FINITE SUCCESSES, CONTINUED EFFORTS, POTENTIAL BREAKTHROUGHS: The Preferential Trade Area of Eastern and Southern African States

I.

PTA: An Historical Overview

The Preferential Trade Area of Eastern and Southern African States (PTA) groups 16 members[1] with one accession under negotiation (Angola) and another under sporadic discussion (Botswana). It stretches from Ethiopia in the North to Lesotho in the South and Mauritius in the East to Angola in the West. The PTA Treaty provides for expansion to contiguous states (under which provision Burundi and Rwanda became members) and there has been some consideration of applying this provision in the cases of Zaire and the Sudan. Madagascar is included in the PTA Area and was a party to negotiation of the Treaty but has not become a member. Mozambique's accession becomes effective in 1990 so that as of 1989 membership was effectively 15.

The PTA Treaty dates to 1982. However, negotiations eventually leading to PTA date to the latter half of the 1960s. Similarly, while the PTA had nominally been in existence for slightly over seven years as of 1 January 1990 effective implementation has been largely in the last two years.

In the mid-1960s the United Nations Economic Commission for Africa (ECA) as part of its continental strategy for economic integration instituted talks among the independent Eastern and Southern African States (including the Indian Ocean island states) toward forming an economic community. These were in fact overtaken in 1977-78 by the renegotiation of the East African Community and were dormant until after its 1987 back-up. The EAC and its member states in the early 1970s entered into negotiations with Zambia, Burundi, Rwanda, Ethiopia and Somalia on expanding EAC albeit only the Zambian negotiations ever reached a detailed stage. The economic crises from 1973-4 and, in particular, the weakening of the EAC put an end to this endeavour.

From 1987-88 the ECA again instituted talks among the independent states which speedily began the process of Treaty drafting, resulting - after protracted negotiations - in the 1982 Treaty. In parallel the independent Southern African States over 1979-80 had negotiated the Southern African Development Coordination Conference[2], a body with parallel, partially overlapping but potentially supportive and complementary goals.

The PTA Treaty is one of the new wave of South economic integration approaches modelled on the EEC Treaties (and the Andean Pact's Cartagena Treaty).[3] It, therefore, goes well beyond establishment of a common market and of trade liberalisation per se in its aims. This approach - based on the limited success and applicability limitations of simple Common Market approaches based in the Viner-Meade second best neo-classical trade theory constructs - included attention to clearing of payments and to monetary union; to non-physical (i.e. regulatory) barriers to transport of goods and to transport and communication as such; to coordination and specialisation in industry, agriculture and training and to development and trade finance institution creation and funding.

PTA has a strong central secretariat in charge of all programme areas and, in practice, providing most detailed proposals and supervising their implementation when adopted. This has become somewhat blurred because the transit traffic documentation harmonisation exercise has been serviced by the UNCTAD unit based in Nairobi and the Central[4] and Northern[5] Corridor transport groupings pre-date PTA and have basically member government programme initiation, articulation and implementation. Government implementation of agreed decisions and involvement in programme operation between major meetings has been uneven, often lagged and frequently weak.

The PTA's main foci of effort have been:

1. negotiating and putting into operation preferential tariffs on a "common list";

2. reducing non-tariff import constraints;

3. establishing a clearing union for regional transactions paralleled by a regional traveller's cheque;

4. seeking to articulate steps toward a monetary union;

5. reducing non-physical transport barriers including trade classification systems, transit traffic documentation and interstate third party insurance over;

6. coordinating and developing better multi-model transport links among PTA states;

7. increasing domestic/regional share of benefits of regional trade expansion by limiting preferences to enterprises with domestic/regional equity, board member and senior manager majorities;

8. devising effective programmes to coordinate production as a means to specialisation and expansion of trade in other sectors - especially manufacturing and agriculture;

9. mobilising financial resources to enhance trade and develop relevant infrastructure and production units preferably via some form of regional trade and development bank.

This was and is an ambitious agenda. Until late 1987 it was one on which even the Secretary General viewed progress as minimal. As of 1990 the late 1987 reading looks too negative - the "common list" for reduced duties (including its first extension of coverage) had in fact been negotiated and - as can now be seen - were in the process of adoption. Similarly, the Clearing House for intra-regional payments was in operation even though at that point in time handling under a quarter of such transactions. Similarly, the negotiations in respect to trade classification, documentation and transit traffic regulation had begun in earnest even if the main results came in 1988-89.

Results are uneven but in several foci significant. A "Common List" of over 700 commodities to which preferential tariffs apply exists with the second expansion taking it to this number to be effective in 1990. Four countries[6] are exempt from giving preferences, two[7] are apparently giving preferences but have not published schedules, one[8] is a new member still preparing its schedule.

In respect to non-tariff barriers the problem has at the formal level been that those covered by the Treaty (e.g. foreign exchange deposits and taxes, quotas, import bans) are uncommon while those which are widespread[9] - import licensing and foreign exchange allocation - are not explicitly covered in the Treaty. The substantive problem is the foreign exchange constraints facing thirteen of PTA's members and in particular the eleven[10] of them who have reason to believe special foreign exchange allocations to, or open general licence for PTA exports would worsen their trade balance position within PTA without significantly reducing extra-regional imports.

Limited, negotiated special allocations of foreign exchange/import licenses for PTA goods are being negotiated and - to a limited extent - do exist via inter central bank swing credits. Surprisingly - given PTA's earlier ringing denunciations - some form of counter trade (frame trade agreement) is being explored as a route to trade expansion.

The Clearing House for intra-PTA transactions has been in existence for eight years and now handles almost 75% of trade transactions.[11] This is a turnover of the order of $1,000 million a year including both sides of each transaction. Perhaps more strikingly the proportion covered by cross-cancellation of credits and debits has risen to 59% with only 41% settled in hard currency. The PTA Travellers Cheque has gained acceptability in most member countries with turnover of about $40 million a year.[12]

Progress toward a monetary union has been negligible. The problems created by inconvertible currencies - or more accurately detailed foreign exchange allocations - and of widely varying degrees of overvaluation are recognised. One means of eliminating them would be a monetary union (with or without a common currency but with a regional accounting unit such as UAPTA) combined with no exchange controls on regional visible and invisible trade transactions.[13] However, the underlying foreign exchange problems which give rise to overvaluation and detailed foreign exchange control/import licensing have to date prevented articulation of a viable route, much less serious negotiations on its adoption.[14]

Non-physical transport barrier reduction has proceeded on a broad front and relatively rapidly. Common transit traffic documentation and regional ("yellow card") third party vehicle insurance are both negotiated and in force in most PTA members. Standardisation of trade (and therefore customs) categories and procedures is largely negotiated and in force in a minority of states. A common road toll ($4 per 100 kilometres for heavy lorries) for non-national PTA vehicles has been negotiated and is due to take effect in 1990.

Transport has seen a substantial amount of discussion but relatively little PTA regional strategic design or priority setting much less coordinated fund raising or implementation.[15]

The Northern and central corridor routes from Mombassa and Dar es Salaam to Uganda, Rwanda and Burundi (plus Zaire) are exceptions to this generalisation as, of course, is the SATCC strategy and programme with over $1,000 million invested since 1980. However, all three relate to distinct sub-groups of states not to the whole PTA regions. In practice all three are conducted outside PTA by the states directly concerned albeit the Corridor Authority cases do appear to liaise with PTA rather more than does SATCC (and vice versa).

The regulations governing eligibility for preferences by limiting extra-regional participation borrowed from the Andean Pact's Cartagena Treaty have proved troublesome. They were initially held in abeyance to give time for regionalisation. By the mid-1980s it became evident that several significant states - notably Kenya, Malawi, Zimbabwe and Mauritius could not meet the deadline. Interim provisions providing partial preferences even in cases of over 50% extra regional equity ownership, board membership or senior managerial provision were approved. However, this appears to have postponed rather than resolved the problem. Given the increased interest in foreign enterprise partners/investers by almost all PTA members; the reluctance of many large external enterprises to hold minority stakes; and the probability that ventures in new products or product fields (the ones perhaps most likely to give priority to regional marketing) are likely to have an initial foreign senior managerial majority it is hard to see how the 50% rule can ever be brought into force on an across the board basis.

