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In Search of Direction

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ECONOMIC COOPERATION IN AFRICA

Foreword

Reginald Herbold Green

Economic cooperation in Africa is an important topic. That proposition has enjoyed fairly universal political, professional, academic, and large-business assent in Africa since 1960 and only slightly less acceptance globally. Indeed, it was a proposition that the two main colonial powers—the United Kingdom and France—acted on within their colonial empires (as did South Africa with respect to Namibia). Although a fair amount of the extensive body of social science and official literature from 1960 to 1991 consists of either rhetorical statements or stillborn technical studies, there has been a steady flow of initiatives at institutional and operational levels throughout the period. However, the results amount to a tiny fraction of the potential gains, and most successes have been problematic, have peaked at a low level, or have been reversed.

Why the disjuncture between intent and opportunity, between allocated resources and actual results? How can more efficient and sustainable lines of action be developed for the future (or can they)? These are the two major questions that Professor Aly addresses in this volume.

Whatever one's view of Professor Aly's particular judgments, analysis, and proposals, this is a thoughtful and thought-provoking study. Though Aly does not explicitly say so, one problem of many cooperation efforts has been to start first and to think of why, what, how, where, and when later. One might—perhaps too uncharitably—suggest that the Abuja Treaty is the latest example of that failure. The goal of an African economic union and a symbolic target date for launching are one thing, but drafting a related treaty a decade in advance may be quite another. If, as the immediate operational provisions suggest, building up subregional economic cooperation, coordination, and integration are necessary preconditions for continental action, perhaps a declaration focusing on how that would be accomplished over the next five to ten years would have been more valuable.

Despite Africa's record of failures in economic cooperation, the Abuja Treaty (like the Lagos Plan of Action's regional integration chapter before it) represents only a tarted-up common market of the type the Economic Commission for Africa has been peddling (and subregions trying) with no great success for three decades. The only two moderately successful subregional bodies are the Preferential Trade Area (PTA) of East and Southern Africa and the Southern African Development Community (SADC) (formerly Southern African Development and Coordination Conference [SADCC])—the two least dominated in operation (especially in the latter case) by echoes of neoclassical treatises designed for industrial economies or the single-market strands of European Economic Community operations and formulations. This suggests that rethinking the cooperation model might have been more useful than writing another treaty based on it. And the fact that the PTA and SADC, though largely in the same subregion, are in fact complementary as to 95 percent of their operations might have given rise to consideration of whether specialization and division of labor, as well as concentration of resources and elimination of duplication, should be key themes in devising more workable institutional frameworks.

Professor Aly demonstrates that the degree of commitment on the part of governments toward allocating resources to regionally oriented endeavors and toward coordinating policies and projects that involve costs as well as gains has generally been low. How to reduce these obstacles is unclear. One route would be to move to laissez-faire via a neoclassical economic union. Whether this would lead to growth fueled by private trade is open to question. If an infrastructure (physical, institutional, and legal) is needed to create an enabling environment for trade, then direct, coordinated state involvement is essential. Another route would entail a leap to supranational bodies that have power to enforce coordinated action. The problem with this approach is that states unwilling to allocate resources and coordinate policies are unlikely to surrender significant power or refrain from snatching it back. A third route would be to act only when and where several member states have a common perception of a common interest better pursued jointly. In that case problems arise in having an initial front broad enough (1) to be seen as significant, (2) to avoid sectors likely to result in high-profile breakdowns, and (3) to achieve enough success to have a forward dynamic within sectors. Problems also arise in adding new sectors.

Financing economic cooperation by foreign funding is of significant concern, as Professor Aly stresses. In this regard:

- Is the impact of external financing on coordination greatly different than at the national level? If not, will avoiding it regionally while using it heavily elsewhere create a bias *against* economic cooperation?

