OECD DEVELOPMENT CENTRE

POLICY BRIEF No. 20

THE NEW REGIONALISM IN SUB-SAHARAN AFRICA: MORE THAN MEETS THE EYE?

by

Andrea Goldstein

- Regional integration in sub-Saharan Africa is becoming a vehicle for enhancing private investment through confidence building. Setting clear and easy-to-track priorities is key to achieving these policy goals.
- Regional policy harmonisation or joint infrastructure projects are needed to improve access to world markets, increase capital flows and stimulate economic exchanges between African countries. In all these areas, policy reforms at the domestic level are necessary to attract region-wide investment.
- Political actors that have most to lose may pose obstacles to regional integration. The international community should support reform efforts and assist reform-minded leaders in overcoming resistance and scepticism.
- The removal of remaining trade barriers — extending to agriculture and non-tariff barriers — is by far the single largest contribution that OECD countries can make to sustain African recovery.

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Introduction

What does sub-Saharan Africa need to recover from its present riddle? While other developing countries, in Asia but also in Latin America, have seen their fortunes rise over the last 30 years, the sub-continent's economic performance has been disappointing and well below its catch-up potential — not to mention the need to accelerate growth in order to reduce poverty. A sense that an opportunity is being lost has emerged, especially as the world turns regional in terms of production, financial and trade flows (Guerrieri and Falautano, 2000). While sub-Saharan Africa has already had its encounters with regionalism — indeed, the world's oldest customs union exists in Southern Africa — most of them quickly turned sour. Nonetheless, in other developing regions, notably in Latin America, there is evidence to support the view that over the last decade deeper regional integration has contributed to attract foreign direct investment (FDI), reinforce the legitimacy of democratic governments, reduce cross-border tensions and develop a shared vision of a region's place on the global scene (Goldstein and Quenan, 2002).

The Development Centre has recently analysed the six Emerging Africa countries showing the greater potential for take-off[1]. Besides human capital accumulation and gains in total factor productivity, external non-debt financial resources such as FDI, legitimate political leadership and a long-term vision for Africa must be in place to attain long-term, sustainable social and economic development (Berthélemy *et al.*, 2001). What contribution can a regional approach make to meet this daunting challenge? How can one pass from country-specific to region-wide analysis? And what kinds of regional information may be needed for the implementation of co-operation efforts, and to derive policy recommendations that may also guide the intervention of donors and other non-governmental development partners?

This Policy Brief summarises the results from a research project on new forms of integration and co-operation in sub-Saharan Africa launched at the Development Centre in 1999[2]. The objective is to set current developments — not only in trade and other macroeconomic policies, but also in structural areas and political co-operation — against the background of regionalism in other developing areas and multilateral negotiations to liberalise world markets. The overreaching message is that, while integration is no magic potion, it is a component of the reform process and, in some circumstances at least, it is efficient to sacrifice national interests to the altar of regional co-operation.

Regionalism and Sustainable Growth in Sub-Saharan Africa

Regionalism is a fashionable but far from novel phenomenon in sub-Saharan Africa, where extreme geographical segmentation has combined with the problems of economic survival faced by numerous (most?) states to encourage the formation of a myriad of inter-governmental organisations (Bach, 1999) (Table 1). Some sustainable examples of regional co-operation include the Southern African Customs Union, the (Rand) Common Monetary Area (CMA), and the CFA franc zone. These relatively successful initiatives involve links with a more developed partner — South Africa in the case of the South African Customs Union (SACU) and the CMA, France and now the EU in that of the CFA franc.

Governments fell into a "fallacy of transposition", assuming that the experience of regional integration among industrialised countries could be replicated in far less developed ones. Sub-Saharan Africa's record of creating and sustaining regional frameworks is hence generally very poor (see Table 2 for a synthetic presentation of the most important ones). Western Africa, for instance, has had a very large number of inter-governmental organisations that work on integration issues. Conditions are in theory conducive to co-operation (Aryeetey, 2001): ECOWAS has the largest number of individual countries, some of the densest populations in Africa, the largest variation of mineral ores and embraces three different agro-ecological zones (unlike other African sub-regions with one or two zones). Only three out of the 16 countries of the region are landlocked and the relief is generally flat, thus making it conducive to the development of railways and roads. Practical results, however, have been preciously few, as countries have frequently been involved in several different arrangements at the same time, sometimes with conflicting goals and strategies. While it is true that the level of interaction taking place outside of formal arrangements is much larger than that happening through formal trading links, such informality is often maintained in order to satisfy the special interests of specific groups that are able to take advantage of the bottlenecks imposed by weak policy and institutional structures. For such interest groups, a maintenance of the poor formal institutional arrangements has become a part of the *status quo* regardless of the fact that the broader economies suffer.

Table 1. **Main Specialised Intergovernmental Organisations in Post-Independence Sub-Saharan Africa**

Institution	Year created/abolished	Membership	Area(s) of activity
Autorité du bassin du Niger		Benin, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Guinea, Mali, Niger and Nigeria.	River water management
East African High Commission	1948-61	Kenya, Tanganyika, Uganda	Foreign policy
East African Common Services Organisation	1961-67	Kenya, Tanganyika (later Tanzania), Uganda	Transport, research, communication, social services, tax collection and university education
Desert Locust Control Organisation for Eastern Africa	1962	Djibouti, Ethiopia, Kenya, Somalia, Sudan, Tanzania and Uganda	Research into the locust's environment and pesticides residue analysis.
Organisation for African Unity (OAU)	1963 (25 May, now African Union day)	32 independent African states	Economic, diplomatic, educational, health, welfare, scientific and defence policies.
African Groundnut Council	1964	Gambia, Mali, Niger, Nigeria, Senegal and Sudan	Marketing policies and compensation fund
West Africa Rice Development Association	1970	Benin, Burkina Faso, Chad, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo	Research on rice for West Africa
Mano River Union	1973	Guinea, Liberia and Sierra Leone	Customs and economic union
Permanent Interstate Committee for Drought Control in the Sahel	1973	Benin, Burkina Faso, Cape Verde, Chad, Gambia, Guinea-Bissau, Mali, Mauritania, Niger, Senegal	Agriculture and livestock issues.
Economic Community of the Great Lake Countries	1976	Burundi, Rwanda and Democratic Republic of Congo	Operates four joint enterprises producing electric power, bottles, cement and hoes.
Indian Ocean Commission	1984		Trade, Indian Ocean University, economic and trade policies harmonisation.

Source: author's elaboration.

