

# ATPC

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## African Trade Policy Centre

# Progress Report on Regional Integration Efforts in Africa towards the Promotion of Intra-african Trade

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## Abstract

The growth of intra-regional trade has been a major preoccupation of African countries and regional economic communities in their efforts to integrate regional economies. Despite the importance accorded to the issue, and the adoption of several regional trade agreements, the total proportion of trade between the regional economic communities remains weak. This paper presents an overview of efforts made by African countries and their RECs to promote intra-African trade through the implementation of trade liberalization schemes, as well as the corresponding impact on intra-regional trade. It also presents measures and mechanisms as well as a minimal programme to be implemented in order to achieve the objective of expanding intra-African trade.

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# I. Introduction

The creation of regional integration areas is motivated by the will of the countries concerned to better their lot in the international division of labour. They wish to bolster their economies of scale, enhance their productivity and strengthen their presence in export markets. Thus, the economies of scale argument would appear to be at the core of regionalism. Indeed, market expansion is viewed as the prime mover of an integration area, in the sense that national markets, by themselves, are often not large enough to ensure the full utilization of economies of scale or specialization. In addition, trade liberalization within a regional integration area obliges firms to face competition, reduce their operating costs and enhance their productivity. They gradually develop the ability to compete in third country markets.

One of the main features of a regional trade agreement relates to the discrimination created against the rest of the world. This is best illustrated by a situation in which one of the members is in competition against other producers in the market place of its trading partner. Jacob Viner (1950) uses this case to illustrate the concepts of trade creation and trade diversion. Significantly, Viner defines trade creation as the movement of the sources of supply of an economy, as a result of the creation of an integrated area, towards more efficient integration-area producers. By contrast, trade diversion denotes the outward movement of a source of supply from a more efficient to a less efficient integrated-area producer. There is no clear distinction, however, between arrangements that can give rise to expansion rather than deviation of trade, as these two factors can coexist perfectly well within one regional integration area.

African states generally recognize the role and importance of trade liberalization in the integration and development process. Trade liberalization is commonly used as an economic tool serving to stimulate trade links nationally and internationally. In this context, trade reform measures have been adopted at both the national and subregional levels. At the national level, this is reflected in the Structural Adjustment Programmes (SAPs) financed by the Bretton Woods institutions and the Transborder Initiative, under which countries pursue trade reform measures relating to the liberalization of imports and currency regimes as well as the reduction of tariff and non-tariff barriers.

At the subregional level, the regional economic communities (RECs) have introduced their own trade liberalization programmes, with measures aimed at eliminating tariff and non-tariff barriers and other trade restrictions, and facilitating the free movement of goods and services.

Generally, African countries and RECs are engaged in the establishment of free trade areas, customs unions and common markets, and currency and customs unions. These objectives can be achieved through trade liberalization programmes focusing on goods as well as services, mechanisms for the free movement of persons and of factors of production, and harmonization of tax and currency policies.

At the subregional level, quite a number of RECs are implementing trade liberalization programmes aimed at eliminating tariff and non-tariff barriers and other trade restrictions and facilitating the free movement of goods and services. The implementation of these trade liberalization programmes varies from one subregion to another in terms of characteristics, time frames, modalities and pace, but there are a number of common features, such as mechanisms for the creation of free trade areas, customs unions and common markets within set time frames.

However, despite the predominance given to liberalization schemes as tools for intra-Community trade, the implementation has been uneven from one subregion to another. Some of the RECs are still in the early stages in terms of implementation of a free trade area, while others have reached the level of a customs union with a common external tariff in place.

As far as the global trade profile is concerned, the scenario and the composition are still developing. While it is true that the globalization of trade is continually on the rise, trade relations are also deepening in some subregional and regional contexts, thanks to the efforts of groups of countries to strengthen links with proximate markets. This applies not only to some of the developing countries but also to some of the developed countries as well.

Trade between developing countries in the same region, including Africa, tends to be modest, and indeed accounts for a very small portion of world trade as a whole. Does this mean that the economic structures of countries within a given region do not possess the necessary complementarities for the development of trade? Or that the regional context is more restrictive to trade than the global environment? Not necessarily. Research and empirical studies conducted by some organizations indicate that trade between developing countries has considerable growth potential, which in itself provides a foundation for building other forms of economic cooperation. Therefore the effective and efficient utilization of trade potentialities will necessitate the adoption of measures and mechanisms to buttress the development of intra-African trade.

The objective of the present study is to present a panoramic view of the various efforts aimed at promoting and intensifying intra-African trade as envisaged in a range of treaties and protocols at the subregional and regional levels. Following the introduction, chapter two outlines the existing institutional framework for liberalizing intra-Community trade. Chapter three contains an analysis of the progress made in the area of trade liberalization within the various RECs, while the impact of trade liberalization policies are examined in Chapter four. Chapter five dwells on obstacles to intra-African trade, while measures and mechanisms that can foster trade expansion are highlighted in chapter six. Finally, Chapter 7 concludes the study.

## II. Institutional Framework for Trade Liberalization at the Continental and Subregional Levels

### 2.1. Regional institutional framework for the promotion of regional development and the development of subregional trade

#### 2.1.1. General provisions of the Abuja Treaty relating to trade liberalization

The Abuja Treaty defines the framework for attaining Africa's regional integration by gradually consolidating all African countries' economies into a single regional market, which is expected to come to fruition by the year 2028. Thus, the African Economic Community will be gradually put in place over a transitional period of up to 34 years, subdivided into six stages of varying duration. Each stage is assigned a set of specific actions, which will be envisioned and actualized concurrently in the manner set out below.

The first stage will consist of strengthening the institutional capacities of the existing regional economic communities and the establishment, over a period of up to five years from entry into force of the Abuja Treaty, of new communities where none exist.

During the second stage, a process of stabilization of the tariff and non-tariff barriers, customs duties and internal taxes in place at the date of entry into force of the Abuja Treaty will be launched in each REC for a period of up to eight years. At the same time, studies aimed at the establishment of a time-frame for the gradual elimination of tariff and non-tariff barriers to trade within each subregion or region will be conducted, along with studies aimed at the gradual harmonization of customs duties vis-à-vis third countries. In addition, the treaty envisages the strengthening of sectoral integration at the regional and continental level for a range of sectors, including trade, agriculture, currency and finance, transport and communications, and industry and energy. It also specifies the establishment of a coordination mechanism for interactions among existing and future regional economic communities.

During the third stage, a Free Trade Area will be established for each regional economic community, over a period of up to 10 years. A timeframe will be set up for the gradual elimination of tariff and non-tariff barriers to intra-community trade, along with a Customs Union through the adoption of a common external tariff.

During the fourth stage, which will run for up to two years, the Abuja Treaty provides for the harmonization and coordination of tariff and non-tariff systems between the various RECs with a view to setting up a continent-wide Customs Union through the adoption of a common external tariff.

The fifth stage will consolidate the establishment of an African Common Market over a period of up to four years, through the adoption of a common policy in a number of areas such as agriculture, transport and communications, industry, energy and scientific research and harmonization of monetary, financial fiscal policies; implementation of the principle of the free circulation of persons, and introduction of rights of residency and sojourn; and the creation of own resources of the Community as stipulated in article 82, paragraph 2 of the Abuja Treaty.

Finally, the sixth stage will be focused on integrating the whole range of sectors by setting up an African central bank and a single African currency, creating an African monetary and economic union and establishing and electing the first African Parliament.

### **2.2.2 Trade liberalization commitments vis-à-vis the Abuja Treaty**

#### **(i) Reduction and elimination of tariff and non-tariff barriers**

The Treaty establishing the African Economic Community (AEC) contains a number of provisions governing trade liberalization. According to article 29, African countries have agreed to the gradual establishment of a customs union through the elimination of customs duties (Art. 30), non-tariff barriers including quotas and restrictions, as well administrative and other non-tariff barriers (Art. 31), and the establishment of a common external tariff (Art. 32). Article 33 prohibits the levying of customs duties after the end of the third period, not only on goods originating from a member State and imported into another member State, but also goods imported from third parties. Article 34 provides for the gradual abolition of internal taxes designed to protect domestic production. It also prohibits any national legislation tending to put in place restrictive measures against goods originating in the subregion through the direct or indirect application of taxes.

There are however exemptions made in article 35, particularly in regard to the protection of persons, firms and public morality. Exemptions also apply in situations where strict adherence to trade liberalization would entail balance of payments problems.

#### **(ii) Rules and origin**

In accordance with article 33 of the Treaty, there is a protocol which defines the rules of origin for the purposes of the free movement of goods within the Community. The basic condition is that the goods are considered to originate from a given country or group of countries when they are produced entirely within the Community or are partially derived from inputs originating in a third country (the degree of derivation being at least 35 per cent of local value-added or at least 60 percent of inputs coming from elsewhere). Production in an assembly line from inputs wholly imported from third countries is not considered as originating from the Community.

### **(iii) Trade promotion**

Article 42 contains key provisions relating to trade relations between member States. In particular, it urges member States to make greater use of goods—both intermediate and finished—that originate from the Community, and to promote and diversify the markets for manufactured goods within the Community.

### **(iv) The free movement of persons and right of residency and establishment**

Article 43 calls on member States to espouse the principle of free movement of persons, right of residency and right of establishment, which are considered to be of primary importance to the trade liberalization process.

## **2.2. Regional economic communities and trade liberalization within the framework of the Abuja Treaty**

A number of liberalization schemes have been put in place by the regional economic communities within the framework of the Treaty establishing the African Economic Community (AEC). The common objective of these schemes is to establish a free trade area in each REC, followed by a customs union and eventually by a common market and an economic union. The implementation strategy for this objective comprises plans aimed at stabilizing and gradually eliminating tariff and non-tariff barriers, adopting a common external tariff in regard to trade relations with third countries, harmonizing macroeconomic policies and promoting the free movement of all factors of production.

### III. Analysis of the Progress Made by the Recs in the Implementation of Trade Liberalization Schemes at the Subregional Level

#### 3.1 Reduction and elimination of tariffs

The trade liberalization programme of the Economic Community of West African States (ECOWAS) is based both on the free movement of unprocessed goods and traditional handicraft, free from all duties and taxes; and also on the progressive elimination of duties and taxes on industrial products originating in the Community. Unprocessed goods (animal, mineral or vegetable products which have not undergone any industrial transformation) and traditional handicrafts move freely within the Community, free from all import and taxes and without any quantitative and qualitative restrictions. As far as industrial products are concerned, the reduction of customs duties did not begin in 1981 as initially planned and a programme aimed at eliminating duties on industrial commodities during the period 1990-2000 was then adopted. Thus, tariff reduction should have been completed within a maximum timeframe of 10 years from 1st January 1990. Based on the evaluation exercise undertaken by ECOWAS Secretariat on the measures taken by member states for internal tariff elimination, it is worth noting that the trade liberalization programme was not implemented in full by all the ECOWAS countries as at the specified date. Indeed, if for unprocessed products and traditional handicraft there is free movement within ECOWAS, the same is not true for the liberalization of industrial products. The timetable agreed upon for the full elimination of customs duties and taxes on the import of industrial products, has not been complied with, and according to available information, only Benin has complied.

UEMOA countries committed themselves to establishing a free trade area by gradually eliminating tariffs between themselves over the period 1994-2000. In this regard, a preferential trade tariff regime which applies to intra-UEMOA trade was instituted in 1996. To date, the trade preferential regime within UEMOA is effective. Indeed, unprocessed goods and traditional handicraft have been moving freely since 1st July 1996. With regard to industrial products, after a tariff reduction plan spread out over three and a half years, there has been entry free of duties and taxes since 1st January 2000. UEMOA seems more than a Free Trade Area, is an effective Customs Union.

CEMAC's programme to reduce customs duties was implemented in conformity with the time frame set for it, and all the requisite conditions for the establishment of a customs union have been fulfilled since 1994. There has been perfect synchronization in the CEMAC area between observance of the time frame and the stage CEMAC has reached so far in implementing the trade liberalization programme. By 1994, all the member states had eliminated tariff barriers, which means that they had fulfilled the requisite conditions for the creation of a customs union.