- Under conditions of extreme resource scarcity, how can any program win radically increased allocations of resources unless it also pulls in additional external resources that will pay for a large portion of its costs?
- Given the ubiquitous presence of foreign finance, will the presentation of regionally agreed-upon sectoral proposals, made to donors by the regional organization, be more likely to preserve regional control over which proposals are selected than each nation negotiating separately?

The last question leads to another key area in which Professor Aly poses the need for cooperation: structural adjustment (or more broadly, macropolicy coordination). Structural adjustment programs (SAPs) have been a fact of life in Africa since 1985 and will continue to be beyond 2000. Coordinated approaches (even if actual SAPs were national) would probably increase the degree of national influence and the contextual adjustment of SAPs. Similarly, a sectoral coordination strategy logically leads to including the macroeconomic sector—as SADC now perceives and on which it is seeking a consensus.

The interaction between a coordinated buildup of productive and infrastructural capacity oriented to regional economic linkage, and trade to validate that capacity, has not to date been addressed satisfactorily, as Professor Aly points out. That may be the strongest argument for divisions of labor. Sectoral coordination—such as that of the EC today or Benelux within it previously—requires a limited number of countries with a wide range of common interests that they perceive as useful to pursue together. Trade preferences, commercial clearing, and harmonization of nomenclature and documentation require as large a market as feasible, but loose contact and detailed coordination.

The only African region in which economic regionalism has made real, if limited, progress in the 1980s—East and Southern Africa—is also the only region in which, de facto, such a division of labor exists. SADC plays the first role for ten countries (probably moving to eleven with a legitimate government in South Africa), and the PTA plays the second for almost twenty. That is neither how the "duplication" arose nor how it is usually seen, but the division arguably strengthens both SADC and the PTA as well as—more significantly—the nine SADC members who are also PTA members. One eventuality might be to merge the Economic Community of West African States and the Economic Community of Central African States but to create SADC-like sectoral/macrocoordination groups for, say, the Dakar/Abidjan range, the Nigerian-centered cluster, and UDEAC.

Zaire illustrates a problem: its eastern half belongs in the PTA and its western in ECOWAS/CEAC, and its sectoral coordination (post-Mobutu) might best be served in SADC—ECA's habit of drawing lines on a map in a manner reminiscent of the Congress of Berlin (often the same lines) is not altogether helpful. The PTA has rebelled against ECA and has added several members (e.g., Rwanda, Burundi, Angola, Zaire, Sudan, and potentially South Africa by 2000) initially held to be outside its "proper" area.

Professor Aly stresses the need for broader participation on the part of several parties, governments among them. If governments in their day-to-day operations see the regional body (and especially its secretariat) as an outsider or don't see it at all in normal operations, then regionalism is unlikely to move ahead fast. This is the reason for SADC's allocation of sectoral coordination to technical secretariats supervised by member states—to give a real, ongoing involvement to each state and to avoid the domineering secretarial alienation of all members seen as characterizing the latter days of the East African Community, and to a lesser degree the PTA and ECA. ECA's initial proposals for the Lagos Plan gave no role to subregional building blocks, and its Abuja drafts gave them far smaller roles for a far shorter period than did the final documents adopted. In debate ECA strongly resisted the changes pushed by several states—primarily SADC and PTA members. This has reinforced their belief that strong secretariats try to govern, not serve, their member states (and led to calls for ECA's secretary-general to be elected by and held accountable to ECA's members—not, as now, the UN Secretary-General's appointed Viceroy for Africa). The cost of the SADC approach is that some states have created very weak technical secretariats, albeit the strongest three (those for transport and communications, food security/agriculture, and energy) are probably the strongest technical units in any African regional or subregional body.

Participation by enterprises poses real problems. In terms of transport and energy, SADC has had some success—partly because the key enterprises are in the public sector. In other sectors and overall, though, repeated efforts have reaped limited results. The limited enterprise input—largely consisting of calls for lower taxes, more subsidies, and larger construction contracts—is an opportunity missed for states and enterprises. Whether federating national chambers of commerce—so as to create regional ones with secretariats able to build up and canvass opinion on broader, more positive inputs—is a way forward remains unclear.