Table 2. **A Summary View of Sub-Saharan Africa's Three Main "Old" Regionalism Initiatives**

	ECOWAS[a]	EAC[b]	SADCC[c]
Membership	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Togo	Kenya, Tanzania, Uganda	Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia (joined in 1990), Swaziland, Tanzania, Zambia and Zimbabwe
Origins	Following the civil war (1968-70), during which a number of African countries gave military and diplomatic support to Biafra, Nigeria pushed for the formation of ECOWAS (treaty of Lagos in 1975)	East African High Commission (EAHC), consisting of the British Governors of Kenya, Tanzania and Uganda, and the East African Central Legislature Assembly	Since its inception in 1980, SADCC has sought to promote strategies resistant to South African hegemony in the region and conducive to mutually beneficial development projects among its members (so-called Front Line states)
Objectives	Promote trade; free movement of people and goods; monetary union; fund for co-operation; agricultural self sufficiency	Common external tariff; unrestricted freedom of transit goods between the three countries; control imports of goods from third party countries when such goods were also produced in East Africa	Reduce external dependence — particularly, but not only, on apartheid South Africa; implement programmes and projects with national and regional impact; mobilise member states' resources, in the quest for collective self-reliance; and secure international understanding and support. No centralised bureaucracy, only a small secretariat, responsibility for various sectors left with individual member states.
Political drive	Weak	Weak	Strong
External support	Weak	Weak	Strong

Table 2 (cont'd)

	ECOWAS[a]	EAC[b]	SADCC[c]
Results	Common customs nomenclature	There was no internal tariff (except for a transfer tax) and no other restrictions except for security, health and moral reasons	Some trade growth; percentage of transit traffic from the six landlocked member states moving through SADC ports increased from 20 to 60 per cent in 1980-90; development of the Beira corridor between Zimbabwe and Mozambique. Progress also made in connecting national power grids, enhancing food security and co-operative research on new crop strains
Crisis	Non payment of dues; Nigerian domination	East African Currency Board broke down in 1967; new government in Uganda in 1971; different reactions to external shocks; divergence in policies	South Africa's attempts at destabilisation caused devastation
Demise	Still functioning	In 1977 member states failed to pay their dues to the community and Tanzania closed its border with Kenya	Renamed SADC in 1992 anticipating that South Africa would soon join following the transition to democracy
Relaunch		Mediation Agreement of 1984 on exploring ways to resume regional co-operation. Establishment in March 1996 of the Secretariat of the Permanent Tripartite Commission at the Headquarters of the EAC in Arusha, Tanzania	South Africa joined in 1994, followed by Congo, Mauritius and the Seychelles

Notes:
a) Economic Community of West African States. Also known by its French acronym CEDEAO.
b) East African Community.
c) Southern African Development Co-ordination Conference.

Source: author's elaboration.

Unfortunately, Western Africa is no exception. In Eastern Africa, the British Empire left behind a rather sophisticated set of institutions in place to co-ordinate policies between Kenya, Tanganyika (later Tanzania) and Uganda in areas such as customs, internal tax collection, transport infrastructure and monetary policy. These however did not survive the increasing divergence in policy orientation and ideology in the three countries, leading to the demise of the Eastern African Community (EAC) in 1973. Only SACU, with South Africa as the key member, has achieved any significant integration of goods markets (Foroutan, 1993). The Communauté Économique de l'Afrique de l'Ouest (CEAO) appeared to have a modest positive impact on intra-regional trade immediately following its formation, but trade growth stagnated thereafter. Other regional integration agreements within SSA had no discernible impact (Foroutan and Pritchett, 1993).

Official statistics show that intra-African trade is a small fraction of each country's total commerce and has remained roughly constant over the years (Table 3). While the statistics have shown a mild increase in the early 1990s — from about 8 per cent in 1989 to 12 per cent in 1995 — this growth has not come from an expansion of trade within the various regional preferential trading areas (Yeats, 1999). There has been very little manufacturing or intra-industry trade (with fully one-half of this trade accounted for by petroleum, cotton, live animals, maize and cocoa) and revealed comparative advantage does not therefore suggest a strong unexploited potential for intra-African trade. Weak infrastructure — in particular poor telecommunication networks and underdeveloped transport — explains a great deal of the dynamics of intra-African trade. On the other hand, sound economic policies, such as the adoption of Structural Adjustment Programmes and good exchange rate management, appear as very conductive to higher intra-African trade (Longo and Sekkat, 2001).

Table 3. **Basic Statistics of Sub-Saharan African Trade**
($ billion)

	1980	1985	1990	1995	1998
Africa	5.2	4.9	7.3	10.3	11.4
European Union	60.8	59.2	65.9	62.4	60.2
Mercosur	14.3	6.7	10.6	21.6	25.5
NAFTA	33.6	43.9	41.4	46.2	51.0
East Asia	22.4	20.7	20.7	26.4	22.2

Source: IMF (1999), Direction of Trade Statistics.

The New Regionalism in Sub-Saharan Africa

In short, the increasing ambitiousness of policy goals — in particular the creation of a continental common market by 2025 which is the cornerstone of the Abuja Treaty adopted by the Organisation of African Unity (OAU) in 1991 — bears no relationship to the modesty of the actual achievements. The obstacles are rather clear. Africa started integration at a low level of intra-regional trade and very high dependence on similar export crops; marked differences in income and industrialisation levels prevented intra-industry specialisation; the lack of political congeniality in foreign affairs meant that neighbouring countries were often on opposite sides of the Cold War divide; and fiscal weakness reduced the capability and willingness to provide compensation payments. Only to compound these structural deficiencies, the continent has barely grown over the last quarter of the 20th century.

Against the background of globalisation, the term regionalism itself is acquiring a new meaning (World Bank, 2000). Integration agreements are now about much more than reducing tariffs and quotas and explicitly include the goal of removing other barriers that segment markets and impede the free flow of goods, services and factors of production; they are outward-looking, instead of attempting to apply to more than one country the import-substitution model of the past; and they frequently associate high-income industrial countries and developing ones. Indeed, many pacts evolve in incremental steps over time from the granting of one-way trade preferences to reciprocal free trade agreements. For example, the United States often has first extended unilateral trade preferences (e.g. the Caribbean Basin Initiative and the Andean Trade Preferences Act) to its partner countries, and then negotiated so-called "framework" agreements that establish consultative fora on bilateral trade relations and the settlement of disputes (Schott, 2001).

What, then, is happening and in which part of Africa are the prospects for regional integration more promising? The recent resurgence of interest in regional integration — from both within Africa and on the part of external agents interested in African development — respond to different motivations. African concerns include small markets and its growing marginalisation in a world dominated by powerful trading blocs, but there is a simultaneous fear of the costs of unilateral liberalisation, especially when the large world players are most protective of sectors where African countries might feasibly compete. Regional integration is therefore frequently seen as an *alternative* to unilateral trade liberalisation[3]. Donors are also concerned about small markets and the lack of

progress in economic development and poverty reduction, but they frequently see regional integration as a *complement* to a more general liberalisation. In particular, with trade taxes typically accounting for more than 30 per cent of government revenue, it is clear that no sustainable progress can be made in reducing tariff levels unless alternative non-inflationary revenue sources are developed (Dessus *et al.*, 1999)[4].

This increasing interest towards regionalism should be seen in the wider context of the structural reforms being implemented at the domestic level. The period after 1990 witnessed a significant opening of domestic financial markets, substantial progress in trade reform and the introduction of a value-added tax (VAT) almost everywhere. By 1997, there was widespread policy convergence in these three areas of reform. However, there is much less convergence and more variation in the case of privatisation and international financial liberalisation.

Botswana, Mauritius and South Africa, countries that already had relatively market-friendly policies in the mid-1980s, remain the most open. It is not surprising then that it is in Southern Africa that the greatest progress has been made in rationalising and realigning integration initiatives (Jenkins, 2001). In 1992, the Southern African Development Co-ordination Conference changed its name to the Southern African Development Community (SADC) and broadened its concerns to facilitating regional economic integration, along various dimensions alongside trade (Table 4). The viability of SADC as an economic community was enhanced by the accession to membership in 1994 of South Africa, which generates around three-quarters of Southern Africa's combined GDP[5]. In mid-1996, a trade protocol was signed, which committed the (then) 12 members to a programme of phasing out customs duties and other equivalent measures in the process of establishing a free trade area (FTA) early in the next decade. The details of the FTA are currently being negotiated.