Industrial and agricultural coordination have received attention but still lack strategies and articulated priorities beyond a cluster of proposed large scale industrial sector studies. In 1990 a metallurgical technology institute and related training programme serving the region will come into being. These are interesting because they appear to represent initiatives proposed, carried to adoption and largely funded by a member state, i.e. Zimbabwe. In 1989 PTA began to work toward elaborating human health programmes centred on drug procurement, production, regional trade and standardisation/quality control.

PTA has in the past stated its objections to begging for foreign finance - indeed arguably this has limited the enthusiasm for developing coordinated project priorities at regional level. However, it has in fact concentrated substantial attention on efforts to create a PTA Development and Trade Finance Financial Institution. The initial efforts were to expand the membership of the then moribund East African Development Bank - one of the EAC survivors[16]. However, in the mid-1980s EADB's three members chose to revive its operations on a continued Kenya-Uganda-Tanzania basis. A PTA Trade and Development Bank was then promoted, negotiated and, indeed, formally established. However, both the absence of significant external pledges and problems in securing member capital subscriptions have prevented its substantive operation.

In 1988-89 PTA has altered its approach to financial mobilisation. It now appears to envisage a strategy of coordinated sectoral project lists at regional level, a technical capacity for bringing them to 'saleable' form (backed by a $3.4 million ADB grant toward a Projects Preinvestment Unit) and mobilising/coordinating external financing for these projects. This appears to be a response to two developments:

1. the evident preference of most external grant and - especially - loan providers for dealing with coordinated or multi-country projects directly rather than via sub-regional financial institutions;

2. the success of SADCC in mobilising external resources for prioritised regional project programmes in several sectors.

In this respect it will be interesting to see whether the PTA becomes the coordinating vehicle for EEC regional fund allocations in the non-SADCC PTA Members (as SADCC has been for its members since 1985). Some problems of different PTA and EEC definitions of regional boundaries exist but should not prove insuperable.

Since PTA's central concern has been to expand regional trade - or more exactly to reduce the extra regional import content and therefore dependence on external assistance[17] of regional economic growth - the simple test of its success might seem to be intra-PTA trade growth. However, this test cannot be taken very seriously at the present time because only in 1988 and 1989 have enough preferential provisions been operating to give any real cause to believe trade expansion is consequential on them. Arguably the growth of a less national and more regional outlook in member states of PTA and of SADCC is relevant as is transport improvement in both cases but quantification is well nigh impossible.

Certainly intra-PTA exports rose 66% over 1985-88 to $569 million and imports 78% to $636 million - an average of 72%[18] versus 40% and 43% respectively for global exports and imports - an average of 42%. This does represent a reversal of a 20% fall over 1980-85 (paralleling a 27% fall in global external trade). However, it began in 1984-5 before it is credible to cite PTA as a significant cause. Nevertheless, PTA has operated in a context of increasing intra-regional trade and contributed to greater national attention to sustaining and speeding up that expansion.

Certain central problems affect PTA's future degree of success. To pose the issue in those terms is in itself a judgement - in respect to the Western and Central African Economic Communities (and to PTA in 1987) the question is whether they have a meaningful future. These include:

1. national concentration on expanding exports and import substitution with little (or negative) attention to expanding regional imports;

2. severe regional and global trade imbalances which to date have prevented significant advances in preferential import or foreign exchange licensing;

3, the isolation of the three northernmost PTA members (in terms of transport links and of trade) from the others;

4. the cost of war $60 million over 1980-88 by UN estimates for the SADCC nine (about $30,000 million for present PTA members) from South African destabilisation and aggression; perhaps $7,500 million from civil war in Uganda[19] and at least $15,000 million from civil and inter-state wars in the Horn[20] - is a major drag on a majority of Eastern and Southern African economies in respect to market and production growth and to foreign exchange availability. While there are good prospects for its reduction in the Southern African and Uganda cases those in the Horn remain problematic and the rehabilitation of war damaged economies and livelihoods will stretch into the next century;

5. PTA's organisational and operational structure is not perceived as involving governments on an ongoing basis leading to a real danger of their seeing regionalism as "them" not "us" and as antagonistic to "us" when entailing costs;[21]

6. Trade centred regionalism has inadequate political sex appeal to workers and to politicians who care more immediately about employment and production;[22]

7. which combines with PTA's past low levels of external resource mobilisation for

intra-PTA/inter-state projects and/or trade finance to limit the degree of enthusiasm and priority accorded to it by its member states.[23]

Two other reasons often cited as constraining PTA are not cited here: low regional growth rates and PTA/SADCC rivalry.

PTA regional growth after 1985 appears to have been about equal to population growth - well above SSA as a whole and a reversal of sharp 1980-85 per capita declines. Excluding war affiliated economies it appears as of 1979-80 to be above 4%. While not optimal such rates are not such as to block production and trade expansion and restructuring. Furthermore, in the context of slow but positive per capita GDP growth constrained by import capacity the need to reduce extra-regional imports coefficients remains high while the ability to act on that need is higher than in a crisis of rapidly falling per capita (or even absolute) GDP.

PTA/SADCC relations to date have been largely verbal. While initial presentational and personnel problems rendered them tense over 1979-85 the climate has improved markedly since then. In practice SADCC's successes have been in sectors or toward objectives not central to actual PTA activities and vice versa. In prospect there appear to be more opportunities for coordination and specialisation than for mutually damaging clashes - especially if all SADCC states become PTA members as seems increasingly likely.

These problematics and the prospects for overcoming them in the 1990s will be addressed in more detail in the trade policy inter-organisational and concluding sections.

II.

The Economic Structures of PTA's Members

The 1989 population of the PTA's present member states is almost 150 million, regional GDP about $55,000 million and GDP/capita about $275. If Namibia, Angola and Botswana join these will rise to over 160 million, nearly $62,500 and about $325 respectively. External trade in 1988 totalled $18,000 for 15 PTA members (excluding Mozambique) and was of the order of $25,000 million for the 19 (34% and 41% of GDP respectively).

These data suggest a substantial potential regional market for almost all industrial sectors and most products. The most evident exceptions are high priced consumer hard goods including automobiles (small upper-middle and upper income group) and specialised intermediate and capital goods (overall market size). In many cases technological and personnel capacity would appear to be a more binding immediate constraint than regional market size (abstracting from import licensing and exchange controls).

The regional data aggregate economies of very different size, output, economic structures and degree of dilapidation or good working order. The smallest state - Comoros - has a population of under 50,000 while Ethiopia and Tanzania have populations exceeding 25 million and together with Mozambique and Kenya account for over half the population of the PTA.

GDP ranges from nearly $6,000 million in the case of Zimbabwe to under $50 million in the case of the Comoros. Mauritius GDP per capita exceeds $1,000 while those of Ethiopia, Mozambique, Malawi, Tanzania, Rwanda, Burundi and Uganda are just above or just below $200.

The impact of war has been very unequal. In the cases of Mozambique, Uganda, Ethiopia and Somalia war costs and production dislocation including physical destruction have been massive. In those of Malawi and Somalia there have been massive refugee flows. Zimbabwe, Zambia and Tanzania have had to meet very heavy defence bills and - in the first two cases as well as that of Malawi, massive excess transport costs as a result of the destruction of their natural routes to Mozambican ports. Lesotho and Swaziland have had rather lower costs; Djibouti has been affected as a transit/entrepot economy by the debilitation of the Ethiopian economy; while Kenya and Mauritius have had no significant war costs.

The economies with the most deferred maintenance and debilitation of fixed investment are Mozambique, Zambia, Tanzania, Uganda, Somalia and Ethiopia while the capital stock of Zimbabwe, Kenya and Mauritius is relatively well maintained and more up to date.

Fourteen of the sixteen PTA members have basically agricultural economies - the exceptions being Djibouti (entrepot) and Lesotho (migrant worker remittances). Of these, twelve produce primarily domestic food with the exception being Mauritius (sugar, tea) and Swaziland (sugar, citrus, beef, pulpwood). In the late 1980s the PTA region had a food deficit of about 2 million tonnes. However, excluding war ravaged Mozambique and Ethiopia it had a surplus, albeit only because low entitlements reduced the effective demand for food. Again, excluding Ethiopia and Mozambique the growth trend of food production is over 3% and possibly 3.5% - up on earlier estimates because the first half of the 1980s was particularly drought afflicted. Individually Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe are normally wholly or virtually self-sufficient in basic food production (Zimbabwe and - excluding refugees - have structural surpluses) while Somalia's sugar, grain and vegetable oil imports are more than balanced by livestock exports. The Comoros, Djibouti, Ethiopia, Lesotho, Mauritius and Mozambique have structural food deficits. Those of the Comoros, Djibouti and Lesotho are ecologically and environmentally determined while those of Mauritius and Swaziland turn on the high proportion of export agriculture. Mozambique's deficit is a pure war effect while in the case of Ethiopia war has greatly exacerbated an underlying ecological/environmental problem.