For eight years following its establishment, ECCAS pursued a step-by-step programme towards trade liberalization. The Community intends, via a process of gradual reduction and eventual elimination of intra-Community barriers to trade, to become a customs union after the establishment of a PTA. Protocols have been adopted with a view to eliminating tariff and non-tariff barriers and implementing additional programmes designed to improve trade and promote development, such as harmonization of macroeconomic policy, infrastructure development in transport and communication, and so on. However, political instability in the subregion has resulted in a cessation of trade, cooperation in general, and discontinuation of the integration programmes that had been put in place. There is at present a firm commitment on the part of the ECCAS member States to revitalize the Community through increased budgetary contributions and the adoption of a recovery programme. It is expected that this initiative will give new impetus to ECCAS. None of the objectives of the trade liberalization programme has been achieved. Indeed, the organization has been inactive for over 10 years owing to enduring socio-political instability in the region.

The Southern African Development Community (SADC) committed itself to establishing a Free Trade Area by 2008, a Customs Union by 2010 and a Common Market by 2015. The basis for trade liberalization programme in SADC is premised on the implementation of the SADC Protocol on Trade. This was signed by 11 member States and its implementation began in September 2000 with 85 per cent of all intra-SADC trade scheduled to be duty free by 2008. The remaining 15 per cent consists of sensitive products to be liberalized by 2012. Unlike in more formal free trade areas, countries were able to choose the products on which to reduce duties so long as the overall goal was achieved. Mauritius agreed to allow 65 per cent of imports to enter its economy duty-free in 2000. Tanzania, however, could offer only 9 per cent that year, and the removal of its tariffs will be staggered—with 88 per cent lifted by 2008 and 100 per cent by 2012. The Southern African Customs Union (SACU) members that are also members of SADC, particularly South Africa, are required to reduce tariffs on intra-SADC trade faster than other members. SACU provides duty-free entry for 77 per cent of non-SACU imports from SADC members by 2000, and 97 per cent by 2008. South Africa will eliminate all tariffs by 2012.

Because the SADC trade protocol is new, the tariff reduction programme has not been finalized. Angola and the Democratic Republic of Congo have not signed the protocol, probably because of their volatile political situations. Seychelles has already committed to COMESA tariff reductions and has few dutiable products to trade with mainland SADC countries. In non-SACU markets that are part of the SADC, imports from Botswana, Lesotho, Namibia and Swaziland are treated more favourably than imports from South Africa. For these countries this was the price for agreeing to share their preferences in South Africa's market with other SADC members. It also reflected the more rudimentary nature of their production relative to that of South Africa.

SACU activities are limited to implementation of a customs union. Every member has accepted South Africa's external tariff, and there are no duties on trade between group members. Origin rules are similar

to, but slightly stricter than, SADC rules and are designed to encourage the use of South African (rather than third-country) inputs in production. Duties are distributed based on a formula that favours smaller members. After more than five years of negotiations, this formula was modified to make up for the shortfall in SACU customs collections as the EU-South Africa trade area is being implemented. In addition, a new formula was developed to help Lesotho and Swaziland boost government revenue relative to Botswana and Namibia.

The Arab Maghreb Union (UMA) had trade liberalization high on its agenda when the organization was established in February 1989. In 1991 UMA countries signed a protocol under which goods originating in and traded among member States would benefit from the elimination of tariffs and non-tariff barriers. Tariff elimination has yet to be fully implemented. Members trade more through bilateral arrangements than through the UMA trade protocol.

Members of the Indian Ocean Commission (IOC) initiated a trade liberalization programme under the PRIDE Initiative (an integrated regional programme for the development of trade), but so far only Madagascar and Mauritius are applying it. Because most IOC members also belong to COMESA, they are participating in and implementing the COMESA trade regime.

Members of the Common Market for Eastern and Southern Africa began tariff reduction in 1984 and were expected to have eliminated all tariffs by 2000. At the target date of October 2000, nine out of the 20 member States of COMESA met this requirement, allowing the launch of the Free Trade Area in accordance with the provisions of the protocol signed. Some countries fully liberalized intra-regional trade and others did it partially. With the recent membership in 2004 of Burundi and Rwanda, COMESA's FTA currently comprises 11 members. Ethiopia has achieved 10 per cent tariff reduction while Angola, Namibia, Seychelles and Swaziland have not. Namibia and Swaziland benefited from a special exemption.

The objective of the East African Community (EAC), as outlined by Article 5(2) of its constitutive Treaty which came into force in July 2000, is to establish among the three member States a Customs Union by 2004, then a Common Market, subsequently a Monetary Union and ultimately a Political Federation. Within the framework of the Customs Union, member States shall eliminate customs duties and other taxes of equivalent effect, suppress tariff and non-tariff barriers to intra-EAC trade and establish a Common external tariff within their commercial relations with third countries. The three member countries have, initially, undertaken a gradual tariff reduction with 90 per cent tariff reduction for Kenya and 80 per cent for Tanzania and Uganda. Furthermore, they have coordinated and harmonized their trade policies and programmes within the Community, much faster than under the framework of a free trade area. Negotiations towards the creation of a Customs Union led to the signing, in March 2002, of the Treaty establishing the Union among the three countries. EAC officially became a Customs union as of 1st January 2005.

## 2.2 Removing non-tariff barriers

Within the CEMAC area, non-tariff barriers constitute the principal barriers to intra-regional trade. These barriers appear to be linked to customs clearance procedures. Moreover, given that some of the CEMAC countries are landlocked, road transport operators are often faced with checkpoints erected on whimsical grounds. Meetings aimed at finding viable and lasting solutions to these problems are held often between officials from Cameroon and their counterparts from landlocked Chad and the Central African Republic. There have been modest improvements, but a great deal remains to be done to completely eliminate these barriers to intra-regional trade in the CEMAC area.

At the level of ECOWAS, the elimination of tariffs on approved industrial products should be accompanied by the total elimination of non-tariff barriers and other administrative obstacles to trade. However, in practice, the setting-up of administrative barriers to the entry of approved products within ECOWAS territory seems to persist through certain norms and requirements. In addition, the lack of clear national guidelines in some countries with regard to the implementation of the trade liberalization scheme by the customs administrations constitutes a hindrance to intra-community trade.

One of the weak points in the SADC trade liberalization process is the issue of non-tariff barriers. The member States have been encouraged to inform the secretariat of the existence of any non-tariff barriers to trade, and they have agreed to eliminate cumbersome import/export licensing, remove unnecessary import/export quotas and lift unnecessary import prohibitions. They have been urged to move more rapidly towards the gradual elimination of import deposits. A recent study conducted in some of the member States revealed the existence of some new non-tariff barriers to trade within the subregion. Serious efforts to eliminate non-tariff barriers are essential for the eventual success of the free trade area. There is now no sustained regional mechanism for monitoring member country compliance so as to influence them to take the necessary corrective measures.

In the interim period before the signing of the final agreement and adoption of the official protocol on the establishment of the EAC customs union and until the EAC has defined its own rules of origin, its members apply the COMESA rules of origin in their intra-regional trade relations. It should be noted that the EAC envisages anti-dumping and compensatory measures as well as safeguards to cover material damage to the industry and economy of the importing country. The member States intend to adopt final recommendations relating to those areas which will be compatible with the World Health Organization (WHO) Statute as well as taking into account the interests of both producers and consumers. Ahead of the full implementation of a compensation mechanism, the members are empowered to invoke loss of revenue and to wholly or partially restore the tariff and non-tariff measures in force before the trade liberalization programme.

### 3.3. Adoption of rules of origin

By definition, countries that are members of a free trade area facilitate intra-area trade expansion by removing all tariff and non-tariff barriers to trade with one another. But each member country maintains an independent commercial policy with respect to non-members. Thus, to ensure that members do not cheat on each other and to prevent non-members from enjoying the benefits of free trade within the Community, rules of origin are needed to identify goods that qualify for free trade treatment. The rules of origin must satisfy General Agreement on Tariffs and Trade (GATT) requirements on barriers to trade with non-members. The rules should be simple and must be seen to promote investment and trade. The regional economic communities (RECs) are conscious of this principle and have striven to make their rules of origin more flexible and conducive to attracting foreign inputs.

In this context, regional economic community programmes to promote trade and market integration are usually accompanied by rules of origin to delineate areas of eligibility for preferential tariff treatment. Origin requirements for products for most African RECs are generally defined by a minimum share of domestic value added or maximum share of imported inputs to total product value. But the specific levels tend to differ among economic communities—even when they have overlapping memberships and originate from the same subregion. Some RECs also use the change of tariff headings (CTH) requirement.

In the interest of uniformity—given that ECOWAS and UEMOA have common member countries—the two economic communities have made concerted efforts to adopt the same rules of origin for goods that qualify for reduced or eliminated tariffs. Recently ratified by the Council of Ministers of UEMOA and set to be ratified by ECOWAS, a decision on harmonization will align ECOWAS' rules of origin with UEMOA's. Thus, to be granted ECOWAS origin and therefore UEMOA origin, each product must satisfy the concept of:

- Products wholly produced in Member States;
- Products not wholly produced but which have undergone substantial transformation or processing, determined by a change of tariff heading or value-added of at least 35 per cent of the ex-factory price before tax;
- Products manufactured from raw materials of foreign origin whose value-added is equal to 35 per cent of the ex-factory price before tax.

However, goods manufactured in free zones or under special regimes involving suspension or partial or total exemption from import duties, may not be considered as originating products.

The CEMAC agreement adopted in 1994 requires that domestic inputs should account for 40 per cent of the value of total inputs, rising to 50 per cent in 2003 and 60 per cent in 2008. In addition, industrial products should have local value added at least equal to 30 per cent of the factory price, rising to 40 per cent in 2003 and 50 per cent in 2008.

In SADC, if products are not wholly produced within the grouping then there must be sufficient transformation. Non-originating materials may be used in the manufacture of a product as long as their value does not exceed 10 percent of the product's factory price.

In the COMESA free trade area, goods must satisfy one of the following criteria: be wholly produced in a member State; contain no more than 60 per cent of imported inputs from non-member countries, incorporate local value added of at least 35 per cent of total cost; be designated as particularly important to economic development and contain no less than 25 per cent local value added; or be reclassified, after production, under a new tariff heading.

The IOC has also adopted rules of origin on the COMESA model. The value-added tax rate has been reduced by 45 per cent to bring it into line with the COMESA rate which stands at 35 per cent. Only Madagascar and Mauritius are applying the IOC integrated programme on trade.

UMA has also adopted the rules of origin and commodities are considered to originate from the subregion when they meet the following conditions:

- (i) All the basic components and raw materials are entirely produced in or derived from a member country of UMA;
- (ii) Manufactured goods, where the goods contain at least 40 per cent of local value-added (20 per cent in the case of goods manufactured in an assembly plant) or at least 60 per cent of local raw materials;
- (iii) For other industrial products that have been subjected to varying degrees of transformation in value-added in a member State, they are considered to be originating products when there is a consensus thereon among the member States; [?]
- (iv) Exports which meet the above-mentioned conditions are required to be accompanied by a standard-form Certificate of Origin prepared by an authorized entity and subject to verification by the customs authorities of the exporting country;
- (v) There are other provisions relating to preservation, phytosanitary and anti-dumping measures and measures against export substitution and other unfair trade practices.

These rules of origin attempt to strike a balance between use of domestic inputs and foreign supplies. The rules fall short of WTO Trade-Related Investment Support Measures (TRIMS) requirements on local content restrictions, but there is some merit in encouraging the use of domestic inputs to reduce dependence on imported raw materials and other intermediate inputs while promoting and enhancing value-added activities in the regional economic communities.