The SADC negotiations are not the only trade arrangements under discussion in Southern Africa. South Africa has been involved in sensitive and lengthy renegotiation of the SACU agreement. South Africa has a history of unilateral actions on trade policy issues, in spite of its legal obligations to confer with its SACU partners[6]. Although South Africa's government is committed to reversing the practice of non-consultation, it is already being criticised for not taking the concerns of its smaller neighbours into account. Unlike issues affecting SACU, however, there is no legal obligation for South Africa to confer with fellow SADC members on trade policy issues. Moreover, the formation of an FTA will not bestow this obligation, unless a provision to this effect is specifically included. Pretoria has also recently signed a trade, development and co-operation agreement

with the European Union, the climax of talks which commenced in 1995. All other members of SADC had non-reciprocal preferential access to the EU under the Lomé Convention, and are concerned about the trade diverting effects of the agreement between South Africa and the EU. At the same time, the expiry of Lomé IV has prompted a general reappraisal of the trade relationships between the EU and its ACP partners. Negotiations started in September 1998, and the new EU-ACP agreement was signed in June 2000 in Cotonou, Benin[7] .

Important as regional integration might be for all members of SADC, it is not sufficient as a trade liberalisation strategy and the Community as a whole needs to adopt an outward-looking focus rather than a narrow regional view. SADC countries also have to think through their response to the proposed new round of WTO-led negotiations, and to developments within Africa involving the Community of Eastern and Southern African States (COMESA[8]), the revived East African Community (EAC) and the low-key (and therefore possibly more effective) Regional Integration Facilitation Forum (RIFF)[9]. As South Africa tries accelerating its own economic growth, it is indeed not necessarily in SADC's *best* interests for South Africa to bind itself in law to the pace of change in non-SACU members of SADC on trade issues. In particular, the SADC FTA could become a means for pursuing trade agreements with a range of developed and developing regions. Yet, South Africa must consult its regional partners on trade issues. This is politically important, and it is wise in the interests of good neighbourliness, even though continued liberalisation of South Africa's trade with its main (extra-regional) trading partners is essential. At the same time, there is potential for non-trade co-operation, which should promote regional integration in Southern Africa without precluding more general reform. Finally, co-ordination of supplementary activities, many of which are within existing institutional divisions of SADC, will be of increasing importance as the region becomes more integrated.

In a number of aspects the situation in the rest of sub-Saharan Africa may be different, and indeed possibly less conducive to a quick turnaround of political and economic fortunes, and yet the scope for integration is equally large. African economies have met considerable difficulty in achieving macroeconomic stability and "contagion effects" have played a role in exacerbating this instability (Easterly and Levine, 1995). While in Southern Africa the sub-regional power seems to lead its neighbours moderately well in the path towards integration in the global economy, in the case of Western Africa the lethargy of Nigeria has had substantial negative spillovers in terms of low investment and domestic growth. There is however an interesting concentration of Emerging African countries, such as Côte d'Ivoire, Ghana and Senegal, in this part of the continent. In addition to pursuing economic reform programmes, they have sought increasing donor

Table 4. **A Status Report of "New" Regionalism in Africa**

	UEMOA	Comesa	EAC	ECOWAS	SADC
Free trade area (FTA): members reduce or eliminate intra-area trade barriers, while maintaining trade barriers vis-à-vis non-member countries	Originally a monetary agreement, the UMOA (Union Monétaire Ouest-Africaine) turned itself into UEMOA (Union Économique et Monétaire Ouest-Africaine) in January 1994. Duty-free trade started on 1 July 1996 for agricultural and handicraft products, extended to manufacturing on 1 January 2000	Members have reduced tariffs on COMESA originating goods by between 60% and 80%, i.e. they only charge between 20% and 40% of their general MFN tariffs	Kenya applies 90%; and Tanzania and Uganda 80% tariff reductions. Removal of all non-tariff barriers on cross-border trade. Ongoing studies on the establishment of an East African Trade Regime; and completion of study on cross-border trade in agricultural products	Benin, Burkina Faso, Côte d'Ivoire, Gambia, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo have lifted tariff barriers on unprocessed products; only Benin has removed tariff barriers to trade in industrial products	In mid-1996 a trade protocol was signed, which committed members to a programme of phasing out customs duties and other equivalent measures. Implementation commenced in September 2000. Problems remain concerning rules of origin for wheat flour and products thereof, textiles, and clothing
Custom unions: members reduce or eliminate intra-area trade barriers and adopt a common external tariff (CET) towards non-member countries	A CET was put in place on 1 January 2000, lowering the maximum tariff from 25% to 20%. The resulting revenue loss will be partially compensated by the imposition of VAT (e.g. in Senegal at 19% since July 2000)	Agreement reached to implement a CET by 2004 — set at 0%, 5%, 15% and 30% on capital goods, raw materials, intermediate goods and final goods respectively	Standardised single entry document adopted. Ongoing harmonisation of the last two digits of the Customs Classification Code. Protocol on the Customs Union to be signed by end-2001	Started in 1990, the Trade Liberalisation Scheme aims at establishing a customs union over a period of 15 years	SACU established in 1969 between Botswana, Lesotho, South Africa and Swaziland. Namibia became a member on achieving independence in 1990. Tariff revenues are pooled and shared out according to a revenue formula which includes a sizeable compensation element paid to the smaller members

Table 4 (cont'd.)

	UEMOA	Comesa	EAC	ECOWAS	SADC
Common markets: members reduce the barriers to the movement of factors of production (labour and capital)			207 standards of goods and services already harmonised, out of which 91 have been adopted and notified to the WTO. East African Association of Investment Promotion Agencies (EAFAIPA) created in May 1998	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Guinea, Guinea-Bissau, Mali, Niger, Nigeria, Senegal and Togo have removed all monetary NTBs. Ghana demands only the payment of road transit tax in foreign exchange. The other three members still require that non-residents purchase air tickets and pay airport taxes etc. in foreign currency	The SACU agreement provides for duty-free circulation of goods within the five-country customs union and grants transit rights across South African territory
Economic unions: members aim to harmonise more fully national economic policies, including exchange rate policy and monetary policies	The Union has regional institutions to co-ordinate economic policies, mainly through the adoption of budgetary convergence criteria	The Monetary Harmonisation Programme is to be implemented in four phases, from 1991 to 2025, with the final phase to culminate in full monetary union	Tripartite Agreement on Avoidance of Double Taxation; harmonisation of VAT rates (between 16% and 20%) and pre-shipment requirements (at $5000); currency convertibility; same-day Budget readings. Macroeconomic framework being developed	Set of Convergence Criteria adopted in December 1999. Non-UEMOA countries are creating a second monetary zone in West Africa which will merge with the UEMOA zone to give rise to a single ECOWAS monetary zone in 2004	All SACU members except Botswana are also members of a common currency area

Source: author's elaboration.

assistance to undertake export growth and diversification programmes[10]. Ghana and Côte d'Ivoire, however, have widely varying policies that tend to affect adversely trade between them and hence affect the outcomes of their respective economic reform programmes. In particular, while Ghana has followed a flexible exchange rate policy, partly related to relatively higher macroeconomic instability, Côte d'Ivoire has had a fixed exchange rate anchored to the French franc. Its structural adjustment, however, has been less comprehensive. The inherent subsidy that the CFA franc enjoys as a result of its relationship with the French franc (now with the Euro[11]) effectively distorts the trading relationship between the two countries.