Participation—as in business, labor, church, and other special interest groups seeing the regional frame as relevant and having their own regional groups—is probably an important way to build a broader support base for regionalism. It appears to have been important in that respect in the EC. To a degree this happened in the old EAC and is happening to a lesser degree in SADC, but apparently not elsewhere. How these bodies should liaise with the intergovernmental body is unclear—the EC's approach of consultation and involvement (cooptation?) requires numbers of expert personnel no African regional body has or will have in this century, but more liaisons, exchanges of information, and discussion workshops on regional issues of mutual concern (involving government as well as secretariat participants on the regional organization side) might be useful and practicable. So too would be more interaction with the press. Only in about half the SADC states do newspapers carry stories on programs and projects (rather than only on conferences) and refer to regional aspects frequently in stories whose main focus is national.

Directly elected regional assemblies are arguably a step toward democratization. As to "When?" the answer would appear to be, "Not yet." However, indirectly elected assemblies chosen by national parliaments (not necessarily totally from their own members) might in some cases be practical and useful as an interim step. Perhaps oddly, the only functioning body of this kind died with the EAC, and neither the PTA nor SADC seems to have canvassed the idea seriously.

Clearly there are more questions than answers and more failures than successes to date. But there are some successes—the African Development Bank (even if it is a different type of cooperation group), the PTA, and SADC. And there is an increase in the asking of basic questions. Often, to ask the right questions really is halfway to finding the right answers (which will probably vary from subregion to subregion and over time). It is to that process of identifying the right questions to ask that this volume is a significant contribution.

PREFACE

While on appointment as deputy director of research at the African Centre for Monetary Studies (ACMS), Senegal, from October 1985 to October 1990, I had the opportunity to read extensively on the topic of intra-African trade and cooperation. My readings resulted in several papers published in the centre's journals; one common message was that past experience with regional cooperation had led the countries of the continent almost nowhere. The urgent question had become where to head and how to proceed.

Fortunately, the opportunity to look deeply into that issue came when I was back again at the University of Al-Azhar, Egypt; and I took advantage of being in England in the summer of 1991 to get the materials of my study updated at the rich library of the Institute of Development Studies (IDS) of the University of Sussex. I was very lucky to have the chance to exchange views on a number of key issues with Professors Reginald Herbold Green and Mike Faber of the IDS. It is thanks to these useful discussions and to the valuable assistance of the library staff at IDS that I managed to develop several ideas of the book.

I owe special thanks to Professor Green, who generously spent much of his precious time reading the manuscript. His constructive comments were extremely useful, and it was very kind of him to write a foreword in addition. I am also indebted to Professor William Cyrus Reed, director of the African Studies Office at the American University in Cairo. He kindly read the manuscript and encouraged me by extending support to update the materials at his office and to get the book published. I must not fail to acknowledge the unlimited assistance from the unknown soldier, my wife. She has patiently put up with the unpleasant sort of life I am leading. Finally, a word of deep gratitude is due my professor, Galal Amin of the American University in Cairo. Without his assistance this volume would hardly have come to light. I do not need to emphasize that the responsibility for any mistakes and shortcomings remains solely mine.

Ahmad A.H.M. Aly

CONTENTS

PART 3 APPROACHING THE FUTURE

Tables

1

INTRODUCTION

The track record of regional cooperation in Africa has been a major cause of concern. Three decades of continued efforts have ended in near bankruptcy, which has given rise to a growing worry about the direction in which the cooperation drive is heading.

