Regional Economic Communities

A source of hope for economic development in Africa?

In view of the extremely weak status of African states within the global economy, hopes of strengthening the continent's position are repeatedly pinned on the concept of regional cooperation. Putting behind the many past disappointments with unsuccessful economic communities, this idea has been enjoying a considerable renaissance since the mid-1990s. This is taking place in a context of moves towards regionalization in other parts of the world and in parallel with globalization and trade liberalization within the scope of the WTO.

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It is virtually impossible to provide an exhaustive overview of all African regional organizations, given that there have probably been more than 500 of them since the 1960s, with some 200 or more still in existence today. A typology of regional organizations can be built around various criteria, although definitions unavoidably tend to overlap in regard to different characteristics.

In geographical terms, a distinction has to be made between pan-African organizations, those with limited, sub-regional membership and those with linguistic and historical ties (such as Francophone or Lusophone states).

With regard to the respective type of mandate, it is especially important to differentiate between organizations geared in a narrower sense to political or security-related issues, economic communities with a truly comprehensive orientation and organizations that are merely limited to functional cooperation in specific economic and social sectors.

Pan-African and sub-regional organizations

The most important pan-African institutions are the African Union (AU), which was created in 2002 following the transformation of its predecessor organization the OAU (founded in 1963), the African Development Bank (ADB) and the UN Economic Commission for Africa (ECA). Francophone countries are still linked closely with France (and thus ultimately with the Euro zone) via the CFA currency bloc. In view of the geographical dimensions of the continent and the low level of interaction between countries that are located far away from each other, the starting point for greater regional cooperation and/or integration has focused mainly on the five large sub-regions (North, West, Central, Eastern and Southern Africa). An African Economic Community (AEC) of the kind the AU is ultimately aiming for is still far off on the horizon; indeed, not even any basic contours are identifiable as yet.

As things stand, the AU and the ECA have singled out 14 Regional Economic Communities (RECs) as key sub-regional pillars – albeit with very different task profiles and factual achievements – on the long road still ahead to the ultimate objective of an AEC (the most important RECs are named in the box), whereby multiple membership overlaps and competing mandates are clearly evident between individual organizations. All of these communities have a large number of specialized sub-organizations and facilities; however, many other regional organizations also exist outside this framework.

Beyond the original framework of economic integration, issues relating to security policy and joint intervention with a view to mitigating conflict situations, have also become increasingly important in all RECs in recent years, owing to the large number of violent, cross-border conflicts. Ongoing examples, which cannot be delved into in more detail in the context of this article, include Burundi, Côte d'Ivoire, Liberia and the Sudan.

Up to now only limited trade effects

On the whole, regional cooperation in Africa has chalked up a rather disappointing track record to date. Domestic political and economic interests continue to take a clear precedence over regional community interests. The secretariats in the regional organizations are far too ill equipped, both in terms of financial and human resources, to actually be able to execute with any kind of adequacy the tasks entrusted to them as formal objectives. In all of the economic communities the generally expected trade effects, namely an intensivication of internal trade within the RECs, have remained decidedly few and far between as yet. The still prevailing economic structures are the product of a colonial past which has left them essentially dependent on primary sectors such as agriculture, animal husbandry and mining right through to this day and age. With but a low level of industrial processing and diversification, they currently offer very few incentives and pre-conditions for a significant expansion of recip-

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Sceptics fear that small farmers and traders will lose out in intra-regional trade.

rocal trade exchanges. Indeed, for the vast majority of African countries, very little has changed in terms of the make-up of their foreign-trade relations whose focus is traditionally on industrialized countries (export of virtually unprocessed raw materials, imports of industrial and investment goods). Only when the economic structures within the individual states have become more diversified will they be able to generate the impetus needed to concomitantly step up trade at the regional level. One of the central hopes pinned on larger economic communities is precisely that the prospect of regional markets will motivate domestic and foreign entrepreneurs alike to increase their investments in the processing industry. New opportunities to intensify trade – like it is the case between industrialized nations – will only arise once national production structures gradually advance to higher levels of diversification. Initial moves to dismantle the many trade restrictions that have existed within the RECs to date (customs, non-tariff barriers etc.) are definitively a key condition that needs to be met for this kind of development, but they are far from sufficient in themselves.