Recent developments suggest a movement away from undue emphasis on trade integration (although tariff reductions remain important[12]) to one with significant institutional adjustments that allow the participation of other free-standing economic agents, including the private sector and civil society, in bringing about integration. UEMOA, in particular, has made notable progress, setting a CET in January 2000 and a common business legal framework set up under OHADA *(Organisation pour l'Harmonisation du Droit des Affaires en Afrique)*. There is also growing political interaction, most clearly manifested in peace-keeping efforts in Liberia and Sierra Leone undertaken under the aegis of ECOWAS. Nigeria and some anglophone UEMOA members have begun discussing currency convergence and the emergence of a single currency zone within the context of a two-track approach that will involve non-UEMOA countries. The risk however is that monetary integration may be too ambitious a project at the present stage. Even the revised ECOWAS treaty, moreover, has failed to tackle the issue of the weakness of ECOWAS as a lead agency for regional integration.

Recent attempts are also being made to revive the EAC, now renamed East African Co-operation (Goldstein and Ndung'u, 2001). As member countries are hit by similar shocks, the emphasis is on improving macroeconomic management, increasing policy harmonisation — as regards in particular the rules of origin, so as to encourage cross-border investments — and achieving better co-ordination of capacity expansion in communication networks and information technology. But the true degree of political will remains the thorniest issue. Current problems include the lack of effective leadership — as political tensions affect Uganda, the most promising reformer in the region, and deep political and economic governance deficiencies make it hard to reverse economic stagnation in Kenya; the emergence of South Africa as a competing attraction, as reflected in migration of skilled labour and the birth of co-operation schemes that allow multiple memberships; continuing internal tensions, civil strife and interstate wars in countries such as Ethiopia, Somalia and Sudan; and, finally, the ongoing conflict in

the Great Lakes region. In poor countries, political will is of paramount importance to guarantee that reforms do not lose momentum while the benefits from integration remain initially low. As new members, starting with Rwanda and Burundi, knock at the EAC's door, policy makers should show more leadership in elaborating a coherent vision of what the region aims to become. If the focus is on building East Africa as a trading platform between the rest of the continent, the Mediterranean and Asia, institutions such as the East African Development Bank should be restructured and refinanced to play a leading role in financing infrastructural projects. Other *ad hoc* arrangements should be designed to focus compensatory mechanisms for loss of tax revenue and for small countries.

From Trade to Investment? The Paradigm Shift

In an imperfect competition framework where scale economies exist, integration theory suggests the potential gains that may arise from market enlargement. Indeed, the latter may give rise to simultaneous gains, reducing monopolistic distortion through a greater number of firms in the marketplace and avoiding the firm fragmentation through the larger market. Moreover, a market enlargement can create attractiveness for FDI in the region. In the presence of economies of scale and scope, countries may also benefit from technological and knowledge spillovers, coupled with linkages between buyers and sellers (backward and forward linkages) that are made more efficient by physical proximity[13]. The negative counterpart to this may be a worsening of regional disparities. Promotion of intra-area trade through preferential treatments may bring about substantial income and wealth transfers between members and can lead to a concentration of industry in a single location. If this happens, the incentive for each member country to free ride — for example by competing for scarce foreign capital on the basis of tax and regulatory incentives — may easily offset any possible benefit from negotiating as a bloc.

OECD growth over the last decade has occurred on the basis of economic liberalisation and the development of knowledge-based activities (Bassanini, Scarpetta and Visco, 2000) and trends in industrial countries therefore make it essential to promote in sub-Saharan Africa, too, a market-friendly environment, clear rules and laws, and efficient governance. Insofar as investors require these elements, what Africa cannot do for itself, others cannot do for it. Countries with the best record in improving the investment climate have, not unsurprisingly, met more success in attracting external non-debt financial resources such as FDI and a co-ordinated, regional approach to attract investment could generate sizeable results (Odenthal, 2001).

Sub-Saharan Africa is not immune from the deep reforms being implemented in *telecommunications*, an industry that has been characterised for a long time by technological stability and bilateral arrangements between public monopolies. In 1996, the region accounted for less than 2 per cent of the world's telephone lines, with a density per inhabitant lower than 1 per cent in more than three-quarters of the 46 countries south of the Sahara. The need for a greater efficiency of the networks; the possibility to introduce competition through deregulation; technical and organisational innovations; and the narrow base of public funds available for new investment are structuring the new landscape of the African telecommunication networks (Plane, 2001). While the partial privatisation of the national incumbent operator is the clearest manifestation of such changes, greater competition in the fixed as well as cellular mobile networks is also emerging. In terms of prices for voice transmission and reduction of inefficiencies in the use of capital and human resources, early results from internal restructuring, corporatisation and separation of phone from postal services have been limited, albeit positive. This process has therefore accelerated with privatisation — Guinea and Ghana in 1996, Côte d'Ivoire, Senegal and South Africa (partially) in 1997 — and new licences for cellular technology. In the African context, the growing use of cell phones in rural areas and by women is particularly promising, not least for the potential it has for the development of electronic commerce (Goldstein and O'Connor, 2000).

In telecoms, regional dynamics can be gauged along two different dimensions — investment and regulation. Compared with other developing regions, sub-Saharan Africa has so far found it more difficult to attract the huge FDI flows required to lay down new telecoms infrastructure. A major exception is represented by companies from South Africa, in particular MTN that in just seven years has created a business empire stretching across six countries: South Africa, Cameroon, Swaziland, Uganda, Rwanda, and Nigeria[14]. In the longer term, however, markets are not necessarily capable of regulating themselves: providing more services to the largest number of users and improving quality require the establishment of independent, competent and efficient regulatory bodies. In the area of telecommunications and other network industries, African countries have started their reforms only recently and, despite the possibility that a regional approach may be suitable in view of the dearth of human and financial resources, discussions are still at a very early stage[15].

The *financial sector* is another area where important reforms are being implemented. The establishment of stock markets is beneficial for a variety of reasons, including their ability to attract inward portfolio investment, boost domestic savings, make privatisation relatively easier, and improving the pricing

and availability of capital for domestic investment (Jefferis and Mbekeani, 2001). More generally, stock markets are seen as enhancing the operations of the domestic financial system in general and the capital market in particular. Although Latin America and Asia host the most important emerging markets, recent years have seen the establishment of a number of new stock markets in sub-Saharan Africa — indeed, it seems that no programme of financial sector reform is complete unless it includes the establishment of a new stock market or the rehabilitation of an old one. Despite their growing number, however, all sub-Saharan African stock markets (except for the Johannesburg Stock Exchange) remain small — in terms of number of listed companies, market capitalisation and volume of trade — illiquid and, in financial terms, inefficient. For a stock market to function, there have to be minimal direct controls on the flows and pricing of capital, a supportive legal environment and high quality law enforcement. Lacking these pre-conditions, their broader economic impact has so far been limited.

