POTENTIAL AND PROBLEMS OF INTRA-REGIONAL TRADE DEVELOPMENT IN SUB-SAHARAN AFRICA

(Outline)

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In so far as intra-African trade expansion - which is meant to constitute the mainstay for the present strategy is concerned, the following measures are recommended: (i) Reduction or elimination of trade barriers;...(ii) Mechanisms and measures for the facilitation and development of trade;...(iii) Establishment of African multinational production corporations and joint ventures;...(iv) Establishment of an African Common Market. The above measures, including those for the establishment of sub-regional arrangements and the strengthening of existing ones, are meant to converge on the establishment of an African Common Market.


We believe there is room for substantial increases in trade among ourselves. To this end existing payment systems and customs instruments will be studied in order to build up a regional trade system based on bilaterally negotiated annual trade targets and product lists.

- Lusaka Declaration, Southern African Development Coordination Conference
I. Introduction

A. Long History Integration/Coordination Efforts SSA
   i. Colonial (EAHC, AEF, AOF, CAF, SACUA, etc)
   ii. Post Colonial Renegotiations of i (EAC, CEAO, UDEAC, etc)
   iii. ECA Promotions (ECOWAS, PTA, etc)
      iv. Independent State Initiatives (Mano River, Kagera Basin, SADCC, etc)
   v. Lagos Plan of Action

B. Limited Record Successes
   (To quote one observer/participant of 20 years experience - "To continue to believe in the prospects for economic integration in Africa requires either a soft head or a strong stomach.")
   i. Breakups (CAF, EAC, etc)
   ii. Prolonged Infancy/Inactivity (ECOWAS, PTA, Mano River, Kagera)
   iii. Low level survival (CEAO, UDEAC/CEAC)
   iv. Resource/External Attack Constraints (SADCC)
   v. Low Growth Intraregional And South-South Trade

C. Continued Interest
   i. Logic of Coordination
   ii. Lobbies (ECA, internal, external)
   iii. Perceived Limits National Strategies
   iv. Perceived Common Interests

II. Potential (Visible/Invisible Trade Expansion)

A. Short Run
   i. Greater Use Existing Capacity (20/40% capacity utilisation rates abound)
   ii. Different Ranges Manufacturing Capacity (unequal, substantial in East, Southern, Central Africa - less clear West)
   iii. Cross Import Substitution (e.g. Malawi exports of
textiles to Zimbabwe to replace RSA/Hong Kong and Zimbabwe exports of steel to Malawi to replace Japan/RSA)

iv. Mutual Export/Import Expansion (limited by need for balance and by import content of exports)

v. Regional Food Security (limited in 1984 by near total absence surpluses)

vi. Transport (e.g. Zimbabwe excess cost use of RSA routes $50 million and pileup/non development potential exports)

B. Medium Term

i. Continuation of A

ii. Coordination Major New Capacity Additions (manufacturing, food, transport);
   a. avoid generalized overcapacity
   b. broaden regional product range
   c. provide interlocking sub sectoral development (e.g. agricultural inputs, implements, machinery projects in SADCC industrial frame)
   d. allow efficient movement of goods (transport route development - operations - use coordination)

C. Longer Term

i. Continuation of B

ii. Joint Sectoral Planning;
   a. close gaps regional production structure
   b. increase potential trade balance
   c. reduce regional ratio of additional imports to additional GDP (SSA 1.8 vs 1.0 - 1.4 other developing areas) to allow faster growth with any rate of (extra regional) export increase
III. Approaches To Economic Coordination/Integration

A. Free Trade
   i. Neo-Classical Model
   ii. Second Best
   iii. Trade First
   iv. Free Market/Anti-State Intervention
   v. 'Competitive'/In Practice Highly Unbalanced
   vi. Facilitative

B. Examples
   i. Full Scale/Toward Unified Markets With Limited Safeguards
      a. ECOWAS
      b. PTA
   ii. Full Scale/Built In Safeguards
      a. CEAO
      b. CECA (ex UDEAC plus Zaire, Rwanda, Burundi)

C. Strengths/Weaknesses
   i. Unified Market Variant
      a. suitable large areas/diverse states
      b. less managerial requirements
      c. assumption trade not production, employment basic state goals
      d. inconsistency regional non-intervention with national economic interventionism
      e. tendency for some participants to be (or believe themselves to be) net losers
      f. slow pace when starting from scratch (or anew) and tendency to break up
      g. lack of "political sex appeal"

   ii. Built In Safeguards
      a. requires more homogenous group
      b. requires detailed management/negotiation
      c. does relate trade/production
      d. more congruity national/regional approaches
e. less danger absolute losers
f. tendency to plateau at "low level equilibrium"

D. Production/Knowledge Coordination (Perceived Common Interest)
   i. Eclectic Model
   ii. Perceived "Best Possible"
   iii. Selection On Common Interest Principle
   iv. Tendency Toward Transport/Knowledge/Production
       Emphasis (trade seen as consequential)
   v. Managed/Direct State Involvement
   vi. Causative