The domestic food production sub-sector is characterised by relatively to very low productivity. In part this is ecological but it also relates to low levels of tested, applicable knowledge; poor supporting services and infrastructure and low levels of inputs. The productivity in the export sector is somewhat higher but several major exports (coffee, sugar, tea, cotton, tobacco and sisal) face very poor prospects in terms of world price trends. Beef and sheep market access for increased volumes at remunerative prices is problematic while in the main producing areas cashew nuts (Southern Tanzania) and cloves (Zanzibar region of Tanzania) face disease problems uncontrollable and certainly incurable with present knowledge. The most promising exports are citrus and horticulture (including flowers).

These are, however, significant for only one economy (Swaziland) in the citrus case and two (Kenya, Zimbabwe) in the horticultural.

Industrial activity is very unevenly distributed absolutely and relative to GDP. The two dominant poles are Kenya and Zimbabwe (in which, including agricultural processing, its contribution is larger than that of agriculture on a national accounting prices basis). Mauritius has a flourishing global export oriented manufacturing sector (as does Botswana among potential members). Malawi Tanzania, Mozambique and Uganda (and among potential members, Angola) have substantial nominal industrial capacity but it is - except for Malawi - both dilapidated and producing at perhaps one-third rated capacity as a result of general economic malaise and of war costs and foreign exchange shortages in particular. Historically Kenya, Zimbabwe, Mauritius and, to a degree, Malawi, have had export oriented sectors.

The industrial products of the sixteen are by no means identical - substantial matches of intra-regional capacity in excess of production and extra-regional imports do exist. While the dominant sub-sector of manufacturing is mass market necessity and amenity consumer goods (e.g. textiles, flour, beer, cigarettes) this can be overstated. There is substantial intermediate (e.g. paper, light engineering) and construction materials (e.g. cement, metal rods) production. Capital goods production - beyond light engineering and heavy maintenance - is limited but Zimbabwe is a partial general exception while rolling stock production in Zimbabwe (and potentially Mozambique) and electricity distribution and switchgear production in Tanzania are examples of internationally (e.g. on open tender aid contracts) competitive capital goods niches. In general the operating (raw materials, intermediates, spares) import cost is of the order of 25% to 30% which is fairly low by global standards. However that of industrial sector plant and machinery and construction materials/specialist contractors probably exceeds 75% (including import content of local purchases) except in Zimbabwe.

Transport and communications infrastructure nationally range from good (Mauritius) through fair (Kenya, Zimbabwe) to poor and abominable (Ethiopia, Somalia, Uganda, Tanzania, Mozambique). In the last three cases this is largely the result of general economic malaise and war costs on maintenance (plus massive sabotage in the Mozambique case).

Regional transport and communications routes are in very uneven condition and have significant limitation in the North-South direction. The SADCC states now have relatively good regional communications and if war and foreign exchange constraints permit will have a reasonably complete sub-regional transport grid on completion of ongoing rehabilitation projects. The Northern and Central Corridor transport links will also be adequate once present rehabilitation and capacity building projects are complete. The Djibouti-Ethiopia road and, especially rail routes, are in very poor condition. The SADCC-Central PTA transport routes via Tanzania and Kenya are perhaps adequate but in a somewhat doubtful state of repair while those from Central PTA to the Horn are non-existent. Coastal interstate and mainland-island shipping capacity is low and services erratic. Air communication, however, is relatively good and improving with the exception of access to and from Somalia.

The external balance position of all PTA members except Mauritius is precarious. The visible trade imbalance of the 15 PTA states (excluding Mozambique) was $4,250 million (over $5,000 million including Mozambique) and has increased fairly steadily absolutely (from $1,675 million) and as a percentage of exports (42% to 62%) since 1975.

In fact the trade deficit understates external balance constraints on output. At least thirteen PTA economies[24] are import constrained and five[25] import starved in respect to production.

Overall, lumping visible and invisible trade, debt services, remittances and overseas development assistance (aid), the external balance of only one PTA member - Mauritius - is secure. For nine (Burundi, Djibouti, Kenya, Lesotho, Malawi, Rwanda, Somalia,[26] Swaziland and Zimbabwe[27]) it is tight either because of substantial imbalance and/or substantial import shortage idled productive capacity. In six cases (Comoros, Ethiopia, Mozambique, Tanzania, Mozambique, Uganda and Zambia[28]) it is disastrous.

Debt service actually paid is over 25% of exports in several cases but is not the primary external balance problem as the countries with the heaviest external debt/debt service burdens[29] are combining rescheduling with *de facto* default.[30]

Arguably it is the external balance position not market limitations (even at present demand levels)[31] which most severely constrain manufacturing sector output. They are also the most severe barriers to regional trade liberalisation and - by preventing financing the foreign exchange cost of added regional market export - and regional trade expansion with or without additional liberalisation and preferences.

III.

Levels, Trends and Structures of Intra-PTA Trade

The total level of intra-SADCC trade at $1,200 million in 1988 (imports plus exports) is significant. It represents a 72% increase over 1985s $700 million which is very substantially in excess of the global trade growth of 42% or of price inflation. At 7% of global trade it is not large[32] but is well above the SSA average.

However, two factors raise doubts as to the impact of the PTA on these trends to date:

1. Overall imports from Africa have risen 71% (versus 66% from PTA members) and overall African imports 71% (versus 78% from PTA members) and total trade with non-PTA African states is $875 million ($275 million exports and $600 million imports). At least half of this represents African oil imports (including some from potential member Angola) but it also includes the largest and most rapidly growing Eastern and Southern African two way trade - Zimbabwe/Botswana;

2. Trade patterns still focus on Zimbabwe (with Malawi and secondarily Mozambique and Zambia plus Botswana among potential members) and Kenya (with Uganda, Tanzania and secondarily Rwanda and Burundi excluding very substantial unrecorded trade with Somalia). These patterns date to the 1950s and were largely built by the East African Community, the Central African Federation and their predecessors.[33]

These patterns are both of gradual expansion and of continuity. The expansion appears to relate primarily to the rapid growth of the Botswana economy, the continued - albeit slow - growth of Malawi (until 1988), the partial recovery of Uganda and Tanzania's economies after 1984-85, the independence of Zimbabwe which made it a more acceptable trading partner and the resumption of normal economic relations between Kenya and Tanzania (disrupted in 1977-78 with the collapse of the East African Community). In the Southern African sub-region the greater regional consciousness and orientation resulting from SADCC clearly played a role while the continued recovery of Kenya-Tanzania trade presumably relates in part of PTA links in general. The continuity, as noted, centres on the continued polar roles of

Zimbabwe and Kenya. However, it is not complete continuity. Mauritius has expanded its intra-regional trade while the rapid expansion of Zimbabwe-Botswana trade - at present still outside PTA - beyond the long-standing Botswana sugar imports, represents a substantial range of new products.

The 1985-88 regional trade expansion, as noted, followed a 20% nominal decline over 1980-85 and a nominal 1970-85 increase of 39% which was well below price increases and therefore represented a decline in volume terms. In 1970 intra-PTA economy trade stood at 9% of exports declining to 7% in 1980 and 1985 before rising to 8% in 1988. On the import side the comparable percentages are 8%, 4%, 4% and 6%. The problem with interpreting this as the direct effect of economic regionalism is that non-PTA African[34] market exports movement from 1% in 1970 to 5% in 1980, 4% in 1985 and 4½% in 1988 and of imports from 3% in 1970 to 5% in 1980, 1985 and 1988 is more sustained. Even excluding the role of oil price increases until 1980 there appears to be almost as rapid a growth of non-PTA African trade of PTA members as of PTA trade with Botswana and Zaire apparently the largest two partners.

