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FOREWORD

Achieving regional economic cooperation and integration in Africa that is people-centred and development-oriented is a key challenge, and opportunity, facing African countries in the post global financial and economic crisis period. African economic, social and cultural cohesion and union has been an unwavering objective of African countries. It gained widespread political support following the adoption of the Lagos Plan of Action in 1980 by the Summit of the Organization of African Unity (OAU).

Much has been achieved in terms of institution building for an integrated, continent-wide African grouping. The creation of the African Union (AU) by African Heads of State and Government at the turn of the new millennium in 2000 has the acceleration of the process of African integration as its key objective. Various regional economic communities (RECs) have been set up to foster free trade areas, customs unions and economic communities. These RECs constitute the building blocks for the formation of a Pan-African economic and monetary community, possibly by 2030.

However, progress and acceleration of the pace towards continent-wide African economic integration faces formidable challenges. The pace of practical economic integration has been sluggish, as evidenced by the low levels of intra-African trade (10 per cent in 2009) and intra-RECs trade (ranging from 1 to 11 per cent), as compared to intra-trade of Asia (50 per cent) and Latin America (20 per cent) and their regional groupings. This is notwithstanding the institutional infrastructure for regional and continent-wide integration that is also supported by continental strategies approved by African countries, such as the Abuja Treaty which lays out a blue print and time frame for achieving an African Economic Community.

A major difficulty has been the multiplicity of regional and sub-regional economic communities and of their integration programmes. There is a need for greater coordination, synergy and harmonization among the institutions and their programmes, in line with continental integration plans. The AU has made some advance in this regard by recognizing eight RECs to be the official building blocks of the African Economic Community, and instituting a regular process of review of progress in the groupings. Yet countries often have overlapping membership in these RECs and other smaller groupings continue to exist alongside them. The need for further consolidation of RECs, as institutions, and their programmes, such as free trade agreements and customs union, continues to be a challenge. A start is being made in this regard in terms of the agreement by COMESA, EAC and SADC member States to have a tripartite free trade agreement among them by 2012. This initiative should inspire other RECs in Africa to consolidate and harmonize their integration programmes.

In addition to the multiplicity of African integration groupings, African countries are also involved in the formation of free trade agreements and economic partnerships with other developed and developing countries. The challenge of ensuring coherence between the external initiatives and intra-African initiatives further complicates the efforts directed at strengthening intra-African integration, growth and development.

The lack of substantive progress in economic integration has contributed to limiting African countries' endeavours in fostering structural transformation towards greater production diversification, value addition and services development that can create more and better jobs, foster income-earning opportunities and widen access to basic services for ordinary people. Integration remains primarily a concern of Governments, while the business community and the ordinary people that would benefit from and foster economic and social linkages remain at the margins. Moreover, in some RECs, the adverse impact on the economic growth and trade of many African countries wrought by the global financial and economic crisis has led them to review and postpone target deadlines for achieving free trade and custom unions.

Against this background, UNCTAD and the AU Commission prepared this report on *"Trade liberalization, investment and economic integration in African RECs towards the African common market"*. It assesses the challenges confronting African integration, reviews mechanisms put in place by African countries to increase the pace of continental integration, and provides some suggestions for consolidating, deepening and accelerating the pace of economic integration as underscored by the Sirte Declaration of 1999. The emphasis in the Report is on "developmental integration" that is prompting development through deeper African integration. It remains a key and, in fact, an inevitable strategy for Africa to achieve industrial transformation, more dynamic and sustained growth, development and poverty reduction. With economic integration, the social and cultural bonds among African countries will be further strengthened. Economic integration will create the necessary impetus for the realization of a truly "African" community of nations and peoples. The potential for intra-African trade in agriculture, manufacture and services remains under-exploited. The potential for intra-African investment also remains under-utilized. A stronger and more integrated African trading and investment block could be a formidable pillar for supporting greater multilateral trade and investment, including through bilateral and regional agreements with other countries and economic blocks in the North and the South.

Ultimately, as the recent global crisis has vividly demonstrated, trade and investment policies, and other related policies at national and/or regional levels, need to focus on more than pulling down tariff and non-tariff barriers and other disincentives to investment. Such reform and liberalization policies alone will tend to perpetuate a process globalization that generates weak development results. New strategies are required that foster a process of globalization focused on development, i.e. development-led globalization. While seeking to accelerate the pace and deepen the level of the intra-African economic integration process, African countries and the RECs together with the AU must take cognizance of, and ensure a stronger focus on, people-centred and development oriented outcomes. By generating results that benefit African enterprises, peoples and the countries, the African continental integration will become a meaningful reality.

We recommend this report for African leaders and policy makers at national and regional levels. It was presented to the 2010 Session of the Conference of African Union Ministers of Trade in Kigali, Rwanda, which took on board some of its suggestions for actions. It provides useful contemporary analysis for leaders, policy makers, academics and international institutions interested in strengthening intra-African economic cooperation and integration.

Supachai Panitchpakdi
Secretary-General of UNCTAD

Jean Ping
Chairperson of the African Union Commission

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Paula Genoud-Villegas designed the cover page and other graphics and performed the text formatting for this publication.