Winners and losers in regional integration

A careful weighing up of the possibly contradictory interests of local entrepreneurs and producers on the one hand and the large majority of the population as consumers on the other should be part and parcel of any attempt to assess the overall impact that economic communities have on trade and growth. If local, comparatively inefficient producers with high cost structures (and possibly even low quality standards) are protected against more favourable external competition as a result of the creation of economic communities, then this is to the detriment of the consumers who, as effect of higher prices for goods produced within the regional monopoly, are faced with welfare losses.

This kind of protection for local producers may well be justified for a temporary start-up period and may even be necessary in order to set up own production structures. But it must not result in the permanent protection for an ultimately inefficient production system. This particularly poses a definite risk for the relatively least developed, structurally weak members of any economic community – bereft as they virtually are of an easy access to more favourable external offers from the world market. Indeed, these members constitute easy prey for the producers of overpriced goods in the relatively more advanced and thus powerful countries within the respective economic communities (such as Kenya, Nigeria and South Africa). It may well be that precisely these poorer countries will not derive any benefits from their membership in a regional economic community, unless they receive at least some compensation through a special financial equalization mechanism which, it has to be said, is already provided for in most cases in one form or another.

Contrary to the arguments put forward by the advocates of free trade, the abrupt and complete liberalization of regional internal trade between member countries whose positions at the outset are completely incongruous will not do justice to the differing interests. Ensuring an acceptable balance between the real (but often only surmised or feared) winners and losers in the formation of economic communities is, in Africa as indeed elsewhere, an extremely difficult undertaking in political terms. It is often claimed that the governments' lack of political will is the main reason why regional cooperation has failed to generate any success to date. While this is surely not entirely wrong, it is not entirely right either, since it does not sufficiently take note of the existing structural obstacles.

Varying performance of different communities

A comparative assessment of the successes achieved by the various economic communities in Africa to date reveals a striking ranking order. By far the highest level of actual economic integration has been achieved by SACU, UEMOA and EAC, in

The most important Regional Economic Communities*

CEMAC (Communauté Economique et Monétaire de l'Afrique Centrale): Equatorial Guinea, Gabon, Cameroon, Congo, Chad, Central African Republic

COMESA (Common Market for Eastern and Southern Africa): Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe

EAC (East African Community): Kenya, Tanzania, Uganda. Burundi and Rwanda have applied for membership

ECOWAS (Economic Community of West African States): Benin, Burkina Faso, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Cape Verde, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo

SACU (Southern African Customs Union): Botswana, Lesotho, Namibia, South Africa, Swaziland

SADC (Southern African Development Community): Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe. Madagascar has applied for membership.

UEMOA (Union Economique et Monétaire Ouest-Africaine): Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo

* Status: as at January 2005

that order. In contrast, the geographically considerably larger communities ECOWAS and SADC are noticeably lagging behind. A third category with substantially less regional integration to date includes COMESA and CEMAC. All other economic communities only play a completely subordinate role at present, having done virtually nothing as yet to make economic integration more effective.

This ranking order shows unequivocally that to date the best successes have been achieved where a relatively compact geographic neighbourhood coincides with other essential elements that make up a joint identity (colonial past, language, administrative tradition, existing infrastructure) as well as coherent macro-economic parameters (currency, customs union). However, where many other differences exist, a geographic neighbourhood is not sufficient on its own, as has become patently clear in the case of the Horn of Africa, in Central Africa and in the western part of West Africa (the zone between Côte d'Ivoire and Liberia). Geographically very widespread and heterogeneous groups, such as COMESA, ECOWAS and SADC, obviously find it extremely difficult to attain a higher level of economic but also political cohesion.

However, in the face of general socio-political instability, not even the most advanced economic communities are completely immune to politically-induced setbacks, if they attack their very core, as exemplified by the historical breakdown of the first EAC and the present threat to UEMOA posed by the ongoing civil war in Côte d'Ivoire. Beyond economic integration, namely at the general political level and in particular in terms of security-related cooperation, the prospects for success can also be assumed to be greatest wherever geographical proximity and other common interests are shared. Of all the regional organizations, only the political leadership of the three EAC countries is still advocating the ultimate goal of creating a political federation in East Africa, in spite of all tense arguments about the probable economic ramifications and the virtual unfeasibility of any success in the short term.