Intra-PTA trade is relatively diversified but sharply divergent from that of global trade. The dominant components are manufactured goods, grain, sugar and metals. While in the cases of sugar and metals, intra-PTA exports are a small proportion of total exports in grain and manufactures, intra-PTA exports exceed non-PTA exports[35] except for Mauritius which is primarily a European oriented export zone manufacturer and Swaziland, whose principal outlet for manufactures (currently dominated by Coca Cola syrup) is South Africa.

Metal exports to PTA members come primarily from Zambia (copper and lead) and Zimbabwe (iron and steel). In both cases they are a relatively small fraction of total metal exports (albeit a significant one for Zimbabwean iron and steel). Botswana-Zimbabwe trade includes substantial copper-nickel matte exports by Botswana, albeit for refining and re-export not Zimbabwean consumption.

Sugar is exported to PTA members by Malawi, Mauritius, Swaziland and Zimbabwe. However, in no case is it a substantial proportion of total sugar exports nor, except for Swaziland of total exports to PTA.

Grain (maize) trade is very erratic turning on regional weather patterns and on availability of triangular food aid funding. The principal exporter is Zimbabwe which has a structural maize surplus but Malawi was also a regular exporter until the destruction of transport routes to Mozambican ports rendered sales (except peripherally to Tanzania and Zambia) uneconomic and the inflow of 700,000 Mozambican refugees created a domestic maize shortage. Zimbabwe's stable natural markets would appear to be Swaziland and Botswana but these are in fact largely supplied by South Africa. In practice triangular food aid procurement formerly for Zambia, recently for Malawi and from 1985 for Mozambique, is the dominant mechanism for Zimbabwe grain exports. Kenya has been a source of food aid maize exports to Somalia.

Manufactured goods exports come primarily from Zimbabwe and Kenya and secondarily from Mauritius and Malawi (plus Botswana). They are relatively diversified, with textiles and garments the largest single category. Light engineering products are also significant and capital equipment (e.g. Zimbabwean railway rolling stock and assembled lorries with not insignificant domestic content and Tanzanian electrical distribution and switchgear) are also present albeit still a low proportion of intra-PTA trade.

Structurally the PTA appears to have three present structural surplus states - Zimbabwe, Kenya and Mauritius. Each is a competitive manufactured goods exporter and the first two are also net regional food exporters.

Built-in structural regional trade deficits appear to be deep-rooted and not readily reducible in the cases of Burundi, Comoros, Djibouti, Ethiopia, Rwanda, Somalia, Uganda and Zambia albeit Zambia export diversification, away from the declining copper-cobalt sector, to be successful must presumably centre in large part on manufacturing which might move it into balance. Cases of potential approximate balance on regional trade include Malawi, Mozambique, Swaziland and Tanzania. However, to attain this, Mozambique and Tanzania would need to rehabilitate and raise capacity utilisation ratios in their manufacturing sectors (thereby increasing availability and cutting real unit costs). Malawi would need restoration of war-cut or crippled transport routes and Swaziland a re-orientation of its manufacturing for export focus from South Africa to the PTA region.

Of the prospective members , Botswana and - less clearly - Angola, might have relatively high and balanced intra-PTA trade levels, and Namibia a structural deficit case unless its manufacturing sector develops along the lines of that of Botswana with Angola (in place of Zimbabwe for Botswana) its primary market.

Lesotho - because it is South Africa locked, and relatively distant form other PTA members and potential members, has negligible imports from the region. As its visible exports cover barely a tenth of visible imports its PTA regional exports are, not surprisingly, still more insignificant.

Intra-PTA trade could probably treble on the basis of existing productive capacity and extra regional importation of goods potentially competitively available in the region. However, additional "common list" coverage and higher preference margins are unlikely to have much impact unless several other (and arguably more important barriers) are tackled effectively at the same time:

1. improvement of land, sea and air cargo transport in respect both to speed of delivery and of real cost reduction;

2. preferential liberalisation of import licensing and foreign exchange allocation regionally - with or without counter trade and frame trade agreement safeguards;[36]

3. provision of export credit;[37]

4. reduction of unit costs in those manufacturing industries now plagued by debilitation and low capacity utilisation;

5. either realignment of exchange rates (to reduce divergences in degree of overvaluation significantly) or export subsidies on a substantial scale;[38]

6. broadening and deepening of regional business information networks and of regional orientation - especially in sourcing.

TABLE 1

INTRA-PTA TRADE: EXPORTS
IN MILLIONS OF DOLLARS

Country	1970	1975	1980	1985	1986	1987	1988
BURUNDI	0.6	0.7	1.1	7.4	8.5	3.0	4.2
COMOROS				0.4	0.5	1.3	0.4
DJIBOUTI				6.1	14.4	19.1	20.7
ETHIOPIA	0.8	31.0	49.7	13.0	14.1	16.7	19.9
KENYA	111.9	185.0	279.7	179.0	183.2	222.4	250.7
LESOTHO							
MALAWI	1.7	13.1	22.2	25.4	13.5	12.1	17.7
MAURITIUS		0.7	3.0	2.2	1.3	2.5	3.2
RWANDA	18.9	0.2	57.6	3.7	4.4	119.1	90.1
SOMALIA	0.7	2.5	1.0	0.3	1.1	1.1	1.4
SWAZILAND							
TANZANIA	42.3	55.5	28.1	8.5	7.4	7.5	9.7
UGANDA	36.9	6.3	5.9	4.0	4.1	4.7	5.9
ZAMBIA	6.2	9.6	17.5	26.2	47.9	44.2	42.6
ZIMBABWE				66.5	61.8	83.6	102.8
TOTAL	220.1	304.6	465.9	342.7	362.1	537.4	569.2

Source: IMF, Direction of Trade Statistics Yearbooks,1970-1989.

TABLE 2

INTRA-PTA TRADE: IMPORTS
IN MILLIONS OF DOLLARS

Country	1970	1975	1980	1985	1986	1987	1988
BURUNDI	1.9	2.7	13.8	18.2	18.4	24.8	23.1
COMOROS				4.2	3.9	5.1	5.5
DJIBOUTI				16.6	18.0	21.6	25.9
ETHIOPIA	4.1	5.6	10.9	5.8	6.3	7.3	8.8
KENYA	46.2	36.8	23.3	15.8	22.0	154.5	125.7
LESOTHO							
MALAWI	3.3	36.3	26.4	23.0	16.7	24.8	35.4
MAURITIUS		6.8	24.9	8.5	7.1	8.9	8.5
RWANDA	5.1	13.0	32.5	41.6	43.1	50.5	47.6
SOMALIA	3.6	11.0	28.3	15.0	18.1	22.6	27.2
SWAZILAND							
TANZANIA	47.9	61.6	14.6	35.5	33.8	40.6	46.8
UGANDA	51.5	67.5	202.1	112.6	122.1	141.4	169.5
ZAMBIA	23.1	20.1	26.5	33.2	44.6	51.3	75.2
ZIMBABWE				26.5	33.8	31.8	36.5
TOTAL	186.8	261.3	403.3	356.4	387.7	585.2	635.5

Source: IMF, Direction of Trade Statistics Yearbooks,1970-1989.

TABLE 3

EXPORTS TO AFRICA
IN MILLIONS OF DOLLARS

COUNTRY	1970	1975	1980	1985	1986	1987	1988
BURUNDI	0.8	0.9	1.5	10.6	10.6	3.0	4.2
COMOROS		0.9	0.9	0.7	0.6	1.4	0.5
DJIBOUTI		0.9	15.5	8.5	14.4	19.1	20.7
ETHIOPIA	7.7	32.2	56.7	19.2	20.9	24.5	29.7
KENYA	121.7	210.4	330.7	243.1	247.5	297.1	344.3
LESOTHO							
MALAWI	6.6	24.4	43.7	42.0	41.2	48.0	60.9
MAURITIUS	0.8	9.5	15.8	12.5	25.0	30.0	35.3
RWANDA	19.0	0.6	57.6	3.9	4.6	119.6	92.0
SOMALIA	0.7	2.5	1.1	0.5	1.4	1.2	1.5
SWAZILAND		4.5	3.6	7.3	9.1	13.6	16.4
TANZANIA	44.8	61.3	64.1	14.5	14.9	17.0	22.4
UGANDA	43.5	22.8	35.7	4.3	4.2	4.8	6.0
ZAMBIA	9.8	24.7	53.0	37.9	59.3	57.7	58.8
ZIMBABWE		86.0	113.0	146.4	166.6	209.7	251.4
TOTAL	255.4	481.7	792.9	551.4	620.3	846.7	944.1

SOURCE: IMF, DIRECTION OF TRADE STATISTICS YEARBOOKS,1970-1989.