E. Examples
   i. Full Scale - SADCC
   ii. Specialised - Kagera Basin

F. Strength/Weaknesses
   i. Common Interest/Full State Involvement
   ii. "Political sex appeal"
   iii. Minimisation conflicts
   iv. External Interest
   v. Possibility Tangible Early Results
   vi. Resource Requirements
   vii. Danger Grandiousity (esp. Kagera)
   viii. Congruence Regional/National Approaches
       (both interventionist)
   ix. Difficulty Moving To Visible Trade Expansion (less true transport, energy)

IV. Trade Development Problems

A. Absence Of Relevant Goods (True particular smaller economies more than of whole regions -)

B. Lack Of Knowledge Of Regional Sources
C. Inferiority Complex (Applies to national as well as regional products and not only when they are inferior)

D. Transport/Supporting Services Gaps

E. Higher Cost

F. Credit (Non) Availability/Adequacy

G. Import (and Export) Licensing

H. Exchange Control/Payments Delays

I. Import Duties (Not usually discriminatory against regional in favour of extra-regional)

J. Inconvertible Currencies (Not self evidently more damaging to regional than extra-regional trade nor additional problem to H)

K. Import Content Of Exports

L. Imbalance In Gains/Costs And Especially States' Self Perception (Often Correct) Of Selves As Net Losers

V. And Approaches To Overcoming

A. Widen Range Of Production/Identify Existing Potential (e.g in SADCC area substantial proportion of present extra-regional imports could - in principle - be secured within region from existing or in process capacity)

B. Improve Knowledge/Particularly At Enterprise Level

C. Areas Of Action
   i. identify quality goods and promote
   ii. promote serviceable vs amenity products (e.g. soap
that washes clean whatever perfume/packaging)

iii. 'deprotect' brand names (e.g. basic drugs/generic specifications lists)

D. Identify/Close Gaps (May be especially critical clearing/forwarding and insurance)

E. Areas Of Action
   i. identify goods not higher priced (e.g. those exported globally)
   ii. promote incremental cost pricing for exports
   iii. face issue of 'mutual protection' (easier in balanced or semi balanced trade agreement format)

F. Areas Of Action
   i. improve commercial 90-180 day credit
   ii. seek external finance toward longer term supplier credit facility
   iii. bid where eligible on aid contracts (e.g. EDF, IBRD/IDA, some USAID)
   iv. Use Cross Accounts At Central Banks To Reduce Payment Delay To Supplier

G. Adopt MFN (and Preferential) Licensing

H. Adopt MFN (and Preferential Remittance Policy (e.g. via F-iv)

I. Explore Preferential Tariff Possibilities

J. See H.

K. Areas Of Action
   i. where direct substitution for extraregional imports net forex gain
   ii. therefore some net trade expansion possible
   iii. seek extraregional funding import content of exports (some EEC, Nordic interest)
L. Areas Of Action
   i. Provision Clear Gains In Other Sectors To Offset Trade Losses
   ii. Emphasis Export Oriented Projects In Weaker States In Regional Frame
   iii. Joint Approach To Visible/Invisible Trade (e.g. Transport, Energy)
   iv. Use Balanced (or Target Imbalanced) Trade Agreements For Mutual Trade Expansion

VI. Practical Possibilities

A. West Africa
   i. ECOWAS Reorganisation To Action On:
      a. food security
      b. energy
      c. landlocked stated
      d. balanced trade agreements

   ii. CEAO Reorientation To:
      a. greater activity in ECOWAS (on new areas)
      b. attempts to provide more areas for gain to weaker members to allow breaking off low plateau

B. Central Africa
   i. CEAC reorientation to areas proposed for ECOWAS
   ii. parallel action to that proposed for CEAO
   iii. consideration relationship Burundi/Rwanda which are East as much as (more than) Central African

C. East Africa (excluding PTA)
   i. limited K-T-U rebuilding coordination/probably based balanced additional trade agreements K-T, limited number joint research, training, financial institutions
   ii. rethinking Kagera Basin initiative on less resource
demanding level and adding trade aspect and closer coordination with "Central Corridor" transport grouping (same 4 states plus Zaire)

D. SADCC

i. continuation present programme emphases - transport and communication, agriculture and food security, energy, manufacturing

ii. addition trade development (with emphasis balance or semi-balanced bilateral annual trade agreements, joint promotion, cross accounts in Central Banks to facilitate payments, securing external supporting finance)

E. PTA

i. achieving initial duty reductions

ii. completing potential membership

iii. reviewing present built in opposition to 'balanced trade agreement' (compensation trade) and overlapping coordination group membership approaches

iv. reach amicable division of labour with SADCC (e.g.'s of PTA area of comparative advantage):
   a. trade preferences covering wide areas
   b. coordination/development East to Southern African transport/communications
   c. unification/standardisation customs and transit traffic documentation and procedures (assuming all SADCC and Kagera members do join PTA)
   d. coordination/development Indian Ocean shipping (Port Sudan - Port Louis - Maputo range)