### **3.4 Adoption of accompanying customs documents for originating products**

Within the framework of the implementation of intra-regional trade liberalization schemes and in order to benefit from preferential tariffs when importing from a member of a given Community, it is required

that originating products be accompanied by customs documents. These are single customs document and certificates of origin. Generally, each integration zone uses one of its own certificate of origin, with the exception of ECOWAS and UEMOA which, to take into account the common new rules of origin they have adopted, use a single certificate of origin of green colour. Thus, the community origin of products could be traced by the certificate of origin. However, agricultural and livestock products as well as traditional handicrafts, are exempt from the certificate of origin.

### **3.5. Adoption of common external tariffs**

In 1994, CEMAC introduced a new common external tariff structure, considered an improvement over the more complicated one in place since 1992. The new tariff covers four categories of goods: items in category 1 (essential goods) face a 5 per cent tariff; category 2 (equipment and raw materials), 10 per cent; category 3 (intermediate goods), 20 per cent; and category 4 (general consumable goods), 30 per cent. A temporary non-renewable surtax not to exceed 30 per cent was introduced for goods that had been subject to quota restrictions. It was abolished in 2000.

In sum, CEMAC had clearly fulfilled the conditions for the establishment of a customs union in that it had a CET in place in 1994. The Community appears to have used its long experience under UDEAC to achieve remarkable progress towards eliminating all tariff barriers to trade in intra-CEMAC commodities. Clearly, this would not have been possible without a firm commitment on the part of the political leadership in each CEMAC member State in the regional integration process. As a corollary to all that, trade in services, including financial services, within the Common Market, have been liberalized.

The implementation of the provisions of article 47 of the COMESA treaty will culminate in the adoption of a CET over a 10-year period after the entry into force of the treaty. The CET was set to enter into force in 2004. The COMESA member States have negotiated a provisional CET under which capital goods would be assessed at zero per cent; raw materials 5 per cent; intermediate goods 15 per cent; and for finished goods 30 per cent.

SACU had a common external tariff (CET) in place and allows for free trade among its five members. It also has a common customs organization. Indeed, SACU is a customs union which has had a common external tariff for around a century, i.e. since 1910.

EAC hopes to leapfrog into a customs union, bypassing a free trade area. Member states are negotiating the structure of the customs union, particularly the common external tariff. The customs union should be in place within four years of the January 2001 signing of the EAC treaty. The treaty was indeed signed during the first quarter of 2004.

### 3.6. Trade facilitation

Trade facilitation usually involves practical measures to enhance trade flows among member States, such as simplifying and harmonizing documents and customs procedures and adopting common instruments. A number of regional economic communities have introduced measures to this end.

CEMAC has adopted a protocol on Inter-State Transit in Central African Countries to facilitate the transit of goods within member States. In most member States, tax and customs administrations in capital cities are equipped with computers for processing import-export operations; and since 1984 an annual trade fair has promoted trade in the CEMAC area. This protocol encompasses a number of measures aimed at facilitating the movement of goods from one Member State to another. In the section dealing with customs, it is stipulated that:

- Each State commits to facilitating customs clearance procedures and formalities, and accordingly, the movement of goods within the subregion;
- Each State also commits itself to improving information dissemination and inspection of goods along the transit corridors of the subregion by means of the SIAM;

In regard to infrastructure, it also provides for the improvement of communication infrastructure alongside the Inter-State transit corridors, to be monitored by the transporters organization.

ECOWAS has introduced a Brown Card insurance similar to the COMESA Yellow Card (a vehicle insurance scheme that covers third-party liability and medical expenses) and the Inter-State Road Transit scheme to ease road transit and transport across borders. Some members have not yet ratified the scheme. In addition, ECOWAS adopted the Automated System for Customs Data in 1990, and in 1998 it launched the Trade Opportunity Management System to foster trade and investment by disseminating information on trade and business opportunities and promoting business contacts among economic operators in the Community.

It should be noted that SADC is one of the regional integration communities on the continent which has embarked on this process with particular emphasis on linkages between the Community and a network of transport and other infrastructures as a step towards market integration.

SADC's Sub-Committee on Trade Facilitation is responsible for harmonizing trade documentation and procedures concerning import/export licensing; insurance; transit operations; international transport and authorization of transport operators; as well as statistical monitoring and information dissemination on trade documentation.

SADC has also undertaken to simplify and harmonize trade-related procedures and documentation (such as certificates of origin, producer's declaration form for verification of origin, cargo manifest for overland

traffic, certificate of authorization of the transport mode, and customs transit inspection reports). It has embarked upon a study of COMESA rules with a view to clarifying these instruments to the nine SADC member States which are also members of COMESA. About half of the SADC members use the Automated System for Customs Data and the Community has established institutions to eliminate technical barriers to trade, promote quality production, and increase cooperation on standardization, quality assurance, accreditation, and metrology.

Among African economic communities, COMESA has the most extensive programme for trade facilitation and promotion. It has initiated, developed and set in motion fruitful negotiations among member States and mobilized the technical and financial resources to launch a remarkable programme of trade facilitation measures. Specifically, this is the adoption of a harmonized coding system for product description (HS) which is now used by 13 member States. It will be indispensable in the eventual establishment of the common external tariff (CET) and of a common tariff nomenclature (CTN). The accessibility of the GATT evaluation system to member States will harmonize the various evaluation systems applied by each State and ensure uniformity, equity and simplicity across the subregion.

Other trade facilitation measures have been put in place. For example, there is now only one form for declaring goods (the COMESA-CD), replacing the set of around 30 documents in some of the member States. A COMESA regional customs guarantee certificate has been introduced and is issued at the point of origin of goods, in order to eliminate the risk of unloading of cargo in a transit country. Road transit charges were harmonized in 1991. A COMESA transport permit was adopted, also in 1991, enabling transporters to operate within the subregion on a single licence. There is now an overland customs transit document to facilitate the cross-border movement of goods with a single transit document. Axle-load limits and maximum dimensions for vehicular-traffic have been harmonized. A regional insurance plan for motor vehicles (the yellow card) has been introduced.

Also noteworthy is the adoption, in a few of the countries, of a sophisticated and computerized information system on cargo; it facilitates the tracking of transportation equipment and cargo. An automated system of customs data management (ASYCUDA) was introduced in the early 1990s. The EUROTRACE system has been installed in most of the member States. ASYCUDA and EUROTRACE make it easier to harmonize the gathering, processing and dissemination of external-trade statistics within the subregion.

### **3.7. Facilitating and promoting trade**

The CEMAC Trade Fair, launched by the Central African Customs and Economic Union (UDEAC) in 1984, is still held annually on the fringes of the meeting of the Council of Heads of State. The trade fair is held in whichever town or city is hosting the annual session of the Council.

Promoting trade is one of the priorities of COMESA as well. An in-depth study has been conducted to identify commodities for regional promotion. In 1986, the first General Trade Fair of the PTA was held in Nairobi to exhibit what producers and service providers of member countries had to offer in the PTA market. This initiative was repeated every other year, in Zambia, Mauritius, Tanzania and Mozambique, until 1994. The trade promotion programme as a whole covers 90 regional supply-and-demand studies for selected commodities, interface between buyers and sellers of commodities, and the launching of an information network on trade, with 16 focal points at the country level.

The EAC generally applies the trade promotion and facilitation measures put in place by COMESA, in that all the EAC member States currently apply the COMESA information system on the movement of goods to promote their fast-moving goods trade. In addition, EAC has signed a cooperation protocol on standardization, quality assurance, metrology and testing. EAC is working on a detailed project to strengthen the role of the private sector and associated bodies such as the East African Business Council. Central to the plan is the adoption of a common competition policy to promote investment and development in the Community. EAC members hope to reach agreement on this policy in tandem with the establishment of their customs union. The collective regulatory framework will also cover harmonized principles to govern investment incentives and promote domestic and foreign investment.

It should be noted that some of the RECs have made considerable progress towards the implementation of free-trade areas and customs unions. At present, four of the RECs, i.e. CEMAC, SACU, UEMOA and EAC have achieved 100 per cent tariff reduction and established customs unions while others are at various stages in their trade liberalization programmes. For example, COMESA established its free-trade area in October 2000 with nine members. Two other countries have already joined the first signatories, bringing the total number to 11. UMA and ECCAS have taken measures to revitalize their trade liberalization programmes which have been in existence for a long time, while the IOC, some of whose members also belong to COMESA, are essentially engaged in the implementation of the COMESA programme. It should be underscored that ECCAS adopted the instruments relating to the implementation of its trade liberalization scheme in the first quarter of 2004. SADC also adopted a trade liberalization scheme which will run until 2012. The Economic Community of Great Lakes Countries (CEPGL) whose members are either in COMESA or in ECCAS, are accordingly linked to the trade liberalization programmes of those large blocs. The Mano River Union (MRU) member States are in a similar position because they are also members of ECOWAS, which is engaged in a major effort to put in place a trade liberalization rather like that of UEMOA.

In regard to trade facilitation, ECOWAS has adopted the “brown card” insurance scheme for inter-State road transport, to facilitate road transport and cross-border transport. This scheme also exists in CEMAC while SADC has set up a Sub-Committee on Trade Facilitation whose main function is to harmonize trade documentation and procedures. Some of the RECs, such as ECOWAS and COMESA, have enabled their member States to participate in the Automated System for Customs Data (ASYCUDA) in each member State. Indeed, COMESA has the most ambitious programme of trade facilitation, development and promotion.

The overall conclusion appears to be that, with a few exceptions, there has not been much progress in terms of the establishment of free-trade areas in Africa, and especially when it comes to customs unions, despite the fact that a number of subregional integration groupings have been in existence for a long time. At present, only four RECs, namely CEMAC, UEMOA, SACU and EAC, have realized 100 per cent tariff reductions, while other RECs are at various stages in between. COMESA is already set to officially launch its PTA. A great deal of progress has been made by some of the RECs, such as CEMAC, SACU, UEMOA and EAC, which have all attained the level of functioning customs unions. Other RECs such as ECCAS, CEPGL, SADC, the IOC, UMA and CEN-SAD have not made significant progress in terms of implementation of trade liberalization programmes. In some cases, and even with the progress that has been achieved in the reduction of customs duties on intra-community trade, protection schemes seem to be oriented towards non-tariff barriers, which are to be found in nearly all the RECs.

The overall pace of trade liberalization appears to be slow, even though some of the RECs have made some headway towards establishing free-trade areas or customs unions. The slow pace of progress is attributable to continuous reviews of the implementation process and the concern caused by the loss that is expected to result from liberalizing. Even though trade liberalization policies are in place, the relative lack of progress in other areas, and particularly in infrastructure and productivity, dampen its impact. To take full advantage of the possibilities offered by trade liberalization and market integration programmes, efforts will have to be made, at the same time, towards addressing the problem of infrastructure and production. To that end, there will have to be a greater degree of collaboration between the transport, communications, energy and production sectors.

## IV. Impact of Trade Liberalization on the Development of Intra-regional Trade

Bolstering intra-regional trade has long been of concern to most of the African regional integration organizations. Despite the importance attached to this issue and the many institutional mechanisms put in place with a view to improving intra-regional trade, the share of intra-regional trade in total trade has remained modest. Recent empirical studies suggest that the establishment of preferential trade regimes between African States have had little impact in terms of trade creation across the continent.

### 4.1 Characteristics of the intra-regional trade structure

In general, trade structures across the continent are virtually the same. There has been little change over the past 40 years, and the characteristics are generally as follows:

- A preponderance of primary commodities in the export structure, with an 80 per cent share or above;
- Imports consist mainly of manufactured goods; and
- Exports (over 80 per cent of which are mainly composed of primary commodities) are targeted to the European, Asian and North American markets, while imports (which account for a similar proportion) come from the same regions.

Another characteristic of intra-regional trade in Africa arises from the non-complementarity of domestic production. A product mix consisting essentially of raw materials leads these countries to produce the same goods which are exported as basic products to other regions, or are overproduced, thus leading to a glut and non-exportability, apart from being at the mercy of environmental conditions (this has been the experience with cereals, and particularly maize, as well as with cassava, plantains and so on).