TABLE 4

IMPORTS FROM AFRICA
IN MILLIONS OF DOLLARS

COUNTRY	1970	1975	1980	1985	1986	1987	1988
BURUNDI	2.8	3.8	16.6	21.8	24.6	27.9	26.9
COMOROS		3.3	14.3	12.3	14.3	17.6	20.5
DJIBOUTI		30.8	58.3	16.6	18.1	21.7	26
ETHIOPIA	4.8	6.9	12.3	11.8	18.0	19.6	23.4
KENYA	49.4	38.6	75.0	18.2	26.9	158.2	129.7
LESOTHO				2.2	2.2	5.5	6.6
MALAWI	23.8	99.4	192.0	133.1	92.7	116.0	144.9
MAURITIUS	2.2	43.5	111.3	57.3	78.3	100.1	124.7
RWANDA	6.1	14	34.3	44.7	46.1	54.6	50.9
SOMALIA	3.6	11.8	29.7	15.1	18.9	23.5	28.2
SWAZILAND		1.1	2.2	1.1	1.1	2.2	3.3
TANZANIA	48.4	63	19.1	64.9	64.7	77.8	95.4
UGANDA	51.8	67.7	204.9	112.7	122.2	141.6	169.8
ZAMBIA	58.8	88	38.7	158.3	176.0	209.0	270.6
ZIMBABWE		16	45.0	51.7	81.8	92.7	111.9
TOTAL	251.7	487.9	853.7	721.8	785.9	1068	1232.8

SOURCE: IMF, DIRECTION OF TRADE STATISTICS YEARBOOKS,1970-1989.

TABLE 5

TOTAL EXPORTS
IN MILLIONS OF DOLLARS

MEMBER COUNTRIES	1970	1975	1980	1985	1986	1987	1988
BURUNDI	24	32	65	112	167	90	128
COMOROS	5	9	9	16	20	12	27
DJIBOUTI	11	16	12	14	15	17	49
ETHIOPIA	122	240	425	333	455	396	418
KENYA	305	647	1389	977	1217	961	1072
LESOTHO	6	13	58	20	26	30	36
MALAWI	59	140	281	228	220	277	297
MAURITIUS	69	298	435	440	676	835	998
RWANDA	25	42	112	131	189	113	108
SOMALIA	31	89	133	91	116	124	147
SWAZILAND	71	199	369	176	267	311	294
TANZANIA	238	372	511	255	343	347	374
UGANDA	245	257	345	410	423	304	328
ZAMBIA	1001	810	1298	784	517	873	1179
ZIMBABWE	344	855	1247	956.1	1000.6	1137	1425
TOTAL	2557	4019	6689	4943	5652	5826	6881

Source: IMF, INTERNATIONAL FINANCIAL STATISTICS YEARBOOK 1988 AND
ADB STATISTICS DIVISION ESTIMATES AND COMPUTATIONS.

TABLE 6

TOTAL IMPORTS
IN MILLIONS OF DOLLARS

MEMBER COUNTRIES	1970	1975	1980	1985	1986	1987	1988
BURUNDI	22	62	168	189	203	206	206
COMOROS	9	23	29	36	37	52	85
DJIBOUTI	31	146	213	201	221	238	350
ETHIOPIA	173	296	722	993	1102	1150	1609
KENYA	442	987	2587	1462	1650	1755	1994
LESOTHO	32	160	464	376	484	551	661
MALAWI	99	253	439	285	260	296	404
MAURITIUS	76	332	614	529	684	976	1254
RWANDA	29	99	243	298	348	352	370
SOMALIA	45	155	348	112	124	143	310
SWAZILAND	60	180	538	281	352	365	372
TANZANIA	319	778	1258	1017	868	923	1139
UGANDA	172	199	293	327	344	477	521
ZAMBIA	559	1138	1339	654	648	816	834
ZIMBABWE	329	889	1370	893.5	986.8	1047	1027
TOTAL	2397	5697	10625	7654	8312	9348	11136

Source: IMF, INTERNATIONAL FINANCIAL STATISTICS YEARBOOK 1988 AND
ADB STATISTICS DIVISION ESTIMATES AND COMPUTATIONS.

IV.

PTA Member Country Trade Policies

PTA member state trade policies are far from homogeneous. Broadly speaking four have relatively broad open general licence provisions and no or limited restrictions on (allocation of) foreign exchange for trade transactions. These are Mauritius, Lesotho, Swaziland and Djibouti.

Nine - Zimbabwe, Zambia, Uganda, Tanzania, Somalia, Mozambique, Kenya, Ethiopia and Comoros - practice detailed import licensing (in some cases with limited OGL categories) and foreign exchange allocation. These states account for the overwhelming majority of intra-PTA trade. While all are in principle in favour of global liberalisation the practical scope for implementing it before the 21st Century appears distinctly limited.

Regional trade preferences include PTA "common list" tariff reductions except for Lesotho and Swaziland. In addition there are some bilateral trade agreements with special credit provisions and a few cases of preferential import and/or foreign exchange licence allocations to fellow PTA members (and in the case of Zimbabwe to Botswana). The most important single trade preference is probably the near free trade arrangements between Zimbabwe and Botswana. No significant preferences are given to African states outside the region - albeit Lesotho and Swaziland[39] as well as Namibia and Botswana are in a common market arrangement with South Africa. With the same exception, none discriminates on a tariff, licensing or exchange control basis against regional or other African imports.

All SADCC states operate some form of protection of domestic producers. These are - except for Mauritius - not primarily tariff barriers as such. Exchange control allocations, import licensing and paper tariffs (including certain pseudo sanitary, inspection and regulatory requirements) are much more important. Levels and breadth of protection vary with Swaziland and Lesotho having very narrow coverage but the other states much broader and - on average - higher ones.

All SADCC states operate a variety of export promotion instruments albeit with varying degrees of intensity.[40]

The commonest forms are export retention allowances for exporters - usually limited in use to inputs into exporting enterprise production and expansion but not solely to export production - and generalised promotion via trade fair participation and commercial officers. The export retention schemes appear to have a significant positive impact, whether the generalised promotion efforts do is open to some doubt except in the cases of Mauritius, Kenya and Zimbabwe.

Revolving funds for re-export finance of import content are in operation in at least two PTA members[41] and are proposed or in the process of creation in several more. Of these only the Zimbabwe one appears to have a significant impact on exports. In some cases preferential import licensing to producers of exports has impact similar (or complementary) to revolving funds and export retention schemes.

Significant export deterrents also exist - albeit not as a matter of policy. Except for Uganda export taxation is no longer significant in this respect. However, regulations on, and documentation of, exports is in several cases, as is currency over-valuation - albeit much less so than formerly.

On an ad hoc basis provision of infrastructure, employment incentive payments and special depreciation allowances probably reduce export costs for a number of enterprises in most PTA members. However, the most thorough-going example is a prospective member - Botswana.

There do not appear to be any special preferences to, or promotion of, regional or other African exports beyond a somewhat higher level of participation in national international trade fairs regionally than globally. In fact in some cases - e.g. Tanzania - there is (or at least was until recently) discrimination against regional exports through excluding them from retention allowances and pre-export revolving fund allocations.

Investment promotion is not strictu sensu trade policy but as its main objectives usually include import substitution (which sometimes builds a base for regional exports) and/or export expansion it is a closely related set of instruments.

Fiscal incentives are rather diverse among PTA member states. Relatively little use is made of tax holidays although loss carry-forward procedures are used.[42] Initial capital allowances (e.g. 25% initial plus 100% normal in Tanzania for approved new or expansion projects) and accelerated depreciation (up to 100% in the year of investment in the case of mining are common as are duty waivers on imported capital goods.

Formal guaranteed prices are uncommon but import protection - by tariff and usually more effectively refraining from issuing licenses - is usual. These provisions apply to both domestic and foreign investment.

Frame codes in areas such as mineral and hydrocarbon development and standard up-to-date Investment Protection Acts with binding international arbitration provisions are becoming increasingly common among PTA member states. In practice the first and by its nature the second apply to foreign investment - a small proportion of which is intra-PTA notably from Zimbabwe and to a lesser extent Kenya.