It has been suggested that one way of overcoming these limitations is to encourage regional stock exchanges, or at least much stronger collaboration between national stock exchanges on a regional basis. In particular, regionally integrated markets (whether through linked national markets or separate regional markets) offer the potential to achieve higher, uniform standards, to improve technology and access to information, to reduce transactions costs, and to benefit from economies of scale and higher liquidity. There have been some initiatives in this direction, the most prominent being the establishment of a West African regional stock exchange in Abidjan in 1998 (Lavelle, 2001). There have also been discussions regarding regional stock exchanges or integration of national exchanges in East, Central and Southern Africa. However, progress in these initiatives has been slow, often reflecting the differing technical, legal and institutional standards governing markets in different countries as well as broader economic restrictions such as exchange controls. It is indeed likely that integration will be easier to achieve among countries with common legal backgrounds, such as within anglophone or francophone groupings, than between countries with highly divergent legal traditions. Unfortunately, politics may play a negative role in this process, as recently shown in Nigeria where a rival stock exchange was inaugurated in Abuja even though the Lagos stock exchange has far from exploited its potential — and could indeed become a regional centre for the Western African financial service industry.

A third industry analysed in the framework of this project is *air transport* (Goldstein, 2001). The world of air transport is moving fast, and Africa cannot fall further behind. In a market still dominated by bilateral agreements, the continent already trails well behind regulatory reforms undertaken in the rest of

the world, both in the OECD area and in the emerging markets of Asia and Latin America. An inefficient, costly and non-economic civil aviation sector may not allow the continent to increase tourism flows, share in the OECD countries' rising consumption of fresh perishable foodstuffs, attract FDI and integrate it into the just-in-time and lean production systems. Some progress has been made in some countries in the areas of privatisation and liberalisation. In particular, Kenya privatised its state-owned airline, which is now the only African carrier fully integrated into one of the global alliances poised to dominate the air transport industry. In South Africa, the liberalisation of the air transport market is delivering benefits to customers.

If a viable regional airline were to emerge, Africa would be better able to negotiate equitable partnerships with foreign carriers; the region would also benefit from the increase in foreign traffic that any further market opening would bring. Sub-Saharan Africa, however, has made smaller progress in this respect than, for instance, Central America, as best proven by the slow restructuring of the regional airline of francophone Western Africa. The Air Afrique saga points at two important lessons. First, the efforts to revise the Yaoundé Treaty — by opening up the unified zone to limited competition and a second carrier per country with two weekly frequencies — have failed to bring significant improvement because they have been piecemeal instead of comprehensive. Second, in this uncertain context national authorities have an incentive to free ride, especially in the area of charter flights with Europe, but this obviously comes to the detriment of their credibility *vis-à-vis* foreign investors and thus makes even harder the privatisation of the local carriers. The slow progress toward the creation of regional air transport markets in Eastern and Southern Africa centred around South Africa also underscores the power of geopolitics in blocking the implementation of what would otherwise be a rational strategy of stronger co-operation. That most sub-Saharan African countries are small and poor, moreover, is no excuse for shielding an airline from market discipline, as shown by the case of Bolivia, where authorities have designated multiple carriers on routes previously reserved to the state-owned airline.

Following the start of the first WTO air transport review and the launch of a new multilateral round, these issues will gain policy priority for all countries, and may become powerful bargaining tools for non-OECD countries to press for more open access into OECD markets for the South's traditional exports. Reinforcing the institutional framework to encourage, and to watch over, market competition must be a top policy priority and governments must act more decisively to translate official declarations regarding the benefits of sub-regional, multi-national air companies into concrete policy initiatives.

Regionalism in Sub-Saharan Africa: Good Politics?

Regionalism is seen as good politics, both domestically — insofar as it includes commitment mechanisms that make it possible to overcome problems of time-inconsistency (Kydland and Prescott, 1977) — and across borders — the classic liberal statement on the causes of peace is that economic interdependence reduces conflicts. This argument has already been used in favour of European integration. The founding fathers of the European Economic Community considered the interlocking of strategic industries such as coal and steel a way of reducing the risks of intra-European war, especially between France and Germany. Similarly, the creation of Mercosur contributed to improved relationships between Argentina and Brazil. In the second half of the 20th century, parties to the same regional integration agreement have been less prone to engage in military hostilities, and the likelihood of disputes dips markedly as trade increases between them (Mansfield and Pevenhouse, 2000). Last but not least, in international fora the political and economic bargaining power of poor countries might be strengthened if their voice came from regional organisations.

It is somewhat peculiar of sub-Saharan Africa that regional *economic* institutions have often taken a prominent role in the *military* realm. While governments have charged integration agreements with too ambitious a political role, the very fact that regional organisations are engaged in peacekeeping testifies to the failure to provide a more stable environment to continental politics (Andreatta *et al.*, 2001). A telling example is that of the increasingly high ECOWAS profile with regard to security issues. Forces operating under its auspices and known as ECOWAS Cease-fire Monitoring Group (ECOMOG) intervened in the Liberian civil war (1990-98). This operation, however, proved controversial for the domination exerted by Nigeria (van Walraven, 1999). Rather than an impartial peacekeeping force intent on resolving the conflict no matter which belligerent would be victorious, ECOMOG seemed intent at stopping the National Patriotic Front of Liberia (NPFL). This led to a bitter controversy between ECOWAS members aligned to Nigeria and, on the other hand, Burkina Faso and Côte d'Ivoire which supported the NPFL. In 1998-99, ECOMOG intervened again both in Sierra Leone and in the conflict between the government of Guinea-Bissau and rebel military[16]. In October 1998, the ECOWAS Authority approved a proposal for a Mediation and Security Council with responsibility for security issues that would transform ECOMOG into the permanent military arm of the Community.

The relationship between interdependence and peace may still hold, but it may be more complicated. On the one hand, it may hold only when trade volumes reach a critical level, while at lower values it does not provide sufficient incentives for political change. Low trade flows produce little stimulus for the emergence of middle classes that, in turn, usually exercise strong pressure towards *de jure* democracy and *de facto* political opening. In other words, African regional integration agreements may simply not have produced the necessary level of trade and investment for a significant modification of political preferences. On the other hand, interdependence may be a necessary, and yet still insufficient, condition for peace, as its full impact on political preferences may require specific domestic institutions to ensure that the general interest in fostering economic exchange prevails over the specific interests of domestic pressure groups. Insofar as rising interdependence exposes the vulnerability of states to international economic processes and generates more conflict than co-operation, it may lead to attempts to use political means to reduce such vulnerability. A certain amount of prior political stability may therefore be necessary for "commercial peace" to operate.

What Role for Industrial Countries?

The making of Western policy with respect to sub-Saharan Africa should reflect the fact that political and economic relations between the sub-continent and developed OECD countries are often more significant than regional bilateral links. Outside countries and organisations may be in a privileged position to help break the short circuit of poverty and instability. That the removal of the most egregious trade barriers is by far the single largest contribution that donor countries can make has been repeated so many times that the message should be clear enough. In February 2001, the EU decided to eliminate quotas and duties on all products, except arms, from the world's 48 poorest countries, including 33 sub-Saharan African ones. The US African Growth and Opportunity Act, for its part, became law in May 2000, offering favourable export arrangements to nations liberalising their economies. Thus far, 35 nations have been deemed eligible for the programme and in October 2001 the House Ways and Means Committee of the US Congress approved legislation that expands duty-free access for apparel made in Africa and the Caribbean, by more than doubling current quotas limiting preferential access under the Trade Development Act in 2000. These developments are certainly welcome, but an even more generous approach — fully extending the reach of liberalisation to agriculture and non-tariff barriers — is still possible. Donors could also take more specific steps in the area of regional co-operation, including the following.