### 4.2 Analysis of intra-regional trade in the RECs

The analysis of intra-regional trade covers nine RECs in respect of which statistical data are available in the UNCTAD Statistical Manual (UNCTAD 2004). On the basis of these data, it appears that the volume of internal trade among regional economic groupings as a share of their total trade was low. Indeed, the total volume of intra-regional trade among these RECs accounted for a relatively low share of total exports from those RECs, which translates into 10 per cent or less in general, with the exception of UEMOA and SADC whose relative share of intra-community exports was slightly above 10 percent. The tables and graphs shown below indicate the internal trade profiles of African RECs by reference to their total exports, for the years 1980, 1990, 1995, 2000, 2002 and 2003.

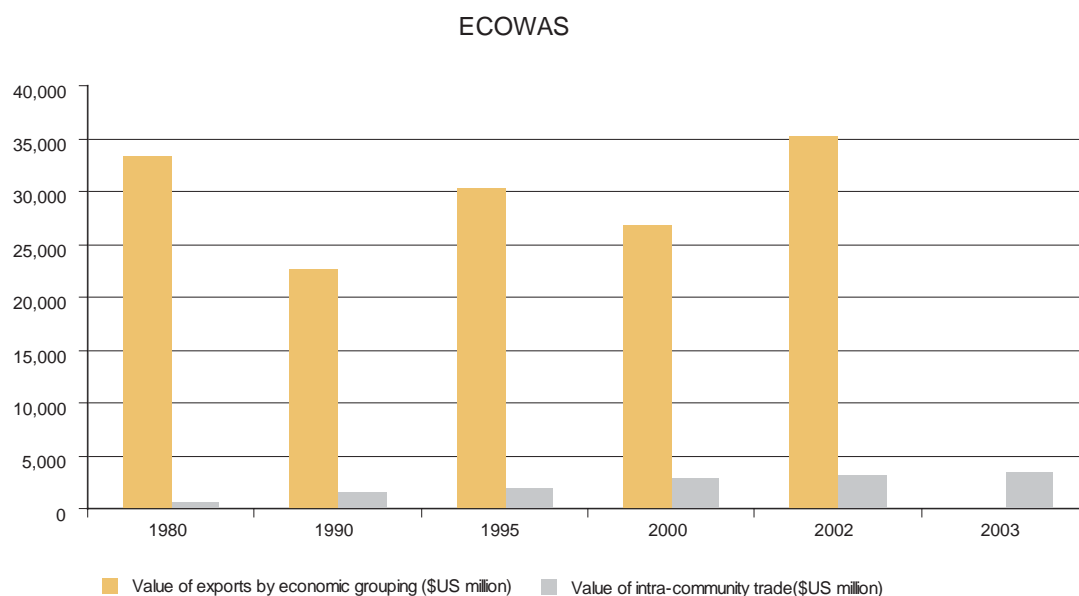
## The situation of intra-regional trade in West Africa (ECOWAS, UEMOA, MRU)

Intra-regional trade in West Africa is still low, representing, on average, around 10 per cent of total exports. Intra-community exports within UEMOA accounted for 9.6 per cent of total exports from the area in 1980, 13 per cent in 1990, and 10.3 per cent and 12 per cent in 1995 and 1997 respectively. Intra-community exports within UEMOA witnessed steady growth over the period 1980-2003 at around 12 per cent of total exports from the area. This remarkable performance may be attributed to gains in competitiveness and relative trade creation for businesses as a result of the introduction of the common external tariff.

The characteristics of intra-community trade within ECOWAS are similar to those of UEMOA, although there is noticeable stabilization at around 9.5 per cent of total exports from ECOWAS since 1980. This level is still far above the production of a number of RECs.

Intra-regional trade within the Mano River Union (MRU) area was almost negligible, at less than 1 per cent of total exports from the area. This weak performance may be attributed to chronic instability in the subregion over the past few years.

**Figure 1: Share of intra-regional trade in total exports (in value)**



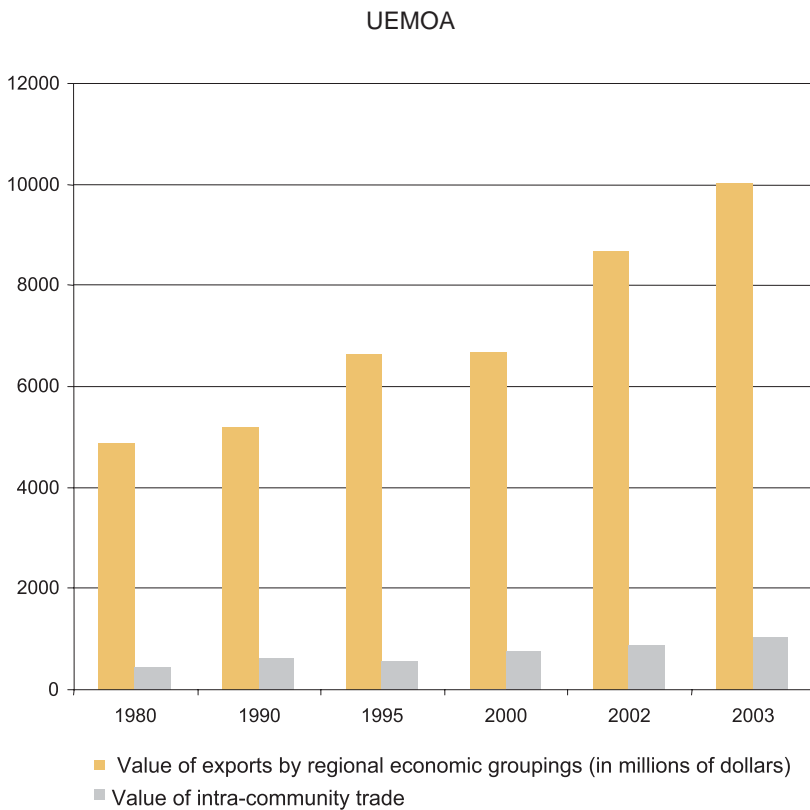
Source: Economic commission for Africa, compiled from UNCTAD data

**Table 1: Trend of intra-regional trade (in value and %)**

<b>ECOWAS</b>						
	<b>1980</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>	<b>2002</b>	<b>2003</b>
Value of exports, by economic grouping (in millions of US dollars)	33,348	22,743	22,305	30,338	26,829	35,186
Value of intra-community trade	661	1,532	1,875	2,811	3,192	3,541
Share of internal trade in total exports (%)	9.6	8.0	9.0	9.5	11.5	9.8

Source: Economic Commission for Africa, compiled from UNCTAD data

**Figure 2: Share of intra-regional trade in total exports (in value)**



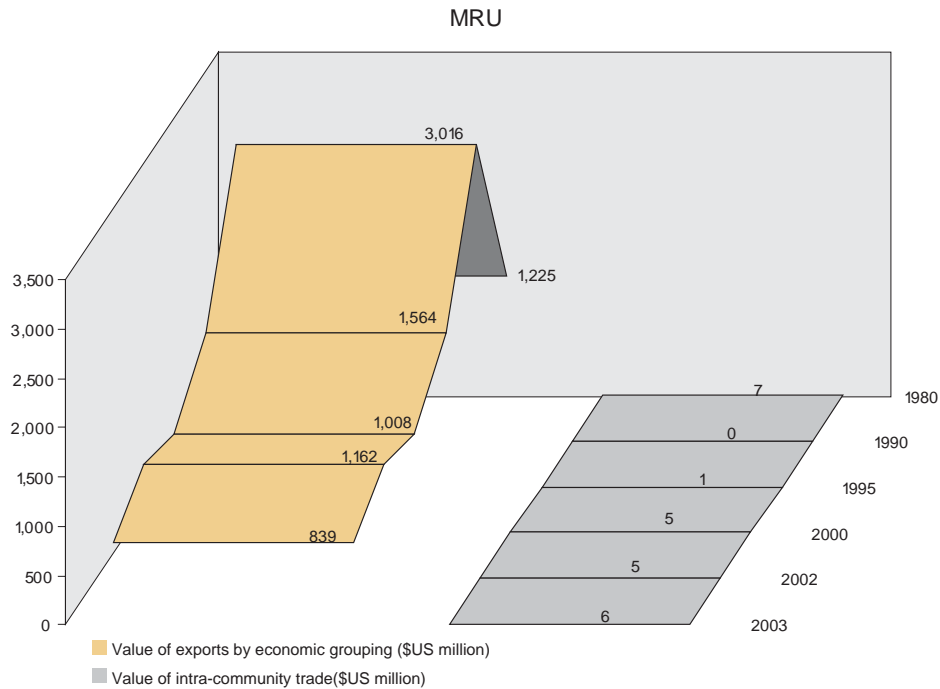
Source: Economic Commission for Africa, compiled from UNCTAD data

**Table 2: Trend of intra-regional trade (in value and %)**

	1980	1990	1995	2000	2002	2003
Value of exports, by economic grouping (in millions of dollars)	4,884	5,202	6,648	6,668	8,672	10,007
Value of intra-community trade	460	621	560	741	857	1,043
Share of internal trade in total exports (%)	9.6	13.0	10.3	13.1	12.1	12.8

Source: Economic Commission for Africa, compiled from UNCTAD data

**Figure 3: Share of intra-regional trade in total exports (in value)**



Source: Economic Commission for Africa, compiled from UNCTAD data

**Table 3: Trend of intra-regional trade (in value and %)**

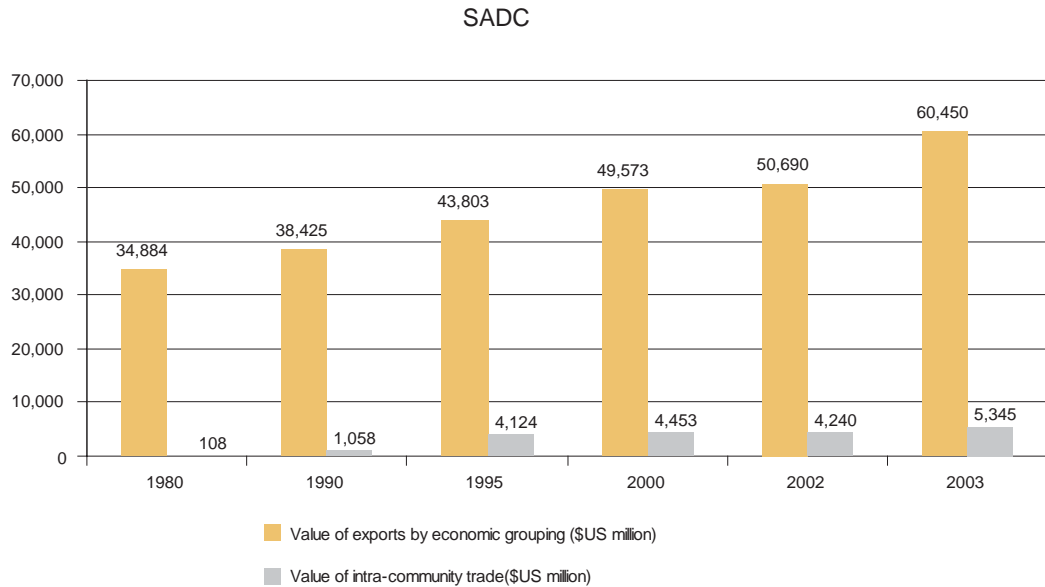
<b>MRU</b>						
	<b>1980</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>	<b>2002</b>	<b>2003</b>
Value of exports, by economic grouping (in millions of US dollars)	1,225	3,016	1,564	1,008	1,162	839
Value of intra-community trade	7	0	1	5	5	6
Share of internal trade in total exports (%)	0.8	0.0	0.1	0.4	0.2	0.3

Source: Economic Commission for Africa, compiled from UNCTAD data

### **The situation of intra-regional trade in the Eastern and Southern African region (SADC, COMESA)**

After a low rate of growth during the period 1980 to 1990, trade within SADC grew steadily from 1995-2003. The percentage of internal trade involving total exports within SADC increased from 0.4 per cent on average in 1980 to 12 percent in 2000, but dropped again to 10 per cent in 2003. During the same period, average trade within SADC was about 10.5 per cent, placing the region in the second position behind UEMOA. This performance was partly due to the influence of the South African economy and other countries such as Mauritius and Zimbabwe with a strong export base also contributed to the growth. With regard to COMESA, its internal trade grew slightly during the period 1980-2003. The growth rate here was 5 per cent on average during the period under review.