However, in respect to foreign investment the PTA trade preference eligibility requirements make regional exports relatively less attractive than either domestic market or extra-regional exports. Whether this unintended side effect has been significant as enterprise capital flows to PTA member states other than for (to date unsuccessful) petroleum exploration have been very low over most of the past decade.

Import sourcing is predominately lowest cost known source with a secondary objective (usually inconsistent) of longest deferral of payment. These two characteristics tend to discriminate against intra-PTA trade (especially if lowest cost is interpreted in pre-tax cif terms). There are no specific import sourcing preferences for PTA (or broader African) goods beyond the preferential tariff rates and on an ad hoc and marginal basis easier import licence and foreign exchange allocations.

Exchange rate levels in several PTA member states have in the past discriminated heavily against export production and to a lesser extent against import substitutes because of their over-valuation. Mozambique, Uganda, Tanzania and Somalia are clear cases in point. However, present trends are toward medium term "equilibrium" exchange rates with frequent adjustments to offset excess inflation relative to trading partners. The stress is on medium term as given the general debilitation of many enterprises and the long lead time of most investment exports the short term supply response to devaluation is usually quite limited. As a result parallel markets continue for many products and for foreign exchange even if in production cost terms the exchange rate is not seriously over-valued i the medium term balance of payments equilibrium sense.

Four policy problems and/or attitudes have a negative impact on regional (and even more on non-regional African) trade development:

1. promotion is almost totally of exports and frequently more generous for extra-regional (hard currency exports);

2. regional import acceptance is usually limited by the target either of achieving a maximum hard currency surplus or a limited deficit on intra-regional visible trade;

3. there is negligible attention to regional import sourcing as a means to mutual trade expansion and reduction of extra-regional import coefficients;

4. still less is there any general willingness in practice to pay for regional protection.

V.

PTA Interaction With Sub-Regional and Non-Governmental Groupings

The main problematic intra-regional, inter-organisation relationship of PTA, is with SADCC. However, other cases exist in respect to specialised multi-purpose groupings (e.g. Kagera Basin Authority) and single programme joint endeavours (e.g. Northern and Central Corridors, ESAMI). There is nothing intrinsically damaging in the existence of multiple regional organisations. Benelux was for some time a closer integration sub-group within EEC and present EEC development toward free trade (but not community member) zones with EFTA and Eastern Europe represent an evolution in the opposite direction - a Europe wide common market with a core economic community. Similarly, a number of multi or single purpose groupings of European states which are partly or wholly economic in focus, group some or all EEC members often together with some non-EEC European states.

As noted above, PTA-SADCC relations prior to the late 1980s were marked by a certain amount of assumed competition and rhetorical combat - especially from the PTA side. However that barrier to good working relations has been substantially eroded over the past few years. Per contra to date, actual PTA and SADCC activities have had little overlap and less conflict but the potential for somewhat purposeless overlaps and - less clearly - programmatic conflicts have increased with recent broadening and re-orientation of PTA activities.

Complementarity has in fact existed albeit as not on a planned or negotiated basis. In the future greater agreed specialisation and division of labour would be highly desirable and would increase the efficiency of both organisations. One aspect is the accession of Angola, Botswana and Namibia (SADCC non-PTA members at present) to PTA so that all PTA preferences and sectors were open to all SADCC members. Until that happens the Lusaka Declaration and PTA Treaty provisions on trade development do conflict as to give non-SADCC states preference over fellow members contradicts the Lusaka Declaration and to give non-PTA members equal treatment with members is not compatible with the PTA Treaty.

A valuable programmatic division of labour would appear to include:

Tariff preferences and standard clearing arrangements solely under PTA auspices. Formal liberalisation of import licensing and foreign exchange authorisation to be primarily a PTA responsibility but with initial bilateral arrangements among two or more SADCC member states coordinated by that body. Trade classification and documentation (especially transit traffic documentation) and multi-country insurance and travellers cheques to be under PTA auspices. In each of these areas there are particularly significant economies of scale (regional size) and few advantages in sub-regionalism.

Counter trade and frame trade agreements providing for mechanisms for settling trade imbalances above a pre-agreed level by methods other than speedy hard currency settlement are likely initially - and indeed for some years - to be bilateral. Therefore, the balance of advantage probably lies in PTA playing the coordination and promotion role among its non-SADCC members and of SADCC doing so in respect of its members.

Business information system development and trade promotion via fairs, subsidies to company based trade missions, etc., should be carried on both by PTA and SADCC. There is little danger of conflict and only general coordination would appear to be required. At present SADCC's business council approach appears more effective than PTA's contact point one.

In the fields of land transport and coordination, SADCC should continue its coordinating role for its member states. The PTA should concentrate on Central PTA, Horn and Horn-Central PTA transport development on lines similar to SATCC's for the SADCC region and - in conjunction with the corridor groups - on the routes inland from Kenya and Tanzania.

In respect to sea transport neither grouping has done much but the more logical focus would appear to be PTA. In the field of air transport SADCC has done some coordination and encouraged national airline internal service mergers. The PTA should certainly do the same for its non-SADCC members and coordinate with SATCC on region-wide scheduling. Arguably it would also be a more appropriate focus for coordination of training and maintenance facility development and forum for airline full or partial merger.[43]

Mining and energy should probably be SADCC coordinated because the vast majority of mining output and potential and of regional electricity grid development lies in that sub-region. A secondary Kenya-Uganda-Rwanda-Burundi energy focus within PTA would, however, be desirable.

Human health should remain a PTA area largely because PTA has begun work in this sector and SADCC has not. Similarly the extant SADCC Early Warning System (in respect to food security) should be expanded to include Kenya and perhaps Rwanda and Burundi whose climatic conditions are closely linked to those to the South. Whether PTA based Horn and Indian Ocean systems are desirable is unclear - no serious attention appears to have been devoted to them to date.

In respect to industry, agriculture (including livestock-fisheries-forestry) and training, more detailed coordination and division of labour would seem to be required. In each case the existing SADCC programmes are stronger and can hardly be expected to be wound down or transferred to the PTA. In the case of animal disease control probably parallel units would be more fruitful given the somewhat different patterns of Horn, Central PTA and SADCC endemic, epidemic and potentially pandemic diseases. On the other hand, SACAR (the Southern African Centre for Agricultural Research) and perhaps the SADCC agricultural research programmes should be extended to interested non-SADCC members. Realistically they will not be transferred to the PTA in the foreseeable future so a special status with links to both organisations might be prudent. A missing sub-programme relates to migratory insect pest control. Since several of these - notably some varieties of locust - have a PTA wide range (excluding the island members), PTA (building on the old locust control organisations based in Nairobi) should assume leadership in this field.

In the industrial sector detailed coordination between PTA and SADCC is needed to avoid overlap and conflict. While the broad logic of the sector indicates that some industries can best be planned and promoted regionally this does not apply to all and the existing - if rather fragmentary - SADCC programme clearly will not be wound down in the absence of a stronger PTA one.

Training turns largely on knowledge of specialist institutions in individual states, secondarily on regional initiatives taken by a state which has or plans to create a strong national institution and only tertiarily on new regional joint institutions. In the first two areas both SADCC and PTA can work as the SADCC work will constitute an input into broader regional coordination. In the last case the overall logic would be for PTA leadership but in practice close links to whichever organisation initiated the institution appears more practicable.

External financial mobilisation fairly evidently needs to be done by the organisation within whose programme of action the priority project (whether national, bi-national or regional falls). SADCC has been extremely successful in this field with over $2,500 million pledged in a decade. PTA has now begun to seek to organise a parallel initiative - in practice for its non-SADCC members.

Mobilisation of regional trade finance - whether for export credit beyond 90 to 180 days[44] or for the pre-export import content of regional market exports is probably analogous to project and institutional finance. The existing partially successful SADCC initiatives while sub-regionally coordinated feed into nationalfunds so that no disadvantage would arise from parallel SADCC and PTA efforts.