First, think regionally when supporting new infrastructure projects. Even though it is widely known that the potential gains for participating countries in regional infrastructure can be quite large and significant, evidence on the ground shows regional co-operation in infrastructure has remained very low. With the aim of improving on performance and concentrating resources in areas with large integrating potential and benefits, the intervention strategy should selectively emphasise and direct resources to energy, transport infrastructure, telecommunications and water resources development. Particular attention should be paid to the needs of landlocked countries for road and other ancillary infrastructure development to facilitate the movement of goods and persons (e.g. Maton with Solignac Lecomte, 2001). Moreover, resources should be used to finance studies that will analyse and quantify the benefits from regional co-operation that will accrue to every participating country as well as indicate the opportunity costs to countries not participating in regional infrastructure co-operation schemes.

Second, provide support for institutional strengthening and capacity-building, while also ensuring ownership rights[17]. In civil aviation, for instance, industrial countries — and the United States in particular — have lately stepped up the profile of their co-operation with Africa. Efforts in capacity-building are welcome, although the lack of an international authority capable of enforcing safety standards on states, thus ensuring that safe aeronautical services are provided, seems to be the crux of the problem. In other areas as well it is necessary not to confuse capacity-building with the need to improve international governance. Heavy reliance on foreign consultants, technicians and contractors also weakens the sense of ownership of the projects and may perpetuate aid dependency.

Third, build support for regionalism by listening to civil society, including trade unions and business associations. Private sector organisations and agencies, in particular, have already achieved some success in bringing the regional business community together; and in undertaking product and services-based market surveys, buyer-seller meetings, marketing missions and trade fairs. However, a persisting constraint is the lack of information on business opportunities in regional member countries and impediments to cross-border movement of merchants and traders.

Fourth, foreign partners should bear in mind that economic reforms, including efforts to achieve wider and deeper integration, are about politics as much as about technical solutions. At least in the beginning, results from these efforts will necessarily be partial and progressive, creating evident losses while gains remain elusive. The transition may not be easy to sustain, especially when deep-rooted scepticism surrounds any discussion over the wisdom of sacrificing

national interests to the altar of regional co-operation. In other areas of the developing world, visionary policy makers have emerged over the last 50 years who helped launch sustainable economic growth strategies even when and where initial conditions seemed adverse. Aid may help similar leaders in the African context, especially when they seem sincere in their devotion to regional co-operation.

And fifth, avoid the temptation of playing countries against each other. For a long time the African policies of the United States, France and the United Kingdom have been dominated by mutual suspicions, especially in Western and Central Africa where, as described in this document, the scope for integration is possibly very positive. In a context of diminishing development funding, the cost of this lack of co-ordination, when not outright rivalry, is obviously very high, a conclusion fortunately now acknowledged in Western capitals. A first step in this regard was the announcement of a closer co-operation in African affairs made by the French and British governments in Saint-Malo in December 1998, followed by a joint visit of their Foreign Ministers to Accra and Abidjan in March 1999. Since then France and the United Kingdom have implemented joint initiatives, especially in military affairs — for example organising together a workshop on peace-making in Abuja in October 2000. There is also a risk that the ACP-EU EPAs foreseen in the Cotonou Agreement may open a competition between regions[18]. UEMOA has already proved faster than ECOWAS in obtaining a mandate to negotiate on behalf of its members with the EU. In the end if individual members of the same integration initiative receive different trade treatment from the EU, trade may become more complicated as new rules of origin are needed.

No Alternatives? Main Messages from the OECD Development Centre Project

The year 2001 saw an acceleration of policy discussions on regional integration to a brighter tempo with the launch of three separate but intertwined initiatives that aim to streamline and rationalise the existing organisational framework of the continent. The Millennium Partnership for the African Recovery Programme (MAP) and the Omega Plan — which had been sponsored in 2000 by the Presidents of Algeria, Nigeria and South Africa and by the President of Senegal, respectively — were merged into a New African Initiative approved by the OAU Summit on 11 July 2001. The Initiative is a pledge by African leaders, based on a common vision and a firm and shared conviction that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development, and at the same time to participate actively in the world economic and political system (Table 5).

Table 5. **Programme of Action for the New African Initiative**

Initiative	
Peace and Security	It consists of three elements: *a)* promoting long-term conditions for development and security; *b)* building the capacity of African institutions for early warning, as well as enhancing African institutions' capacity to prevent, manage and resolve conflict; *c)* institutionalising commitment to the core values of the African initiative through the leadership of a Heads of State Forum
Democracy and Governance	It consists of the following elements: *a)* a series of commitments to create or consolidate basic governance processes and practices; *b)* an undertaking to take the lead in supporting initiatives that foster good governance; *c)* the institutionalisation of commitments through the African initiative leadership to ensure that the core values of the initiative are abided by
Economic and Corporate Governance	A Task Team from Ministries of Finance and Central Banks will be commissioned to review economic and corporate governance practices in the various countries and regions, and make recommendations on appropriate standards and codes of good practice for consideration by the Heads of State Implementation Committee within six months. The Implementation Committee will refer its recommendations to African states for implementation
Human Resource Development	Different measures including the requirement that country plans prepared for initiatives in this programme of action assess their poverty reduction impact, both before and after implementation; work with the World Bank, the International Monetary Fund (IMF) and the United Nations (UN) agencies to accelerate implementation and adoption of the Comprehensive Development Framework, the Poverty Reduction Strategy and related approaches; establish a gender task team to ensure that the specific issues faced by poor women are addressed in African initiative poverty reduction strategies; strengthen Africa's participation in processes aiming at affordable drugs, including those involving the international pharmaceutical companies and the international civil society, and explore the use of alternative delivery systems for essential drugs and supplies; and establish a task team to accelerate the introduction of ICT in primary schools
Infrastructure	With the assistance of sector-specialised agencies, put in place policy and legislative frameworks to encourage competition. At the same time, introduce new regulatory frameworks as well as build capacity for regulators and promote PPPs as a promising vehicle for attracting private investors, and focus public funding on the pressing needs of the poor, by building capacity to implement and monitor such agreements
Diversification of Production and Exports	Different measures on the African and international levels, paying particular attention to the needs of the poor, as well as the establishment of early warning systems to monitor droughts and crop production; enhance agricultural credit and finance schemes, and improve access to credit by small-scale and women farmers.

Source: author's elaboration based on *A New African Initiative: Merger of the Millennium Partnership for the African Recovery Programme (MAP) and Omega Plan* (http://www.dfa.gov.za/events/afrinit.htm).

The Initiative should be seen in conjunction with the establishment of the African Union at the Extraordinary OAU Summit in Sirte, Libya on 2 March 2001. The African Union should be different, not a mere continuation of the OAU under a different name but rather a set-up that, while loosely based on the European Union model, should put emphasis on being an African experience[19]. The third element in this composite picture is the creation of the Conference on Security, Stability, Development and Co-operation in Africa (CSSDCA). This process, which originated in the OAU/AEC Summit in Lomé in 2000, creates a synergy between the various activities currently undertaken by the OAU/AEC, which therefore should help to consolidate the work of the OAU/AEC in the areas of peace, security, stability, development and co-operation.