**Figure 4: Share of intra-regional trade in total exports (in value)**



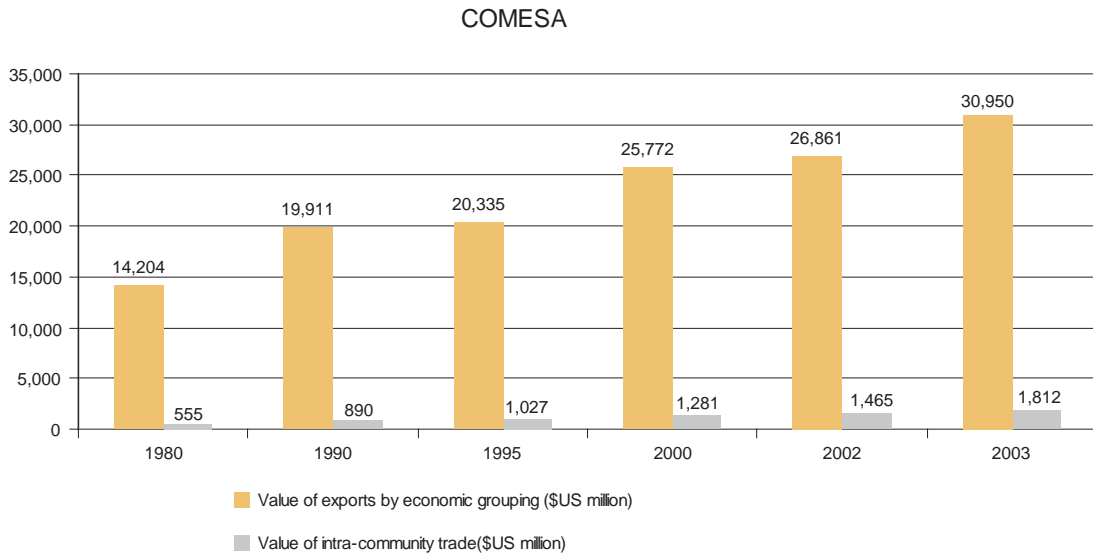
Source: Economic Commission for Africa, compiled from UNCTAD data

**Table 4: Trend of intra-regional trade (in value and %)**

SADC						
	1980	1990	1995	2000	2002	2003
Value of exports by regional economic Community (in million of US dollars)	34,884	38,425	43,803	49,573	50,690	60,450
Value of intra-community trade	108	1,058	4,124	4,453	4,240	5,345
Share of intra-community trade in total exports (%)	0.4	3.1	10.6	12.0	9.3	10.0

Source: Economic Commission for Africa, compiled from UNCTAD data

**Figure 5: Share of intra-regional trade in total exports (in value)**



Source: Economic Commission for Africa, compiled from UNCTAD data

**Table 5: Trend of intra-regional trade (in value and %)**

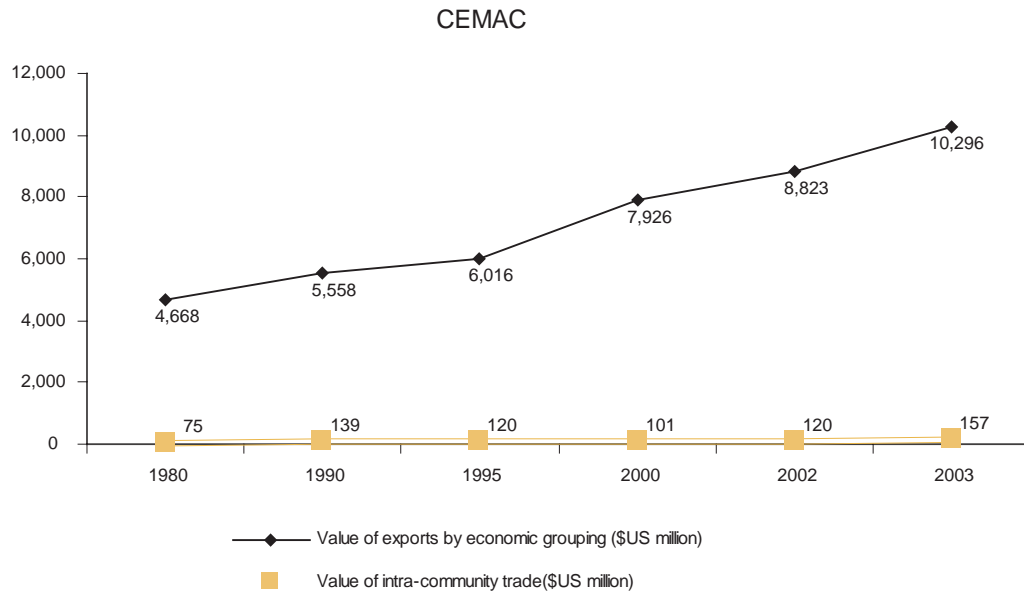
<b>COMESA</b>						
	<b>1980</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>	<b>2002</b>	<b>2003</b>
Value of exports by regional economic grouping	14204	19911	20335	25772	26861	30950
Value of intra-community trade	555	890	1027	1281	1465	1812
Share of intra-community trade in total exports (%)	5.7	6.3	6.0	4.9	5.4	5.8

Source: Economic Commission for Africa, compiled from UNCTAD data

### **The situation of intra-regional trade in Central Africa (CEMAC, ECCAS, CEPGL)**

The levels of intra-regional trade for CEMAC, CEPGL and ECCAS were low during the period under review, as shown by tables 6, 7 and 8 below. Internal trade in these RECs accounted for less than 2 per cent of their total exports, a performance surpassed by that of UEMOA, SADC, COMESA and ECOWAS. Graphs 6, 7 and 8 clearly illustrate the low share of the internal trade of these economic groupings relative to the value of their total exports.

**Figure 6: Share of intra-regional trade in total exports (in value)**



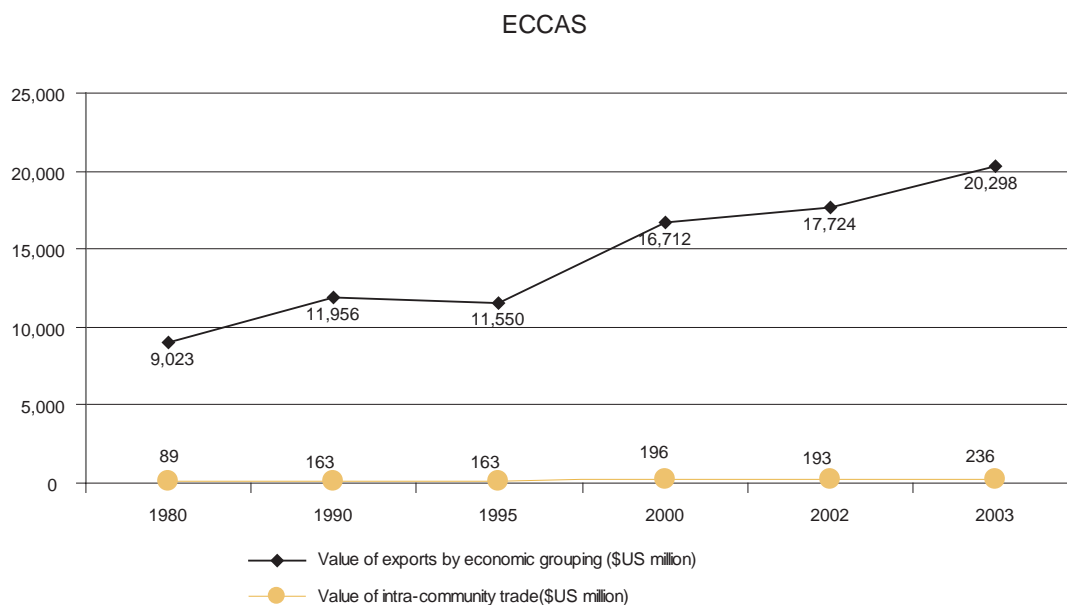
Source: Economic Commission for Africa, compiled from UNCTAD data

**Table 6: Trend of intra-regional trade (in value and %)**

<b>CEMAC</b>						
	<b>1980</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>	<b>2002</b>	<b>2003</b>
Value of exports by regional economic groupings (in millions of dollars)	4668	5558	6016	7926	8823	10296
Value of intra-community trade	75	139	120	101	120	157
Share of intra-community trade in total exports	1.6	2.3	2.1	1.0	1.4	1.4

Source: Economic Commission for Africa, compiled from UNCTAD data

**Figure 7: Share of intra-regional trade in total exports (in value)**



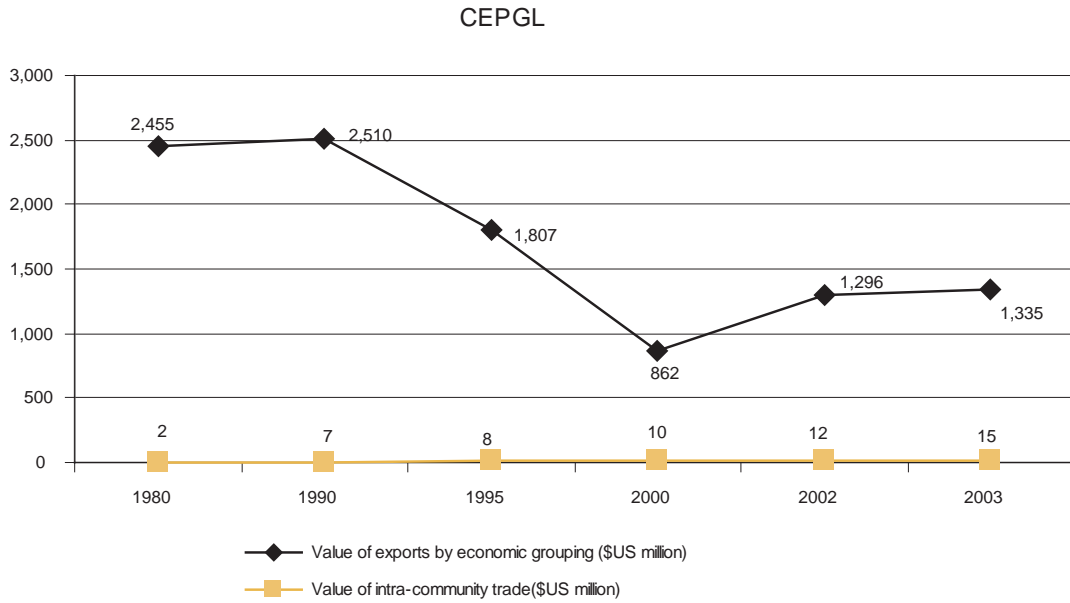
Source: Economic Commission for Africa, compiled from UNCTAD data

**Table 7: Trend of intra-regional trade (in value and %)**

ECCAS						
	1980	1990	1995	2000	2002	2003
Value of exports by regional economic grouping (in millions of dollars)	9023	11956	11550	16712	17724	20298
Value of intra-community trade	89	163	163	196	193	236
Share of intra-community trade in total exports	1.4	1.4	1.5	1.1	1.1	1.1

Source: Economic Commission for Africa, compiled from UNCTAD data

**Figure 8: Intra-regional trade in total exports (in value)**



Source: Economic Commission for Africa, compiled from UNCTAD data

**Table 8: Trend of intra-regional trade (in value and %)**

CEPGL						
	1980	1990	1995	2000	2002	2003
Value of exports by regional economic groupings (in millions of dollars)	2455	2510	1807	862	1296	1335
Value of intra-community trade (in millions of dollars)	2	7	8	10	12	15
Share of intra-community trade in total exports	0.1	0.5	0.5	0.8	0.7	1.2