The creation of a Regional Trade and Development Bank remains desirable. Like tariff preferences, standard clearing, generalised import and foreign exchange licence liberalisation, travellers cheques, harmonisation of documentation and inter-state insurance, it appears to be an area in which the regional is preferable to the sub-regional approach because of economies of scale. This suggests a PTA locus. However, both PTA and SADCC experience indicate that there is little probability of raising adequate external (or hard currency domestic) finance in the immediately foreseeable future. A possible alternative would be to lobby the ADB to set up an earmarked regional facility to be allocated for regionally prioritised projects. In that case, however, the analogy would be to general external finance mobilisation and both PTA and SADCC would need to be involved.

In strict logic, tourism coordination - largely in relation to promotion and market research - could most efficiently be carried out regionally by PTA. In practice the existing programme is a somewhat exiguous SADCC one. Because of the strong Kenyan, Mauritian and Ethiopian tourist promotion units and the perceived rivalries among them and with Malawi, Zimbabwe and - to a lesser extent - Tanzania, Zambia and Botswana it is somewhat doubtful whether a PTA initiative could successfully be launched in the immediate future.

General policy coordination - e.g. in indicative planning, fiscal policy, taxation - requires relatively close relations among the participating states. This is an area in which sub-regional groupings such as SADCC have advantages and in which it has taken initial steps. Whether the PTA could usefully attempt to institute such a dialogue for the Central PTA members is unclear; neither the Horn not the Indian Ocean sub-groupings would appear to be plausible sub-regions for this purpose.

However, PTA-SADCC relations are not the whole of PTA-Other Regional Organisation relations. Another category is special area, multi-purpose organisations such as the Kagera Development Authority and proposed Zimbabwe-Mozambique border area joint development. In practice the most workable present approach would for these to be coordinated by SADCC in respect to its member states and by the PTA in relation to non-SADCC member intra-PTA groups. The same holds of single purpose multi-state programmes such as the Northern and Central Corridor groups (both in the PTA area of responsibility). Research and training institutions notably ESAMI may be freestanding (as ESAMI is) or under the aegis of sectoral programmes of the initiating grouping. However, some general coordination by PTA at least in collecting and disseminating information in all such institutions and perhaps in limitating programme overlaps could be useful.

Regional and sub-regional non-governmental bodies are cases for liaison and encouragement more than governmental or intra-governmental creation and coordination. The most directly relevant examples include chambers of commerce and of industry and regional commercial bank, railways and trade union bodies. These can be very useful in creating business attention to, and participation in, economic regionalism especially in trade. Non-economic groupings - e.g. of media and of churches - can also be useful in stimulating a sense of community going beyond governments. Neither SADCC nor PTA to date has devised a working programme of liaison with such bodies albeit SADCC has encouraged international development NGO's to meet together in respect to their regional programmes and their general promotion of SADCC's overall programme. Both PTA and SADCC (depending on the organisation's geographic scope) should seek to articulate functional liaison and information exchanges with such bodies and - especially in the case of enterprise groups - to consult with them on proposed and ongoing programmes.

VI.

Prospects and Possibilities

The PTA's prospects as of 1990 are encouraging. A relatively firm foundation and a perceptable forward dynamic have been achieved. That could not have been said as of 1987.

The recent achievements have coincided with increases in the volume of intra-PTA trade and an upsurge of both domestic and international belief that regional economic cooperation is needed to ensure growth and economic restructuring in SSA. These combined with somewhat higher domestic output and extra regional export growth rates have created a context more favourable to PTA trade and other sectoral activity expansion than at any prior date in its history.

A number of largely or wholly non-PTA influencable contextual changes will affect the performance of regional integration in Eastern and Southern Africa in the 1990s.

The first of these is the level of current war costs. These are likely to fall sharply in Southern Africa and less certainly Uganda within the next few years and in the Horn before the end of the decade. That alone should raise annual regional domestic product growth by 2% and regional trade expansion by 3% to 4%.[45]

Additional net external transfers are likely, especially to Zambia and Namibia, plus in the context of an end to war (or high levels of civil disorder) to Uganda, Ethiopia, Angola[46] and Somalia as well. Further, PTA external finance for regional priority project mobilisation should - on SADCC experience - at least somewhat raise net transfers. Against this must be set the dangers of donor "aid fatigue" and PTA member state "adjustment fatigue" lending to donor endorsed policy abandonment.

Drought could require increased food imports for several SADCC states if the 1985-90 relatively good weather period is followed by a cyclical run of bad years. However, if this happens in the context of post-war restoration of agricultural production in Angola, Mozambique and Ethiopia as well as return to their homes by most of the refugee populations in Malawi and Somalia, then the overall regional food deficit would decline and could be bridged by food aid.

On balance these factors suggest that an annual 6% RDP growth and 10% regional trade expansion should be attainable in the 1990s for the PTA region.

Four exogenous developments are not likely to have much direct impact on SADCC:

1. external terms of trade are unlikely to change much and very unlikely to decline as sharply as in the 1980s;

2. the increased net resource transfers to Eastern Europe are likely to be largely in commercial and quasi-commercial credit and debt relief which are not competitive with most flows to the PTA region.[47] Further, restored output growth in Eastern Europe could have a significant positive effect on PTA export prices.

3. post-apartheid economic policy changes (other than ending destabilisation and aggression) will probably not have a significant impact on PTA in the 1990s. In the first place negotiating and setting up post-apartheid structures is likely to take years not months. In the second, regional development is not likely to be an immediate high priority for the first post-apartheid government. Finally, establishing mutually beneficial RSA-PTA (or RSA-SADCC) relationships is likely to prove difficult and time consuming. For South Africa simply to accede to the present PTA grouping on conditions like other members would probably swamp the ongoing integration process given South Africa's much greater economic size, product diversity and overall financial and economic strength;

4. The proposed African Common Market negotiations toward which are due to begin in 1990 is unlikely to reach Treaty stage before the middle third of the decade or to have a working tariff preference system covering a significant range of products before the last third. Indeed give the extreme weakness of its Western, Central and Northern African regional economic integration organisation building blocks (absolutely and in comparison to PTA) it may be premature to seek to bring it into operation until ECOWAS and ECCA are on a sounder operational basis.[48]

On balance an annual RDP growth rate of 6% and an annual intra-PTA trade expansion of 10% to 12% seem attainable in the 1990s. These are probably the minimum levels necessary to maintain governmental commitment to and broad support for structural transformation programmes[49] and to ensure a continuing priority place for economic regionalism within these programmes.

To ensure their attainment progress on twelve basic lines is either imperative or highly desirable in the PTA context:

1. continuing the broadening of the "common list" and preferably increasing the average level of preferences;

2. liberalising intra-regional trade preferentially by expanding regional OGL coverage (absolutely and relative to global OGL coverage) and freeing payments for OGL imports from exchange controls;

3. harmonisation of regional exchange rates to avert unmanageable trade imbalances, severe problems with payments liberalisation and/or fiscally unmanageable (and intra-regionally devisive) levels of regional export subsidies;

4. establishment of non-conventional trade expansion balancing mechanisms whether by counter trade and/or frame agreements with annual ceilings on the balances to be settled by hard currency payments;

5. expansion of regional trade supporting finance both in respect to export credit and to securing pre-export import content cover;

6. transport rehabilitation and - especially in the Horn and between it and the rest of the PTA and in intra-PTA shipping - development both to facilitate trade generally and to raise levels of invisible trade and transport sector value added;

7. increased inter-state electric power production coordination and trade both to increase trade and - more basically - to achieve capital and unit cost savings allowing enhanced investment in other sectors and lower costs for power using products including manufactures;

8. industrial coordination at least to the level of national perspective planning harmonisation to avoid creating (or rehabilitating) probably unuseable regional excess capacity and preferably including selective intervention to establish large scale, linkage and regional trade intensive enterprises viable with moderate protection on a multi-country market basis and significantly reducing the region's incremental import/RDP ratio;

9. coordinated external finance mobilisation for regional priority projects and institutions for non-SADCC PTA members comparable to the levels now achieved by SADCC;

10. broaden both governmental and enterprise perspectives to recognise that the basic purpose of exporting is to increase import capacity and, therefore, that developing import sourcing from other PTA members is as important as building up markets in them;

11. increase the breadth and depth of business (private and public) participation in and commitment to, regional trade and production and government-business consultation where appropriate, enabling and facilitating steps governments could take to this end;

12. restructure PTA to enhance sectoral decentralisation (as e.g. in the ongoing constitution of the Clearing House as an institution with its own Treaty) and by increasing the member government's role in its operations - especially day to day policy and project implementation and making proposals for new or modified programmes, policies and projects.