Given certain unfavorable developments in the international environment—notably the steady decline in commodity prices, the new protectionism, and the heavy conditionalities of external aid—regional cooperation has rightly been seen as a pertinent means of attaining self-sustainment, reducing external dependence in a variety of important areas, and increasing bargaining power in external economic relations. Inspired by this conviction, the impatient African leaders, in the euphoria of independence, have been rash in swiftly creating a host of cooperation arrangements in almost all economic sectors and at various levels. According to the Economic Commission for Africa (ECA), seventy-five major intergovernmental organizations were set up as of 1972.[1] By now there are probably at least 100 such organizations, though some estimates put the figure at about 200.[2]

Unfortunately, the outcome of these efforts has been disappointing. Quite a few arrangements have collapsed, and the performance of those that managed to survive has been very poor. Failure has been particularly common in West and East Africa. In West Africa, numerous schemes broke down after a short life, such as the Interim Council of Ministers of the Countries of West Africa (ICMCWA), the Organization of Senegal River States (OERS), and the West African Free Trade Area (WAFTA). In East Africa, the East African Currency Board (EACB) and the East African Common Market (EACM) both collapsed. The standstill of both the Maghreb Permanent Consultative Committee (CPCM) in North Africa and the Senegambian Confederation in West Africa illustrate the paralysis of other schemes. In addition, the Organization of African Unity (OAU) cites other multilateral institutions whose operations were severely impaired. These mainly include those dealing with natural resources, such as the

Regional Centre for Training in Aerial Surveys, the Centre for Services in Surveying and Mapping the East African Mineral Resources, the African Remote Sensing Council, the African Regional Centre for Technology, the African Regional Organization for Standardization, and the Association of African Trade Promotion Organizations.[3]

The arrangements that have managed to survive have faced various problems. For example, the Economic Community of West African States (ECOWAS), perhaps the most successful multinational organization on the continent, does not appear to have made much progress, particularly in terms of positive economic integration and policy harmonization.[4] The Southern African Development and Coordination Conference (SADCC), another successful (though radical) grouping, is reported to have achieved little, and the regional economy in the Southern African subregion was at best stagnant throughout the 1980s.[5] The Union Douanière des Etats de l'Afrique Centrale (UDEAC) in Central Africa is reported to have been in a state of inactivity since 1966.[6]

The crisis has induced one writer to conclude pessimistically that "it would be no exaggeration to say that Africa's experience with integration schemes over the last twenty years has been the experience of failure, and that the achievements of integration have been slight or non-existent."[7]Another scholar states that "glacially slow progress or break up were the rule not the exception in Africa despite the continuing verbal commitment to economic integration as desirable or even necessary."[8] Peter Robson summarizes the situation by saying, "Although Africa may not have reached the crisis that has been claimed in the third world, it did not altogether escape the malady. The short-term effects of integration were often not favorable: initial administration costs were high; benefits from expanded investment and scale economies may not accrue for a long time and in any case these and other benefits were uncertain, difficult to quantify and sometimes intangible; distributional difficulties are hard to resolve where potential gains are not obvious and sure."[9]

Given this gloomy picture, the future of regional cooperation on the continent is in question. Is it still worthwhile to carry on costly and seemingly ineffective cooperation efforts? Would it be better for African countries to give up their collective cooperation projects and go it alone?

Regardless of the history of failure, the predicament in Africa is such that its countries are now left with virtually no choice but to continue their cooperation: Though generously endowed with natural resources, most African countries have a narrow domestic market, in terms of both population and income, that poses a serious obstacle to the single-nation approach to economic development. Of the forty-five countries in sub-Saharan Africa, twenty-four are reported to have fewer than five million inhabitants each. By the end of the 1980s, six countries had fallen from the middle-income category to the low-income group, thereby raising the number of least developed countries on the continent to twenty-eight.

The continent's external trade is also heavily dependent on outside markets, in terms of both commodities and geography. More than 90 percent of Africa's exports are accounted for by a few primary commodities, whereas manufactures represent about three-fourths of the continent's total imports. Nearly 80 percent of regional exports are destined for developed market-economy countries, from which roughly three-fourths of the continent's total imports are procured. By contrast, intra-African trade, as a percentage of Africa's total trade, declined to 4.5 percent at the end of the 1980s, down from 6.6 percent three decades earlier.[10] These patterns of Africa's foreign trade have exposed the development process in African countries to the destabilizing factors that dominate international markets. African economies and trade must be restructured in such a way as to increase collective self-reliance and thereby reduce dependence on the rest of the world.