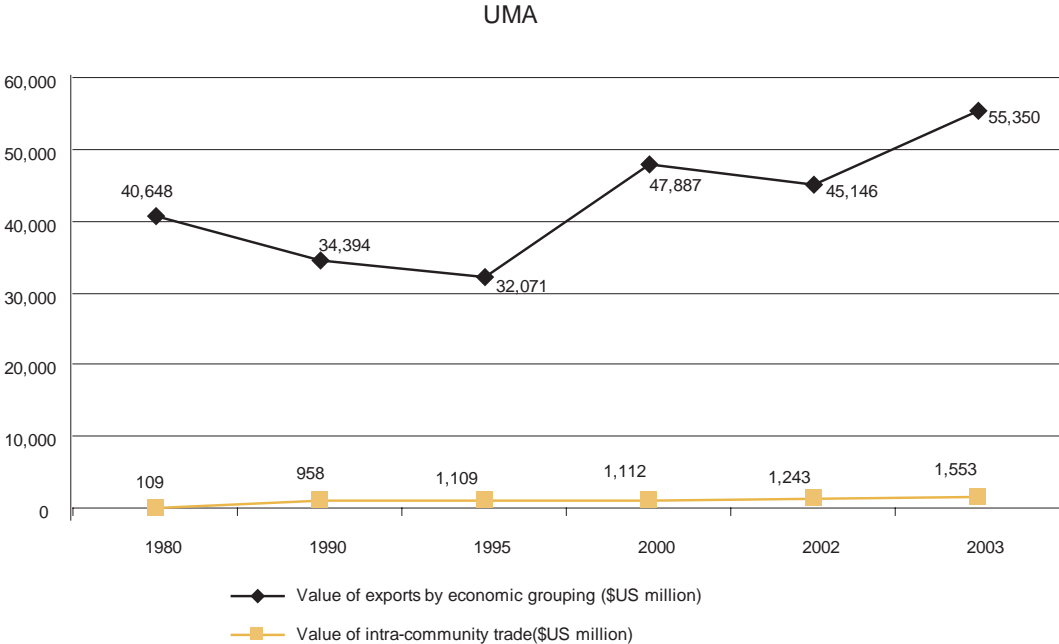
Source: Economic Commission for Africa, compiled from UNCTAD data

### **The situation of intra-regional trade in North Africa by reference to total exports from the area**

The trade potential within UMA is partly jeopardized by the similarities between some Maghreb countries,

such as Morocco and Tunisia. This could also be due to the predominance of Morocco and Tunisia in terms of exports to European Union countries, which has in turn resulted in the productive structures of these two countries being basically similar. Other obstacles, including an inadequate export structure for intra-regional trade and the priority given to the North-South strategy, have also impaired the level of trade within UMA.

**Figure 9: Share of intra-regional trade in total exports (in value)**



Source: Economic Commission for Africa, compiled from UNCTAD data

**Table 9: Trend of intra-regional trade (in value and %)**

UMA						
	1980	1990	1995	2000	2002	2003
Value of exports by regional economic grouping (in million of dollars)	40648	34394	32071	47887	45146	55350
Value of intra-community trade	109	958	1109	1112	1243	1553
Share of intra-community trade in total exports	0.3	2.9	3.8	2.3	2.8	2.7

Source: Economic Commission for Africa, compiled from UNCTAD data

### 4.3. Comparative analysis of the internal trade of selected RECs

Table ten drawn from the 2004 Statistical Manual of UNCTAD, gives estimates of the intra-regional trade of some of the African RECs. The figures contained in the table highlight the weak impact of the African integration schemes on the growth of intra-regional trade. In sub-Saharan Africa, the performances of UEMOA and SADC stand out. The total intra-regional exports within these regions were in the range of 12 per cent and 10 per cent of their total exports, respectively, during the period 2000-2003.

**Table 10: Comparative intra-regional trade profiles**

Economic grouping	Share of intra-regional exports in total exports (%)					
	1980	1990	1995	2000	2002	2003
CEPGL	0.1	0.5	0.5	0.8	0.7	1.2
COMESA	5.7	6.3	6.0	4.9	5.4	5.8
ECCAS	1.4	1.4	1.5	1.1	1.1	1.1
ECOWAS	9.6	8.0	9.0	9.5	11.5	9.8
MRU	0.8	0.0	0.1	0.4	0.2	0.3
SADC	0.4	3.1	10.6	12.0	9.3	10.0
CEMAC	1.6	2.3	2.1	1.0	1.4	1.4
UEMOA	9.6	13.0	10.3	13.1	12.1	12.8
UMA	0.3	2.9	3.8	2.3	2.8	27

Source: UNCTAD Statistical Manual, 2004

### 4.4. Comparative analysis of the internal of African RECs and other economic groupings: global picture

Table 11??? below shows the volume of exports by economic groupings over the period 1980-2003, as well as the volume of internal trade for each economic grouping, as a percentage of total exports per grouping. It emerges from these statistics that trade within the European Union (the 25) accounted for 60 per cent of world trade on average. The same applies for the countries of the Latin American Free Trade Agreement (ALENA) area, whose intra-regional trade accounted for 55.7 per cent, 56.7 per cent and 56.1 per cent of total exports in 2000, 2002 and 2003. In the case of the Association of South East Asian Nations (ASEAN), their internal trade slightly surpassed the 20 per cent level attained in total exports from the area. Intra-community trade within the Southern (American) Common Market (MERCOSUR) was in the range of 20 per cent of total exports from the area. This percentage is even lower in the case of the African RECs. Intra-community trade in the African RECs was hardly above 10 per cent of total exports from the RECs, even though a number of institutional arrangements are in place to promote intra-regional trade. The regional trade agreements concluded in Africa are mainly faced with the problem of lack of complementarity of their economies and a narrow local market.

## V. Brief Overview of Obstacles to Intra-regional Trade

Despite the many institutional provisions adopted by the RECs (trade liberalization programmes, a common external tariff and a common trade policy), official trade between African countries represents only a small part of their total trade and is tending to remain at the same level, or even to decrease. Furthermore, intra-African trade performance remains poor in comparison with other successful integration areas such as the European Union, whose intra-regional trade represents the largest part of its international trade.

Poor intra-African trade performance can be explained by several limiting factors. Barriers to intra-Community trade development are numerous and are rooted in the economic structures of the countries in question; institutional, infrastructural and financial constraints; financing policies and mechanisms; and choices made during implementation of the regional cooperation agreements.

### 5.1. General reflections on intra-African trade

In general terms, poor intra-regional trade is the result of several constraints. **First**, national production profiles do not complement one another since African countries produce and export the same types of products. With the exception of a few countries which have reached a significant level of industrial development and are thus able to sell manufactured goods on the subregional markets, it is evident that a few agricultural and mining products dominate the exports structure of African countries. It is true that the low level of industrialization does not facilitate economic diversity, but there are significant intra-regional trade opportunities that can be exploited in areas vital to growth and sustainable development, such as energy and natural resources.

**Second**, poor intra-regional trade is also the result of a lack of harmonization between regional cooperation and integration initiatives, which contributes to or worsens the lack of complementarity among national production profiles.

**Third**, owing to the importance of the informal sector, some of the trade between neighbouring countries is not recorded, particularly in areas where frontiers are easily crossed. As Aryeetey (2001) points out, unofficial trade accounts for 30 to 50 per cent of grain exports in many subregions. The importance of informal trade relations might reasonably suggest that strengthened cooperation and improved institutional arrangements could lead to increased intra-regional trade (see Aryeetey, 2001 and Meagher, 1997).

**Fourth**, the fact that most of the currencies in the subregion cannot be converted has a negative impact on intra-regional trade development.

## **5.2 Constraints linked to economic structures**

The economies of African countries are characteristically outward-looking. One barrier to intra-regional trade development is the fact that their exports are dominated by a small number of main agricultural and mining primary commodities. The economies of African countries are characterized by their dependence on a few primary commodities for export. Furthermore, the countries of a single region export similar products; this significantly reduces the potential for subregional trade on a large scale. As a result, these countries are more oriented towards extra-regional trade, particularly to the countries of Europe, America and Asia which remain their primary trade partners.

Manufacturing production remains marginal and, in many cases, cannot meet local demand. Furthermore, African countries tend to export identical products which are, to a large extent, aimed at the industrialized countries that are the main customers for such products. Owing to a lack of appropriate industries, primary commodities are not processed in African countries, which import most manufactured products such as medicine, food products and cotton-based textiles.

The low capacity of the manufacturing sector and the lack of diversified production reduce the capacities of REC members in terms of the production of raw materials, capital goods and intermediary processes within their trading blocs; this forces them to depend on external sources. In addition, the untapped energy potential in some subregions makes it impossible to produce enough energy to support the manufacturing sector or businesses with a high added value.

## **5.3 Constraints linked to the goods production structure**

One of the primary obstacles to the development of trade in Africa lies in the similar goods production structures of African countries; most of them supply virtually the same agricultural commodities, although their most pressing needs are for manufactured goods (which account, on average, for almost 73 per cent of their imports), an area in which the developed countries with market economies have an undeniable advantage.

This situation reflects the lack of coordination and harmonization of production and marketing policies, as manifested by the insignificant potential for trade between countries of a given subregion. In addition, the low level of technology leads to quite high production costs, making local goods more expensive than imported goods. Problems also arise in relation to supply-side management and to the lack of competency in the areas of production and marketing.

#### **5.4. Constraints linked to choices made during the implementation of cooperation agreements**

Choices made during the implementation of cooperation agreements have, in many cases, hindered intra-regional trade. The experience of the European Union has shown that production structures must be developed by means of sectoral policies (such as industrial, agricultural, transport and telecommunications policies) while, above all, simultaneously implementing a customs union since there can be no real trade without production.

Analysis of the regional integration experience in Africa shows that almost all regional trade agreements have privileged integration using rules aimed at unifying national markets “decommissioning” customs. This approach has, generally speaking, taken precedence over sectoral policies. Thus, even with the greater opening of borders, there has not really been an increase in intra-regional trade. Liberalization is, of course, important, but it must be based on an efficient production system (strengthened production capacities, increased supply and an enhanced business culture).

#### **5.5. Constraints linked to infrastructures**

Transport and communications infrastructures are powerful catalysts for the economic integration process because they can greatly facilitate the movement of persons, goods and services. However, despite the efforts undertaken in recent years, it is clear that the various States of the subregions have few viable communications channels at either the national or the international level. Intra-African trade is thus hindered by a lack of infrastructure, particularly in the area of transport and communications. The road network consists mainly of unpaved roads which are unusable for part of the year.

African entrepreneurs are, therefore, severely handicapped by inadequate physical infrastructures (transport and storage), and by a lack of modern telecommunications. Furthermore, Governments themselves have made transport problems worse by instituting costly trade procedures that require the processing of customs documents.

#### **5.6. Constraints linked to the institutional framework**

##### **(a) Failure to apply laws aimed at expanding intra-African trade**

Comparison of the application of the various agreements and acts aimed at strengthening economic and trade integration in the subregion show discrepancies in this area. The absence of regulatory or punitive measures for cases of the non-application of Community law may account for the failure to apply the provisions of laws relating to the development of intra-African trade development. In almost all subregions, there is little willingness on the part of government officials to follow up on the commitments

made within the framework of treaties and agreements by making real changes in their national policies, legislation, rules and regulations. Some governments have not hesitated to request more time in which to implement an act, thereby postponing compliance with the liberalization deadlines or schedules which they have adopted.

Another argument often put forward to justify some governments' reluctance to apply Community agreements or protocols is the excessive importance attached to national sovereignty, as manifested by some States' unwillingness to sacrifice immediate national political and economic interests to long-term regional objectives; there are no follow-up or application mechanisms to ensure respect for agreed Community timetables on issues such as reductions in tariff and non-tariff barriers and the achievement of more difficult objectives, such as macroeconomic stabilization.