Regional trade agreements are fashionable but integration is a policy choice, not an imperative. Agreements that liberalise a high proportion of participants' trade, extend the boundaries of trade policy in ways that are compatible with multilateral accords and ease barriers vis-à-vis non-members are generally to be preferred to those that do not (Jenkins, 2001). But individual countries may have a variety of potential regional partners to choose from and often retain the option of limiting their co-operation to the implementation of certain measures — as is the case with the EMU. Still, while co-operation across a wide range of sectors — as in the examples presented in Table 6 — could contribute to creating consistent policy frameworks for increasing trade and cross-border investment, much of the responsibility will ultimately lie in the hands of the domestic governments themselves[20]. Insofar as only coherent macroeconomic and sectoral policies at the individual country level can stimulate competitiveness and increase intra-area trade, no integration initiative can substitute for a continuation of the reforms that painstakingly began in the 1990s. In this sense, while commendable, the effort at improving institutional mechanisms, ranging from negotiated tariff concessions and compensation schemes to the establishment of joint institutions for research, training and transportation, is *per se* not going to produce any concrete results. There is no way to escape the basic truth: SSA is far too small and impoverished to sustain itself throughout a simple increase, however exponential, in intra-area trade.

Table 6. **Other Non-Trade Regional Integration Initiatives**

Kruger-Gaza and Gonarezhou Parks	In 2000, the governments of South Africa, Mozambique and Zimbabwe signed an agreement to create a 35 000 sq km wildlife park, the official opening of which is scheduled for April 2002. This agreement, when fully implemented, will consolidate nearly 100 000 sq kms of land, an area bigger than Portugal, into one of the world's largest parks. In October 2001, South Africa began to move 1000 elephants to Mozambique, easing pressures on Kruger's elephant population of more than 9000, which many scientists say has reached its capacity given the available habitat in the Israel-sized park.
Africa Trade Insurance Agency	Established by COMESA and officially launched in August 2001 during the regional gathering of leaders of the Southern Africa International Dialogue, the agency will offer commercial and political risk insurance in Africa. Membership is open to all members of the Organisation of African Unity, with Kenya, Tanzania, Uganda, Zambia, Malawi, Burundi and Rwanda having already signed the participation agreement. The official launch of the ATIA took place on 31 August 2001 in Kampala, Uganda. The World Bank has provided initial financing and guarantee support, while MIGA has seconded staff to assist in the establishment of the Agency.
Abidjan-Ouagadougou Railway Concession	From 1960 to 1989, this 1260-km single track metric line was managed and operated by a bi-national public enterprise, the *Régie des chemins de fer Abidjan-Niger* (RAN), jointly owned by Côte d'Ivoire and Burkina (then Upper Volta). In the 1980s, RAN was facing critical financial difficulties, and in 1989, for political reasons, RAN split into two separate state-owned companies, the *Société ivoirienne des chemins de fer* (SICF) and the *Société des chemins de fer du Burkina* (SCFB). In July 1992, the governments of Côte d'Ivoire and Burkina decided to reunify and privatise railway operations under a concession scheme. The World Bank and other donors established a dialogue with the two governments on the design and the conduct of the concessioning process. Following a call for bids, two offers were received, and in March 1993 the railway concession was awarded to Sitarail, a joint-stock company incorporated in Côte d'Ivoire. A strategic investor, Sofib — controlled by Saga and SDV, the two main freight-forwarders active in the region, in association with an Ivoirian investment group (SICC), Maersk (an international shipping line), railway engineering consultants Sofrerail and Transurb-Consult — holds 51 per cent of Sitarail's equity. Other Sitarail shareholders are the states of Côte d'Ivoire and Burkina (15 per cent each, partly through public corporations) and Sitarail staff (3 per cent). Sixteen per cent of the shares, at present carried by Sofib, are due to be sold to local private investors on the Abidjan Stock Exchange.
Supreme Council for Sports in Africa	Established in 1965, the SCSA is a specialised agency of the Organisation of African Unity (OAU) with headquarters in Yaoundé. The SCSA aims to seek for and implement all measures and means likely to foster the development of sports in Africa; persuade governments of African countries to protect and promote physical education and sports in and out of school; ensure the propagation and respect for the Olympic ideal across the continent and co-ordinate the action of African National Olympic Committees; foster sports development in Africa so that it may be worthily represented in world sports competitions, especially the Olympic Games; orientate and make sports in Africa serve African unity by consolidating mutual understanding and friendship among those who practise it and its officials; combat all forms of racial, religious or political discrimination in sports towards a country or an individual; study all questions bearing on the world sports movement and adopt a common stand regarding the position and participation of African countries; foster the action of African Sports Confederations and bring about the setting up of those that do not yet exist; organise the All-Africa Games and ensure their continuity; foster the setting up of Sports Development Zones in Africa so as to regionalise continental competitions and guide, co-ordinate and back up their activities.

Source: author's elaboration.

Resources are scarce, and the road towards global competitiveness and export diversification is paved with the skeletons of too many past and recent failures (Bonaglia and Fukasaku, 2001). The need for prioritisation is therefore clear, and so is the corresponding risk that political summits and declarations succeed themselves without any tangible results. The regional development of infrastructure is an area which should be granted particular urgency. It requires strong political leadership both to overcome the inevitable resistance of small elites accustomed to their privileges — a direct flight to Europe once a week, say, as opposed to daily connections via a regional hub — and to ensure that the appropriate safeguards and institutions are put in place to prevent market abuse, discourage corruption and reassure private, most often foreign, investors.

But it would be wrong to assume that progress in other areas must necessarily be made contingent on achieving economic stability. Minor as it might seem at first sight, an exemplary area where no effort should be spared is that of the removal of obstacles to the movement of individuals. The experience of more developed areas, and Europe in particular, is that a sense of ownership in what could otherwise be considered top-down endeavours can be provided by adopting a single official travel document, to denote the holder's citizenship of a borderless entity. Pursuing this philosophy, the January 2000 UEMOA/ECOWAS ministerial meeting of Bamako recommended that the ECOWAS travel certificate — albeit still non-existent — should ultimately be transformed into a common international passport to be used in place of national passports. In addition, the possibility should be studied of issuing a single entry visa to citizens of third countries, in order to underline the fact of constituting a single Community[21].

In sum, the *raison d'être* of regional integration seems to be changing, moving away from a mere process of intra-regional trade liberalisation to a vehicle for raising private investment through confidence building. Simplistic recipes of merely encouraging integration initiatives in the hope of producing significant economic or political effects are unlikely to be very productive. Africa is comprised of many countries, a few successful ones like Botswana and Mauritius and too many others descending further into economic, social and political crisis. If Africa is to fight marginalisation successfully, it will need to tackle domestic as well as international reform, political as well as economic issues. In order to ensure that regionalism leads to concrete reforms, rather than remain at the stage of rhetorical statements, appropriate institutions must be designed and a multi-country approach to issues such as infrastructure, water, migration or technical assistance may produce at least as many benefits as too narrow a focus on trade, not least in achieving peace. Easy-to-measure and monitoring targets — for instance, in improving transport networks or easing cross-border controls — can be agreed upon and participation in regional integration initiatives made contingent upon their fulfilment.

Notes

1. These are Burkina Faso, Côte d'Ivoire, Ghana, Mali, Uganda and Tanzania. In order to test whether the conditions identified on the basis of the "good performers" are indeed necessary — in other words, what happens when such conditions are not met — the project also included the Democratic Republic of Congo.

2. Individual papers discussed at a workshop held in Geneva in the autumn of 2000 and separately released as *Technical Papers* in March 2001 are listed in Annex 1.