None of these developments will occur automatically nor on a "business as usual" basis. Especially none is by any means beyond the limits of attainability over the 1990s.

R. H. Green
Lewes
April 1990

NOTES

1. Burundi, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Rwanda, Somalia, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe.

2. Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia (1990), Swaziland, Tanzania, Zambia, Zimbabwe.

3. It shares this characteristic with the Treaties of the Economic Communities of West and of Central Africa and with those of some smaller integration groupings such as the (former) East African Community. It differs markedly from SADCC's basic document (Arusha Declaration) in form and detail but more especially in substance since trade is viewed as a means rather than an end and common market creation is not included in SADCC's aims.

4. Tanzania, Zaire, Burundi, Rwanda, Uganda.

5. Kenya, Uganda, Rwanda, Burundi.

6. Lesotho, Swaziland, Djibouti, Comoros - the first two because of their obligations under the South African Customs Union Arrangements and the latter pair because of the fiscal impact of revenue losses and the very low anticipated level of their exports within PTA.

7. Rwanda, Burundi.

8. Mozambique.

9. Only Lesotho, Swaziland and Mauritius effectively have free convertibility in respect to imports and no import licensing. In practice - if not in some cases in form - detailed import licensing and/or foreign exchange allocation applies in the other twelve.

10. Burundi, Comoros, Djibouti, Ethiopia, Malawi, Mozambique, Rwanda, Somalia, Tanzania, Uganda, Zambia.

11. Some invisibles - e.g. especially transit traffic transport charges - are not covered.

12. It is denominated in PTA Units of Account (UAPTA) a weighted basket of member currencies aggregated to a USA $ value.

13. Controls on transfers and capital account transactions could - in the absence of a common currency - remain with no great medium term harm to trade expansion. However, a monetary union without import licensing reduction in respect to intra-PTA trade might have very limited impact.

14. An alternative route of gradual elimination of foreign exchange and import licensing controls on intra-SADCC trade combined with frame trade agreements providing that imbalances above some ceiling be dealt with by means other than prompt hard currency settlement might be more practicable. However, it would be dependent on greater

stability and a more uniform degree of over (or under) valuation among SADCC currencies.

15. The contrast with SADCC/SATCC (Southern African Trade and Transport Commission) in these respects is very striking.

16. Another - the East African Management Institute - was successfully expanded to become the Eastern and Southern African Management Institute. However, it is a self-governing body parallel to rather than in close relationship to the PTA.

17. In theory, global export increases are an alternative but given the structure, prospects and physical potential of PTA exports (as well as the large present trade deficit) that is at best a medium and probably a long term approach.

18. Part of the difference in export and import levels relates to CIF versus FOB values but there appear also to be discrepancies in coverage especially prior to 1987.

19. Rough estimate by author on basis parallel to ECA Southern African figure.

20. ibid

21. The contrasting SADCC structure has far more member state involvement at all stages and, in particular, separates sectoral units from the central secretariat with each state responsible for leadership in one or more sectors.

22. SADCC has eschewed trade centrism arguing that coordination of enhanced production (including energy, transport, communication and specialised knowledge as well as physical goods) was the central goal with trade a vital means to validate the production increases.

23. SADCC's relatively higher profile in governmental, media and business circles would appear to relate in large part to substantial external financial mobilisation capacity which renders a project's acceptance on a SADCC sector priority list of substantial value.

24. The clear exception is Mauritius but arguably Swaziland and Lesotho do not suffer significant production shortfalls as a result of limited import capacity.

25. Ethiopia, Tanzania, Uganda, Zambia, Mozambique.

26. Somalia's official accounts look disastrous but substantially underestimate remittances and two-way smuggling.

27. In the Zimbabwe case there is a positive current account balance but at the expense of capacity expansion and utilisation.

28. If Zambia were to receive substantial net resource transfers it would shift to the tight category.

29. Mozambique, Somalia, Tanzania, Zambia and probably Ethiopia and Comoros.

30. The Zambian and Somalian cases are the most critical because the defaults include World Bank and IMF obligations which cannot be written off or rescheduled and, therefore, present significant barriers to restoring net external resource inflows.

31. Mauritius, Djibouti, Comoros, Zimbabwe and - less clearly Kenya are exceptions.

32. It is understated because of border area and smuggling transactions. However, smuggling to and from non-PTA economies is also large in several cases so complete accounts would not raise the share of intra-PTA trade (excluding re-exports) above 10%.

33. Lesotho, Botswana and Swaziland (despite their SACUA membership) had free trade relationships with the Central African Common Market Members. Preferential trade arrangements still exist between Zimbabwe and Botswana and Malawi (in the Zimbabwe-Botswana case substantially free trade except for Zimbabwe quotas on textiles and garments).

34. African for this purpose excludes the Republic of South Africa. South African exports to PTA member states (particularly Lesotho, Swaziland, Zimbabwe and Malawi) substantially exceeded intra-PTA exports and including Botswana were twice as large. However, RSA imports from PTA members and Botswana were (except for Zimbabwe until the mid-1980s) quite small absolutely and relative to intra-PTA imports.

35. This pattern will be even more striking when Botswana joins the PTA as it is Zimbabwe's largest single manufactured goods market and potentially its largest stable grain market as well.

36. In practice, without some limits on imbalances required to be settled promptly in hard currency few PTA members could contemplate full liberalisation of import licence/foreign exchange allocations. Similarly without some assurance of increased regional exports structural deficit and even potentially structurally balanced countries would see little reason to do so.

37. A substantial factor in South African exports to Zambia which in general are more expensive than Zimbabwean and a more general factor in respect to trade in capital goods.

38. In practice reduction in over-valuation is also needed to permit relaxation of detailed foreign exchange/import license allocation.

39. Because of their SACUA membership. Presumably similar special provisions would be needed for Botswana and Namibia on their accession to PTA.

40. Their intensity seems not to be correlated closely to external balance position. Botswana for example has been active in export promotion while the Comoros and Djibouti - as well as in practice Uganda, Rwanda and Burundi - have not.

41. Zimbabwe, Tanzania.

42. In practice they also appear to be more efficient judging from experience elsewhere because their use requires attaining a profit at some point in time as does benefiting from initial or accelerated depreciation allowances.

43. The last point is not certain. The most likely mergers of international services are Zambia-Mozambique-Tanzania (already tentatively agreed) with the potential additions of Swaziland and Lesotho, of Zimbabwe-Botswana-Namibia-Angola, of Kenya-Uganda-Rwanda-Burundi and (granting significant political climate improvement) of Ethiopia-Somalia-Djibouti. The first two group only SADCC members and the latter pair only non-SADCC PTA members so that the advantages of a single forum and/or catalyst for negotiations is not clearcut. A region-wide international carrier is clearly not a possibility in the foreseeable future given the size and relative strength of the Ethiopian, Kenyan and Zimbabwean national airlines.

44. 90 to 180 day trade credit can be handled by national overdraft facilities with domestic commercial banks plus swing credit arrangements among pairs of central banks.

45. Since 1985 real regional trade expansion has been substantially more rapid than GDP growth. While this initial spurt after the 1980-85 decline may taper off the peace dividend should tend to raise it.

46. In this case debt rescheduling on a basis analogous to Costa Rica or Mexico (both higher income economies than Angola) plus renewed access to quasi-concessional medium term export finance and increased hydrocarbon and mineral investment would be the dominant sources as opposed to grants and soft loans for the other countries.

47. However, Germany may well be a significant exception to this generalisation if the costs of currency unification and of reducing the German Democratic Republic's domestic overhang are as high as now projected.

48. The counter argument is that they will not succeed (as envisaged in the Final Act of Lagos) even by 2000 so that moving directly to continental trade expansion is now appropriate.

49. To date structural adjustment even when relatively successful has resulted in very little real per capita household consumption, public services provision or domestic savings recovery. The World Bank's Long Term Perspective Study's projection of a 4% average GDP growth rate to the next Century with next to no overall per capita personal consumption recovery after two decades marked by stagnation or decline is only consistent on paper. Persons do not live by investment and basic services alone and without the personal consumption recovery and a 6% growth rate would allow death by implosion (loss of morale and commitment) is the probable fate of most adjustment and transformation efforts.