The international politicoeconomic order is currently crossing a historic turning point on the way to a new century and a new era. The old bipolar system has given way to one that is yet to be shaped. What used to be the Soviet Union has fragmented into several independent states. In contrast, many of the countries of Western Europe are on the verge of an economic and political union, probably by the end of this century. The European Union is expected to comprise in due course the other states in Western Europe as well as the countries of Eastern Europe, perhaps including the European republics of the former Soviet Union. North America has not missed the race. The United States, Canada, and Mexico have recently signed the North American Free Trade Agreement (NAFTA). Talk of a Southeast Asian grouping led by Japan has also long been in the air.

These expeditious developments will have far-reaching implications, particularly for development financing in Africa, which has so far been heavily dependent on external sources under the old bipolar regime. African states, like many other developing countries, managed to secure sizable resources by playing superpowers against each other, an option no longer feasible in the new world system. For their part, Western aid providers will no longer need to "bribe" developing countries. They are therefore expected to adopt a tougher attitude toward African recipients, requiring them, among other things, to hold their own certificates of good conduct, usually issued on their behalf by the International Monetary Fund (IMF). Given the already onerous conditionalities of the Fund, bilateral as well as multilateral financial assistance is likely to be dearer than ever before.

The conversion of the former socialist countries to liberal ideologies will further affect the direction of official and private aid flows in favor of these countries. Donors will earmark a good portion of their official aid to them—at the expense, of course, of those funds destined for Africa.[11] International organizations are in the process of reformulating their lending policies in favor of the countries of Eastern Europe. Commercial banks, growing tired of their problematic African customers, may find it more profitable to do business in Eastern Europe than in Africa. It will also be tempting for multinational companies to pull out of Africa in favor of these new lucrative markets.

The warning signal is quite clear: economic cooperation among African countries has become a matter of survival in the post–Cold War era. Those countries that are not members of regional blocs will hardly have a place in the new world and will find themselves suffering from poverty, negligence, and isolation.

What is needed in the light of these concerns is a rejuvenation of regional cooperation among African countries. In other words, the direction of the cooperation drive needs to be corrected, such that the lessons drawn from previous experience, the prevailing circumstances in the continent, and the changing international environment are all taken into account.

The challenge is demanding. As a first step, it calls for a thorough examination of past experience, with a view toward pinpointing past weaknesses and coming up with constructive proposals to put intra-African cooperation on the right track. Fortunately, a good deal of intellectual work has already been undertaken to assess previous experience, but its thrust has been focused mainly on analyzing the causes of failure rather than on a future perspective. This gap between what has been done and what needs to be done is precisely the area of interest of this book. This volume endeavors to assist in bridging this gap, that is, to conceive appropriate actions to be taken to correct the course of intra-African cooperation. To this end, it tries to articulate some pragmatic ideas in what may be considered a realistic framework for regional cooperation in Africa. A smooth flow of analysis entails some unavoidable, though useful, repetition of the story of cooperation among African countries; this is necessary to show *what* has happened and, more important, to explain *why* it happened before any proposals are made concerning the years to come.

To this end, the study is divided into three main parts, each covering two chapters. Part 1 briefly describes the relevant history of the past three decades or so. Chapter 2 gives a short account of cooperation initiatives that have been attempted on the continent at both regional and subregional levels. Chapter 3 summarizes the outcome of the whole experience. It describes briefly cases of failure and paralysis in each subregion and elaborates on the poor performance of those arrangements that managed to survive.

Part 2 seeks to explain *why* these events happened. Three factors are focused on as being responsible for the poor achievements of African cooperation efforts: the adoption of an inappropriate integration strategy,