With regard to the application of agreements and acts aimed at strengthening the regional integration programme, and particularly in the case of UEMOA, some evaluation studies have identified various flaws in their implementation, including the following:

- The tariff and statistical nomenclature for product classification is applied correctly only by Senegal, the Niger and Guinea-Bissau. It has yet to be adopted fully by other States;
- The same is true of categorization, and this carries the risk that products may be taxed at rates other than those established by the Union;
- There are inconsistencies in the classification system in force in Benin, Côte d'Ivoire and Togo;
- Guinea-Bissau is the only State that does not apply taxes other than those recommended by the Union;
- Only three States – Senegal, Burkina Faso and Togo – apply the regulations concerning the customs valuation of merchandise. Five – the Niger, Mali, Benin, Côte d'Ivoire and Guinea-Bissau – do not do so; and
- With the exception of Côte d'Ivoire, the codification of customs regulations and statistics is improperly applied in a manner inconsistent with the Commission's regulations.

Thus, it is urgent that the Union should adopt measures to correct such attitudes, which may discourage the States that apply the Union's provisions in full and on schedule.

#### **(b) Non-tariff barriers**

In light of the poor condition of inter-State transport routes, it should be stressed that many African States still apply a number of protectionist measures which pose obstacles to the promotion of intra-Community trade. These measures include numerous roadblocks and customs posts between countries, despite the resolutions adopted with a view to ensuring the free movement of goods and persons.

The existence of these checkpoints, and harassment at border points, hinder the normal course of

transactions and, in particular, the cross-border transport of goods. Restrictions on the free movement of persons and inputs, restrictions on cross-border investments and poor bank and other financial lending also have an impact on trade and productivity.

Other barriers are posed by complicated import and export procedures, protectionist measures for local industries, enacted in order to compensate for the loss of customs revenue for all imported products, and the lack of measures to support intra-regional trade.

In conclusion, the persistence of non-tariff barriers which some States attempt to justify may slow the development of intra-Community trade. This situation, which is contrary to the customs union and common market spirit, should be remedied.

### **(c) Payment and insurance problems**

Problems related to payment and the inter-convertibility of national currencies are among the principal problems faced by African exporters. Unless exporters are assured of being paid promptly for the goods and services that they provide, there can be no real basis for trade within the subregion. The causes of payment problems include the weaknesses of national financial sectors and the absence of export credit facilities and adequate export insurance systems. At the subregional level, it is unfortunate that monetary policies are not harmonized and that compensation mechanisms are ineffective.

African countries' economies have no real foreign-trade financing mechanisms adapted to the needs of the exporting firms. Even traditional financing mechanisms based primarily on bank financing, have major limitations in this area, and there is virtually no insurance for export-related activities.

Traditionally, commercial banks provide a partial basis for the financing of international trade, to which they contribute through three principal instruments: documentary credit, supplier's credit and buyer's credit. Of these three types of financial product, documentary credit is the form of payment most commonly used by exporters; the others are seldom employed.

Furthermore, most bank loans are short-term and their interest rates are considered high by businesses. Since the withdrawal of so-called "seasonal" credits to farmers following redefinition of the central banks' missions in some countries of the region, it has been difficult to find credit designated specifically for export operations.

It is also important to stress that each African country has many insurance companies. However, these companies offer limited services, most of them relating to (i) transport, fire, automobile and miscellaneous risk insurance and (ii) life insurance (sickness, old age and retirement); there is a gap in the area of products and services, other than marine insurance, offered to exporters. This means that insurance companies are interested only in products such as credit insurance or exchange guarantees, which are support measures for exporters.

## **5.7. Other institutional constraints**

Institutional weaknesses also include a number of flaws in the legal and regulatory environment for trade promotion, including the form of legislation, the functioning of trade law and administrative and contractual procedures.

Furthermore, the social and political tensions in which several subregions have been mired for decades have also affected the performance and prospects of the countries concerned and of the economic integration area. These events have resulted in widespread destruction of production facilities, breakdown of national administrations, urban unemployment and capital flight. Social and economic unrest also tends to discourage investment and, generally speaking, creates an unviable macroeconomic framework by encouraging foreign investors' fear that it will spread to neighbouring countries.

## VI. Measures and Mechanisms in Support of Trade in Africa

In order to promote trade liberalization and expand intra-regional trade, it is important that, in tandem with the implementation of trade liberalization programmes by the RECs, greater attention should be paid to some of the major issues that could be addressed with a view to more rapid achievement of the goal of market integration for each REC. These include creation of an enabling political and economic climate for private investment within each REC, private sector participation in the integration process, and linking the member States of each REC to adequate transport and communication infrastructures.

### 6.1 Measures designed to boost the competitiveness of local products

#### 6.1.1 A stable macroeconomic environment

The primary goal of governments should be to promote sustained economic growth and improved living standards by creating a stable economic environment for entrepreneurs, who need stability in order to plan their production, marketing and investment strategies. Sudden policy changes go against these objectives because entrepreneurs are more likely to invest when they are able, for example, to count on a steady rise in demand. Managing inflation is an equally important goal since inflation distorts prices and pushes up interest rates; in most cases, this makes local products less competitive than imported ones. High inflation also leads entrepreneurs to opt for short-term gains at the expense of long-term profits and to shun production sectors, which means shunning the production of local goods.

No less essential is government commitment to maintaining public finance stability, without which uncertainty and production costs will rise in tandem with taxes and will have a negative impact on production and on the competitiveness of locally produced goods.

#### 6.1.2. Support for production

It goes without saying that what is traded must first be produced. This means that before seeking to promote trade, we need to ensure the production of goods and services in quantitative and qualitative terms. This may be done in a number of ways: through the production process itself or through other inputs such as financial resources, human resources, and technical resources which businesses can acquire.

Assistance to producers may focus on optimizing the quantitative and qualitative aspects of the supply of goods or services or on improving or increasing production in response to demand in one or more areas in need of infusions of capital.

Support may also be provided by offering the beneficiaries such facilities as credit on concessional guarantee, interest and repayment terms. Clearly, such forbearance entails the intervention of the State or of specialized agencies such as the African Guarantee and Economic Cooperation Fund (FAGACE) or other subregional guarantee funds.

### **6.1.3. The importance of diversification and specialization**

Apart from the production aspect, trade promotion also entails the need for African States to focus on increasing the level of production of a range of goods and services; this applies especially to exports. In terms of specific goods and services, tradability is the determining factor in the African context.

For African countries, the goal of intra-Community trade expansion can best be achieved through a commitment to the effective structural diversification of production and exports by encouraging the production of non-traditional export commodities with a competitive advantage on regional and global markets. In addition, each country should specialize in products which offer comparative advantages over other countries of the subregion. This will serve to open up trade opportunities between them.

In endeavouring to diversify, and thereby to promote local production, governments might consider shifting the focus of their industrial development policies and strategies from import-substitution-driven orientations towards industrialization-driven approaches based on the processing of local raw materials and on local innovation.

### **6.1.4. Assistance and support in the areas of quality control and standards information**

Since quality must be seen as a tool for export promotion, an awareness-raising campaign will seek to inculcate a “culture of quality” among producers. In addition, the objective of opening up markets within each subregional space will require adaptation of any existing national standards to international standards. This can be achieved through training workshops, technical publications on specific sectors, and manuals on foreign market standards.

### **6.1.5. Strengthening the trade information system**

The lack of relevant, timely information on products, markets and trade conditions is one of the factors that hinder trade at the regional level. This calls for a set of mechanisms that can provide information on the tradable goods and services produced, exported and/or imported by individual countries within each subregional space and on the attendant terms of trade.

### **6.1.6. Product conservation and packaging**

Packaging has become a key factor – no longer a mere accessory, but a very specialized area – because of its primary purpose, which is to protect the product and conserve its quality. Often enough, one comes across products which, despite their undoubted intrinsic value, fail to capture external markets because the packaging cannot guarantee conservation or safe carriage. Thus, in the context of support measures, due attention will have to be given to the need to put in place subregional mechanisms designed to promote quality and packaging for export.

## **6.2 Market access**

In line with the principle of open markets, governments have a role to play in making their national businesses more competitive by adopting free-trade policies, encouraging exports, and optimizing the investment climate for the production sectors of their economies. It is also important to facilitate product access to the various subregional markets by bringing production costs to a level that can guarantee competitive prices and by endeavouring to reduce non-tariff trade barriers.

To this end, African countries should enact specific measures with a view to the harmonization and implementation of trade liberalization plans and to the adoption of common standards as a means of eliminating the many obstacles to the development of intra-regional trade. Accordingly, administrative and customs procedures will have to be simplified and the many hindrances to road transport and the carriage of goods removed.

## **6.3. Rationalization of the institutional framework**

One of the stages in improving the export business environment is to rationalize and upgrade existing national mechanisms. Since policy formulation emanates from governmental decisions, this dimension should be limited to establishing an implementation framework in cooperation with private-sector and institutional partners. The government will no longer need to intervene directly in business activities but will transfer responsibility to more competent structures with the necessary technical, human and financial technical abilities.

## **6.4 Human resource promotion**

Promoting human resources is crucial to developing the capacities needed in the implementation of trade liberalization for local products and to ensuring the assertive promotion which, over and above mere liberalization measures, is essential to the promotion of local products. African States should therefore seek to improve their economies' competencies in these areas. In particular, they stand to benefit from training programmes in modern marketing and distribution methods and in the efficient use of the

mechanisms set forth in the protocols governing tariff concessions and the removal of non-tariff measures in each of the African subregions.

## **6.5 Improvement of physical infrastructures at the subregional level**

Since intra-regional trade is mainly carried out by road or rail, governments should promote the development and modernization of these sectors by encouraging privatization and the establishment of effective and efficient partnerships between transport companies, and especially road transport companies, operating in each subregion.

Even though Africa lags far behind other developing areas in terms of transport and communication infrastructure, it is noteworthy that at the regional level, the RECs are now including development programmes for the transport sector in their agendas in order to strengthen socio-economic development and physical integration within their respective regions.

In that regard, the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) countries have even concluded agreements and protocols that are binding in nature. The ECOWAS and East African Community (EAC) countries have harmonized freight insurance, transport costs, axle-load limits, waybills, and customs procedures and documentation while the Central African Economic and Monetary Community (CAEMC) countries have harmonized axle-load limits, freight insurance tariffs and highway codes.

Rail transport integration in the EAC and COMESA areas could easily be achieved since their member States all have the same railway gauge. The ECOWAS countries, for their part, have decided to fully integrate their maritime transport system with seven seaports serving four landlocked countries. In the civil aviation subsector, integration is based on a sound coordination of the airspace, which is decentralized at the national level in most regions (except those covered by CAEMC and ECOWAS, where most of the member States have regional agencies managing the airspace).

Coordination of national policies is another dimension of regional cooperation in the transport sector. The Yamoussoukro Decision set the stage for African countries to develop a framework for the gradual liberalization of air transport services and the abolition of restrictions on traffic rights. This should facilitate the establishment of new routes, thus increasing the number of intra- and inter-regional links. However, that Decision has not been fully implemented because of a lack of political will and of the protectionist measures which governments continue to adopt in order to support their respective national airlines.

In the area of communication, progress has been made through the implementation of several treaties and protocols adopted by the regional economic communities. In the main, African countries have sought to establish regional telecommunications systems in order to expand their routing options and to reduce the degree of dependence of intra-African communications on foreign carriers. For some time, they have also been considering the problem of the harmonization of tariffs and regulatory frameworks. Significant progress has been made, particularly as regards links to the telephone networks and information and communication technologies. Thanks to liberalizing policies and the expansion of infrastructures and services, the number of fixed-line telephones has increased in most of the RECs. The ECOWAS and WAEMU areas have the highest connectivity figures, with the Southern African Customs Union leading the pack in terms of wireless connectivity. The rate of internet connectivity is also increasing rapidly.

Although considerable progress has been made in improving the various infrastructures, much remains to be done in order to facilitate trade and labour mobility, integrate markets and reduce the cost of trade transactions. These infrastructures must be safe, reliable, efficient and capable of meeting demand as well as providing high-quality services. They must also be able to boost the competitiveness of landlocked African countries in regional and international markets. To address these imperatives, governments must focus their efforts on policies and regulations, scale down their involvement in the actual running of infrastructures, and design adequate regulatory frameworks focused on performance monitoring and liberalization of access to the infrastructure-management arena.

