy in the field of trade and finance such as are being discussed within the framework of UNCTAD impinge on the progress of the African countries towards increased cooperation at a large number of points, among which the following three would seem to be the most immediately urgent:

1) The right to most-favoured-nation treatment

32. Most of the African countries have acceded to the GATT and undertaken the obligation to grant most-favoured-nation treatment to other members of GATT. In addition, a number of African countries through their contractual relations with some of the developed countries are obliged to grant to these countries preferential tariff treatment as compared to all their other trading partners. The internationally recognised conditions for obtaining waivers from these obligations are limited to those situations where the African countries concerned would proceed to establish comprehensive free trade areas or common markets with neighbouring countries.

33. As indicated in earlier sections of this report both the existing and the projected economic groupings in Africa are working towards the establishment of such comprehensive arrangements for trade liberalization. At these initial stages however there seems to be a general preference, wherever the African countries are trying to forge new trading links, to proceed on a more selective basis. It is therefore required that international practice should be stretched in such a way as to enable African countries to give to each other on a selective basis tariff preferences vis-à-vis other members of the international trading community.

34. The import structures of most of the African countries are dominated by a small number of staple consumer goods and intermediate

products such as textiles, meat and fish, cement and petroleum. It is precisely towards such products that the action at selective trade liberalisation tends to be directed, since national programmes of import substitution and the possession of particular natural resources has tended to create in the region already the capacity to supply each others' requirements of such staple items. This means that selective trade liberalization, even though not formally covering the majority of items on the standard import list, would nevertheless tend to touch the major portion of the import trade from the point of view of money value. It is therefore to be expected that the existing suppliers of these goods, who are mostly located in Western Europe and Japan, should throw their weight behind the preservation of their countries' rights under the GATT and the various special agreements.

35. Given the relations between the African countries and some of these more advanced countries in other fields, such as aid, it is clear that these latter countries possess sufficient economic and political leverage to safeguard their trading interests if they so decide. The question for international trade policy is therefore whether, and under what conditions, these wealthier countries would agree to forgo some of these rights.

ii) The planning of multinational projects and programmes

36. As indicated previously, the absence of technical machinery for drawing up and promoting a sufficient volume of programmes and projects for multinational cooperation is increasingly showing itself to be one of the most serious obstacles to increased cooperation among the African countries. The situation has been reached in some cases where the potentially available financial assistance for multinational projects far exceeds the availability of such projects in a form suitable for financing. Both the regular civil service resources and the special advisory - consultancy services that are required in the planning of national programmes and projects of development are also needed at the multinational level if economic cooperation is to progress beyond the stage of general agreements to

that of concrete achievements.

37. What is required concretely is the agreement of the donor countries and international institutions to devote an increased portion of the already available technical assistance resources towards the relatively new field of multinational development.

Advise and aid are needed so that more African countries can establish efficient industrial projects whose products they can sell to each other, develop new lines of agricultural production for neighbouring markets, construct the necessary transportation and commercial facilities along which these products can be moved, and conclude feasible trading arrangements with each other.

38. A number of existing models already point the way in this. For example, the pre-investment unit set up in the African Development Bank with the assistance of the United Nations Development Programme opens up the possibility for the effective planning of multinational projects. Before the various sub-regional groups can approach banks and other sources of financing for their joint projects similar work, at a comparable level of technical proficiency, also has to be done by the sub-regional institutions themselves.

iii) The Coordination of external financing

39. Quite frequently the availability of external financing finally determines whether, and where, various industrial, agricultural and transport developments will actually take place. At present, the lack of coordination among donor countries in the application of such external financing is tending to create serious difficulties for the success of economic cooperation; it is indeed possible to point already to some grave economic errors the cost of which will have to be borne by various groups of African people for a long time to come.

40. It would be quite easy for such coordination among donor countries to degenerate into forms of cartel and other undesirable external pressures. It has been proposed elsewhere (E/CN.14/UNCTAD II/3) that new machinery for discussing the use and encouraging the

flow of external financial assistance into the African region might be set up in which donor and recipient countries would cooperate. Such machinery, on a regional or sub-regional scale, would seem to present a good opportunity for the coordination of policies in the application of external financing to the end that such financing would yield its maximum benefits in terms of its contribution to the development of the African region.