Remaining true to the goal of regional cooperation

Most advances in regional cooperation and integration in Africa in the foreseeable future are likely to be achieved amongst geographically relatively coherent and politically more or less compatible groups. The hope for rapid progress at the pan-African level (African Union) will certainly remain just that for a long time to come. As such, the original OAU approach is still completely realistic in assuming that the creation of an African Economic Community (AEC) will take a period of about thirty years to achieve and will need to attach clear priority to establishing and consolidating various economic communities in the different sub-regions of the continent to act as pillars of support for the creation at a later point of the targeted AEC.

Overall, greater regional economic integration undoubtedly remains a key strategic development-policy goal in Africa in order to prevent the continent from becoming even more marginalized as a result of globalization and the formation of trade and economic blocs in other parts of the world. But this can in no way be a genuine alternative (along the lines of an «auto-centred development» at regional level as some theorists used to advocate) to the indispensable need to modify production and social structures in each nation's respective domestic sector and to open up and adapt realistically to the general framework conditions of the global economy.

Regional economic communities, therefore, merely constitute one – albeit a thoroughly noteworthy and important – element next to many others in the search for a promising general development strategy for Africa. Within the framework of international development cooperation, support should preferably be given to those economic communities that have already proven that they can attain real success in the gradual pursuit of realistic objectives.

Impact of free-trade agreements and WTO

The consolidation of existing African economic communities has in recent times been exposed to a number of uncertainties unleashed by the latest trends in the international debate on trade and regionalism which favour the conclusion of free-trade agreements (FTAs) between geographically remote countries and groups of countries in the North and South of the globe. A pioneering free-trade agreement in this respect was the FTA signed in 1999 between the EU and South Africa (and thus indirectly with SACU). To draw equal with the EU, the USA is now energetically pushing for the conclusion of a free-trade agreement with the SACU group.

Worldwide, the trend is now heading towards free-trade agreements that are no longer bound by the criterion of geographical neighbourhood. Free-trade agreements of this kind can herald welfare gains for the consumers in the African states involved along with a potential for greater export opportunities (on the EU and US markets); however, in the event of complete reciprocity, they also harbour incalculable risks for the producers in African countries, who have to stand their ground in the face of an onslaught from substantially stronger, more cost-effective and in some cases – such as with agricultural products – even subsidized competition from industrialized countries.

Within the framework of the global WTO regulations, the general trend is to enforce the expiry of all asymmetrical preferential trade relations benefiting developing nations (such as those between African countries and the EU within the framework of the former Lomé Convention) over a transitional, multi-year period and to replace them with new, WTO-compatible agreements. Thus, in the new Cotonou Agreement of June 2000, the EU demanded that the trade preferences for all ACP countries be replaced by new regionally-based trade regimes taking the completely new form of«Regional Economic Partnership Agreements» (EPAs). Following long, drawn-out technical preparations, formal negotiations between the EU on the one hand and various regional groupings of African countries on the other were finally started in 2003/04 to reach agreement on these EPAs, as they are now generally referred to. As the EU sees it, the EPAs are to come into force at the start of 2008 and are to be wholly compatible with the WTO's general regulations (at best containing concessions relating to further limited transitional regulations).

The need to start negotiations with the EU has already led to certain complications on the African side, because the process of group formation for EPA purposes was not congruent with membership in the existing economic communities, especially in Eastern and Southern Africa. This may lead to complicated pitfalls for trade arrangements – rather than to the widely sought-after trade concessions – and may make it difficult for the present economic communities to intensify their integration efforts.

The final form of the EU-backed EPAs is still completely open to conjecture. But a growing number of observers fear that existing regional communities will more likely be weakened rather than strengthened by the advent of the EPAs and the US push for free-trade arrangements. Some development-oriented NGOs in Great Britain (and elsewhere in Europe) have even started a campaign against the entire EU-promoted EPA concept, believing that the cards are clearly stacked against African countries.