## **6.6. Investment promotion and facilitation of payment systems**

Governments should focus on foreign direct investment, which can provide their economies with a solid technological base for product competitiveness. To that end, they might encourage partnerships between national entrepreneurs and the foreign investment community with a view to improving their supply and marketing advantages.

Not enough attention is given to the export sector by banks and financial institutions. Commercial banks are more inclined towards import financing, and in a rather conservative way. There is room for improvement in terms of providing information on financial instruments to producers and exporters and backing the establishment of policies which favour both export financing and credit strategies that are compatible with the monetary and financial integration policies adopted by the African RECs.

## **6.7. The free movement of goods and persons**

All the RECs have the free movement of people and goods enshrined in their treaties. However, it must be said that there has been considerable divergence in the application of this key policy, which has an undeniable impact on the development of intra-regional trade. Indeed, while the movement of persons is a clear reality in a subregion such as West Africa, where the nationals of ECOWAS countries

are exempt from visa requirements within the subregion, this is not the case in other subregions such as central Africa, where even people from the subregion still need visas to enter any CAEMC country. The CAEMC subregion is still the most difficult of access for West Africans. It is becoming imperative to put into practice the principle of the free movement of goods and persons; customs documents suffice for trade goods, but the owners of those goods also need to be able to move freely within the various RECs.

## VII. Conclusions and Recommendations

In general terms, African countries are faced with numerous obstacles in their trade liberalization agenda. Among these are factors such as membership of more than one regional body, follow-up to regional decisions, production structures, the fear of losing income or compensatory benefits, non-tariff barriers, security concerns and lack of commitment to the ideals of regional integration.

Multiple membership and overlapping can pose problems when coordinating or harmonizing policies and programmes. For the RECs to succeed in their trade liberalization processes, a process of institutional rationalization must be undertaken so that they can manage various instruments and programmes without exerting themselves at cross-purposes.

There is also a need to strengthen the RECs by providing them with the mechanisms to oversee the implementation of joint decisions and impose sanctions for non-compliance. Trade liberalization processes are hindered by the dependency of African economies on a narrow range of exports with limited scope for diversification. Consequently, African countries must not only establish an attractive climate for local and foreign investors, but also take account of the subregional and regional dimensions of their diversification strategies in order to avoid instances of identical production.

The prospect of loss of customs revenue has been a major setback to the successful implementation of trade liberalization programmes within the RECs. One approach towards exorcising this fear of losing income (whether or not it is justified) is to encourage effective participation in a trade liberalization programme. A system of compensation that is effective, sustainable and properly funded can address issues arising from trade liberalization, such as loss of income, injustice and disparities. Such a mechanism would induce States to respect subregional and regional programmes.

Non-tariff barriers appear to hinder the success of trade liberalization programmes in almost all the RECs. In this respect, the systematic identification and immediate removal of these obstacles is crucial to the successful implementation of trade liberalization programmes and the expansion of intra-regional trade. This process poses a major challenge to the RECs and to their member States. It calls for more rapid harmonization of the many, and often overlapping, trade liberalization regimes in order to establish subregional markets and thereby to provide additional economic benefits to the multinational corporations operating within the RECs and to attract major investments.

Peace and security are a key factor in implementing trade liberalization measures. Peace, security and conflict resolution must therefore receive due attention at all levels if there is to be an enabling environment for the RECs. It is essential to ensure a conflict-free environment and macroeconomic stability for effective trade liberalization and for the manufacturing sector as a means of strengthening

investor confidence. The RECs could support conflict resolution efforts by developing early-warning systems to enable countries to respond adequately to early signs of trouble at the national and regional levels, including preventive measures and actions to stem the escalation of conflicts.

Thus, there are various types of obstacles to regional integration in Africa. There are physical obstacles caused by the low level of development of transport networks, coupled with impediments to the full implementation of inter-State transport facilitation agreements. In the area of trade, countless non-tariff barriers constitute a handicap which cancels out the limited progress in abolishing tariff protectionism. The mobility of inputs such as labour and capital is also subject to restrictions which slow the integration process.

In recent years, however, measures have been taken to lessen the impact of these obstacles. Most notable among these are perhaps the efforts by many of the economic groupings to harmonize the macroeconomic policies of their member States. This new approach to integration has its weaknesses, but a common denominator of the lack of will to make the economic groups into more homogeneous wholes is reflected in regional economic performance. The fact that some progress, however modest, shows that these efforts are not made in vain and should be pursued. However, much remains to be done, particularly given the fact that most of the economic groups have yet to put in place comprehensive multisectoral integration programmes.

In fact, most sectoral programmes are conducted in parallel although, as we have seen, the harmonization of macroeconomic policies has brought about some degree of coherence. The end result of this new approach, if it is effectively maintained, should be a set of credible common policies which are the keystone to the emergence of homogeneous regional economic groupings.

Adopting intra-regional trade promotion measures or boosting competitiveness will not bear fruit for African countries unless they adopt the core framework that such a programme of trade expansion demands. Two dimensions that are indispensable to such a framework are macroeconomic stability and private-sector promotion. African countries will also have to commit themselves to defining a set of strategic objectives leading towards a development programme for their trade sector. These objectives will, of course, be determined by each country, taking into account its resource potential.

Furthermore, it should be noted that during the fourth Session of the Committee on Trade and Regional Cooperation and Integration held in Addis Ababa on 25 March 2005, an ad hoc expert group meeting on intra-African trade proposed the implementation of a minimal programme for the development of intra-African trade, based on four pillars:

1. **Production:** African countries should increase their efforts to diversify their economies. This would require the reinforcement and promotion of private sector investments, increased economic cooperation at the sub-regional levels and create an enabling environment for investments.

2. **Trade:** African countries must reinforce and accelerate the implementation of FTAs in the sub-regions. RECs that are already FTAs should consider implementing customs unions. Countries should also move quickly to reduce non-tariff barriers and have common definition of “rules of origin.” Experts also called on the African leadership to start a programme of convergence of trade liberalization schemes at the continental level.
3. **Trade Facilitation:** African nations should increase their efforts to strengthen the infrastructure in different sub-regions and between the sub-regions. Convergence of rules and regulations governing the operation of transport services in African countries is needed. To promote and increase trade, African countries should also develop strong and efficient payment mechanisms between themselves. In addition, countries should also develop efficient insurance mechanisms and reduce administrative and financial procedures.
4. **Macroeconomic Policy:** African policymakers should implement policies that would ensure stability of macroeconomic framework necessary for the development of trade. African countries should also collectively address the issue of the “loss of fiscal revenue” arising from trade liberalization. Furthermore, intra-African trade would be enhanced if countries could ensure the convergence of macroeconomic policies.

In addition, the experts stressed the importance of trade facilitation programmes in the development of intra-African trade. Therefore, they recommended the following:

1. The need for African countries to undertake comprehensive trade facilitation programmes designed to facilitate both domestic and international trade and to effectively integrate African economies in the global economy and trading system.
2. The need for African countries to share and disseminate best practices on trade facilitation, examples of best practices on trade facilitation include that of Tunisia (Trade Network), ORBUS 2000 of Senegal and Morocco trade facilitation system.
3. Need to address physical and institutional obstacles to trade facilitation, through improvements of the infrastructure, such as roads, ports and airports; establishment of sub-regional and regional waterways and creation of transit transport corridors.
4. Need to develop E-commerce infrastructure in Africa, and also enhance the usage of new trade financing mechanisms.
5. Need to enhance cooperation at intra-regional and inter-regional levels for trade facilitation. This could be done through the harmonisation of RECs facilitation programmes.
6. Need to ensure that the Yamoussoukro Decision for the liberalization of air transport in Africa is fully implemented.
7. The Committee on Trade and Regional Integration took note of the ongoing negotiations in Geneva on a multilateral trade facilitation framework and urged African countries to ensure that Africa’s concerns and interests are fully reflected in any possible multilateral trade facilitation agreement that may be reached at the conclusion of the current round of trade negotiations.
8. Need to undertake a deeper analysis of the impact of security measures, especially for maritime and

air transport, on trade facilitation.

9. Need to improve on payment systems and mechanisms for both intra-African and international trade and use more efficient payment instruments.
10. Need to evolve more effective sub-regional and regional-wide insurance mechanisms for intra-African and international trade, including risk arrangement mechanisms.
11. Need to undertake concrete measures to reduce administrative obstacles to intra-African trade and international trade. Long delays in processing customs documentation and roadblocks in many African countries remain major obstacles to trade facilitation.

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**Table 12: Members and objectives of Africa's regional economic communities**

Community	Members	Main target as in the treaty	Current status	Comments
Arab Maghreb Union (UMA)	Algeria, Libya, Mauritania, Morocco, Tunisia	Full economic union	Free trade area not achieved, but conventions in force for investments, payments, and land transport	Integration has been moving slowly since 1995
Central African Economic and Monetary Community (CEMAC)	Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon	Full economic union	Monetary and customs unions achieved, and competition and business laws harmonized. Macroeconomic policy convergence in place	
Common Market for Eastern and Southern Africa (COMESA)	Angola, Burundi, Comoros, Dem. Rep. of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe	Common market	Free trade area among nine members achieved in October 2000. Customs union expected by December 2004. Criteria set for macroeconomic policy convergence	
Community of Sahel-Saharan States (CEN-SAD)	Benin, Burkina Faso, Central African Republic, Chad, Djibouti, Egypt, Eritrea, the Gambia, Libya, Mali, Morocco, Niger, Nigeria, Senegal, Somalia, Sudan, Togo, Tunisia	Free trade area and integration in some sectors	Study on feasibility of free trade area just launched	
East African Community (EAC)	Kenya, Tanzania, Uganda	Full economic union	Significant progress on free trade area. Customs union expected by 2004-06	
Economic Community of Central African States (ECCAS)	Angola, Burundi, Cameroon, Central African Republic, Chad, Dem. Rep. of Congo, Rep. of Congo, Equatorial Guinea, Gabon, Sao Tomé and Principe, Rwanda	Full economic union	Study on free trade area under consideration	
Economic Community of Great Lakes Countries (CEPGL)	Burundi, Dem. Rep. of Congo	Full economic union	Preferential trade arrangements signed	Standstill since 1994

Community	Members	Main target as in the treaty	Current status	Comments
Economic Community of West African States (ECOWAS)	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo	Full economic union	Tariffs removed on unprocessed goods. Full elimination of tariffs on industrial goods not yet achieved. Second monetary zone in progress. Peace and security mechanism in place. Macroeconomic policy convergence in place	
Indian Ocean Commission (IOC)	Comoros, Madagascar, Mauritius, Reunion, Seychelles	Sustainable development through cooperation on diplomacy, environment, and trade	Vibrant trade programme elaborated. Virtual University of Indian Ocean created	Political issues have slowed progress
Inter-Governmental Authority on Development (IGAD)	Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, Uganda	Full economic union	Multilateral programs elaborated in key priority areas: agriculture and environment; political and humanitarian affairs, regional economic cooperation (including physical infrastructure projects)	Both intra and inter-state conflicts have slowed progress
Mano River Union (MRU)	Guinea, Liberia, Sierra Leone	Multisectoral integration	Some training institutions created. Programmes elaborated in some sectors	Political issues have slowed progress
Southern African Customs Union (SACU)	Botswana, Lesotho, Namibia, South Africa, Swaziland	Customs union	Customs union achieved, as well as monetary agreement among four members except Botswana	
Southern African Development Community (SADC)	Angola, Botswana, Dem. Rep. of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe	Full economic union	Free trade area launched in September 2000. Power pool in place. Peace and security mechanism in place	
West African Economic and Monetary Union (UEMOA)	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo	Full economic union	Customs union achieved. Business laws harmonized. Macroeconomic policy convergence in place	

Source: Economic Commission for Africa, Assessing Regional Integration in Africa (ARIA I).

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