3. The implementation of SAPs has two main effects on RIAs (Söderbaum, 1998). On the one hand, SAPs harmonise the economic systems of the individual countries, which has improved the conditions for RIAs. This homogenisation effect has often had greater impact on effective market integration than the policies implemented within the framework of RIAs as such. On the other hand, SAPs are designed solely in a national context, with the universal market as the model.

4. The SACU redistribution system is an example of the potential problems that may exist, in particular when some countries are landlocked.

5. Mauritius joined in 1995, the Democratic Republic of Congo in 1998.

6. Domestic motivations prompted South Africa into signing an agreement with the WTO in 1994. This bound the country, as well as the other four members of the SACU, to an eight-year programme of comprehensive trade liberalisation from January 1995.

7. The EU proposes to sign Economic Partnership Agreements (EPAs) with different ACP regions or countries to replace existing non-reciprocal trade preferences. EPAs represent a form of free trade agreements, in which there would be "more than free trade" (they would include provisions for economic co-operation in other fields). ACP partners in such agreements would retain their current preferential access to European markets, but would have to reciprocate by progressively opening their own markets to imports from Europe on a preferential basis. These agreements would be put in place starting in 2010.

8. Launched on 31 October 2000 by Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe. The Seychelles pledged to join the FTA in June 2001.

9. The Cross-Border Initiative (CBI) is a framework of harmonised policies to facilitate a market-driven concept of integration. It is not an institution or a new trading bloc. Its special features are the reliance on variable geometry, voluntary action and peer pressure so that the fastest reformers may set the pace of integration. In May 2000, the CBI Steering Committee decided that, as it was entering its second phase, the CBI should be renamed the Regional Integration Facilitation Forum.

10. Fearing a diversion of the little FDI and portfolio investments that they have attracted in recent years following Nigeria's return to democratic rule, these smaller economies are developing new investment packages. Thus, while Ghana calls itself the "Gateway to Africa", Senegal prides itself in being "The Real Gateway to Africa".

11. Rose and van Wincoop (2001) calculates that eliminating the monetary barrier to trade through a currency union brings substantial benefits to consumers. According to Honohan and Lane (2001), EMU provides a demonstration effect suggesting to African countries that regional monetary integration need not have post-colonial connotations. They suggest that its use as an external agency of restraint is the strongest attraction of a multi-country currency arrangement and that the most likely route to new monetary co-operation in Africa is via a common peg to the euro.

12. Progress can be gauged in Table 4. Remaining obstacles include some members' failure to print the harmonised documents, the high cost of compensation, the fact that the ECOWAS Trade Liberalisation Scheme (TLS) and the UEMOA scheme coexist, and the absence of measures to inform economic operators about the TLS.

13. Whether new technologies may allow (relatively) backward areas to catch up more rapidly is a moot point, although early evidence seems to suggest that agglomeration is, if anything, playing a stronger role (e.g. Le Blanc, 2001).

14. Other major pan-African operators include Telekom Malaysia, with equity stakes in Ghana, Guinea, Malawi and South Africa, and MSI, a company founded by a Sudanese engineer and financed by OECD-based private and public investors which has operations in 11 countries, with another three in preparation.

15. The Telecommunication Regulators Association of Southern Africa (TRASA) was established in December 1997 under the auspices of the Southern Africa Transport and Communication Commission (SATCC), the SADC institution responsible for co-ordinating policy and regulatory matters relating TRASA provides a forum of information exchange and capacity-building. TRASA released a Frequency Band Plan for the region in May 2000 and launched an assessment of the regulatory capacity in 2001 in conjunction with the Commonwealth Telecoms Organisation.

16. Peace-keeping ECOMOG forces intervened in Guinea-Bissau in 1999 following the departure of troops from neighbouring Senegal and Guinea-Conakry, that had intervened the previous year to save the Vieira government and to prevent a government friendly to the Casamance rebels from ruling Bissau.

17. The African Development Bank, for instance, funds regional schools that provide professional training in targeted fields such as the *École Supérieure Inter-Africaine de Bingerville* in Côte d'Ivoire.

18. I thank Henri-Bernard Solignac Lecomte for clarifying this point.

19. The priority organs are the Assembly, the Executive Council, the Commission and the Permanent Representative Committee (the Pan-African Parliament will develop its own Rules of Procedures). In July 2002, South Africa will host the inaugural Summit of the Assembly of the African Union. The Secretary General should consult the Regional Economic Communities

(RECs), and RECs should be involved in the formulation and implementation of all Programmes of the Union. The Protocol establishing the Relations between the AEC and REC should be amended or a new Protocol be prepared.

20. Dessus and Suwa (2000) reach similar conclusions in their study of the trade liberalisation agreements signed between the European Union and the southern Mediterranean countries.

21. Seven ECOWAS countries recently began to study the possibility of issuing common entry visas.

Annex 1. Research Papers Prepared for the Project "New Forms of Integration and Co-operation in Emerging Africa"

1. ANDREATTA, F., P.G. ARDENI and A. GOLDSTEIN (2001), "A Lame Leg for a Peace Tripod: The Political Economy of Regional Integration in Africa", mimeo, OECD Development Centre, Paris.
2. ARYEETEY, E. (2001), *Regional Integration in West Africa*, Technical Paper No. 170, OECD Development Centre, Paris.
3. GOLDSTEIN, A. (2001), "Service Liberalisation and Regulatory Reform in Sub-Saharan Africa: the Case of Air Transport", *The World Economy*, Vol. 24, No. 2 (a longer version appeared as OECD Development Centre Technical Paper No. 154).
4. GOLDSTEIN, A. and N. NDUNG'U (2001), *Regional Integration Experience in the Eastern African Region*, Technical Paper No. 171, OECD Development Centre, Paris.
5. JEFFERIS, K. and K. MBEKEANI (2001), "Law, Institutions and Capital Markets Integration", *in Regional Integration in Africa*, African Development Bank and OECD Development Centre Seminar, Paris.
6. JENKINS, C. (2001), *Integration and Co-operation in Southern Africa*, Technical Paper No. 172, OECD Development Centre, Paris.
7. LONGO, R. and K. SEKKAT (2001), *Obstacles to Expanding Intra-African Trade*, Technical Paper No. 169, OECD Development Centre, Paris.
8. ODENTHAL, L. (2001), *FDI in Sub-Saharan Africa*, Technical Paper No. 173, OECD Development Centre, Paris.
9. PLANE, P. (2001), *La réforme des télécommunications en Afrique subsaharienne*, Technical Paper No. 174, OECD Development Centre.

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Following independence in sub-Saharan Africa in the 1960s, traditional integration strategies produced disappointing results in most instances, as they started with very modest levels of intra-regional trade, marked differences in income and industrialisation levels and diffuse fiscal weakness. They also had a strong protectionist bias, trying to widen to multiple countries the same import-substitution policies that failed at the domestic level. Nonetheless, even in the more liberal policy environment of the 21st century, a revival of integration agreements focused on trade and factors of production is unlikely to boost intra-African trade significantly. The current specialisation pattern of sub-Saharan Africa is hardly conducive to increased regional trade. On the other hand, co-operation initiatives that encompass selected policy harmonisation or joint infrastructure projects are needed to improve access to world markets, increase capital flows and stimulate economic exchanges between African countries. At any rate, political leadership is crucial to overcome deep-rooted resistance and scepticism and the international community should support efforts by reform-minded policy makers.

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