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ABBREVIATIONS

ACP	African, Caribbean and Pacific States
ASEAN	Association of South-East Asian Nations
AU	African Union
BITs	Bilateral Investment Treaties
CEMAC	Central African Economic and Monetary Union
CEN-SAD	Community of Sahel-Saharan States
COMAI	Conference of African Ministers In Charge of Integration
COMESA	Common Market for Eastern and Southern Africa
DTTs	Double Taxation Treaties
EAC	East African Community
ECCAS	Economic Community of Central African states
ECOWAS	Economic Community of West African States
EPAs	Economic Partnership Agreements
FDI	Foreign Direct Investment
FTA	Free Trade Agreements
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
IGAD	Intergovernmental Authority on Development
IIAs	International Investment Agreements
IOC	India Ocean Commission
IPAs	Investment Promotion Agencies
M&As	Mergers and Acquisitions
MERCOSUR	Southern Common Market
MFN	Most Favoured Nation treatment
MIP	Minimum Integration Programme
NTBs	Non-Tariff Barriers
R&D	Research and Development
RECs	Regional Economic Communities
SACU	Southern African Customs Union
SADC	Southern African Development Community
SMEs	Small and Medium-Size Enterprises
SPS	Sanitary and Phyto-Sanitary measures
TBT	Technical Barriers to Trade
TNCs	Transnational Corporations
UEMOA	West African Economic and Monetary Union
UMA	Arab Maghreb Union
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa

EXECUTIVE SUMMARY

Regional and continental integration constitutes a major development strategy of African countries. The 1980 Lagos Plan of Action, the 1991 the African Economic Treaty and the 2000 Constitutive Act of the African Union adopted by African countries embodied their decision and desire for achievement of continental integration through trade, economic, social and culture spheres. Over the years, African countries have instituted and implemented various regional economic cooperation and integration programmes. The vision underpinning Africa economic integration has also evolved. At the Second Conference of African Ministers in Charge of Integration (July 2007, Kigali, Rwanda), discussions on building common markets in Africa centred on "*achieving integration that is people-centred and development oriented*". This vision of economic integration that is pro-people, inclusive and centred on development sets the benchmark against which to direct the course of the integration movement in African.

This report was prepared by UNCTAD and the African Union (AU) Commission at the request of the latter. An abridged version was submitted to and discussed at the 6th Ordinary Session of the Conference of African Union Ministers of Trade, 29 October to 2 November 2010, Kigali, Rwanda.

The report notes that significant progress has been made since the Lagos Plan of Action in forming regional institutions to foster integration, such as regional economic communities (RECs), and at the continental level culminating in the creation of the African Union. Several of the regional institutions however grapple with existential issues relating to overlapping membership, weak internal finances, and others challenges so institution strengthening including human resources and expertise remains an ongoing concern. RECs and AU have elaborated comprehensive trade liberalization and cooperation programmes for the formation of free trade areas in goods (liberalizing tariffs and non-tariff barriers) and economic integration programmes for the achievement of customs union through the adoption of common external tariffs, followed by the formation of common markets through adoption of common policies especially common currency, free movement of persons with right to establish and work, common competition policy and other policy harmonization including sector cooperation such as infrastructure, energy and investment. Programmes for the liberalization of trade in services have started in a few RECs, such as the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA).

The performance in architecture and institution creation and programming for regional and continental integration is not matched by sustained and successful implementation and operationalization of the trade liberalization, investment and economic integration programmes, leading to deeper integration. Some progress in aspects of trade liberalization has been recorded in certain RECs, however limited steps have been made to implement the commitments for full tariff reductions, elimination of non-tariff barriers (NTBs), adoption of common external tariffs and common policies. Lack of full intra-regional trade liberalization is a partial factor explaining the low level of official intra-REC trade for most RECs. Productive capacity is another factor also, among others. Overlapping mandates and memberships of some RECs further complicate the process of advancing and harmonizing African regional integration.

Efforts at accelerating integration and coordination have been undertaken including by the AU in adopting the Minimum Integration Programme in May 2009. But, as this report concludes, a strong political will at the highest level and consistent and sustained follow-up implementation at the regional level, and close and rigorous monitoring and evaluation needs to be done to attain the objectives of the Abuja Treaty as further enhanced by the Sirte Declaration. A Multi-Agency Task Force on the African Common Market and Economic Community should be constituted to closely monitor progress achieved, undertake studies on practical ways of strengthening economic integration in specific areas, and submit recommendations to African Ministers responsible for trade and integration on advancing the expeditious implementation of the Abuja Treaty.

INTRODUCTION

Regional and continental integration constitutes a major development strategy of African countries. The 1980 Lagos Plan of Action, the 1991 the African Economic Treaty and the 2000 Constitutive Act of the African Union adopted by African countries embodied their decision and desire for achievement of continental integration through trade, economic, social and culture spheres. The building blocs for African continental integration comprises the regional economic communities (RECs) established on the basis of their respective constituting treaties. A key feature of regional and continental integration is trade liberalization leading to the formation of regional free trade areas, and progressing towards customs unions and common markets which would then serve as the stepping stone for the formation of a continental African Common Market and Economic Community.

The formation of regional and continental integrated markets is expected to foster trade expansion, investment and industrialization and thereby facilitate a process of structural transformation of African countries into dynamically growing, investing and trading economies in diversified and higher-technology content products and services as well as adding value to commodities. Such transformation will in turn bring greater development dividends for Africans and make the integration process truly people-centred and development-oriented. Progress in this regard has been monitored by the Conference of African Ministers in Charge of Integration and recommendations adopted to accelerate the process of trade liberalization and economic integration, as well as enhance coordination and collaboration between the RECs and the African Union Commission.

With a view to promoting African economic, social and cultural integration, there has been a multiplication of regional and sub-regional groupings. In a bid to bring about greater rationalization among these groupings so as to facilitate convergence towards achievement of a continental common market and economic community, the AU Head of States recognized eight RECs as the building blocks for continental integration, namely: Arab Maghreb Union (UMA), Common Market for Eastern and Southern Africa (COMESA), Economic Community of Central African states (ECCAS), Economic Community of West African States (ECOWAS), Southern African Development Community (SADC), Intergovernmental Authority on Development (IGAD), East African Community (EAC), and the Community of Sahel-Saharan States (CEN-SAD).

Many recent reports on African economic integration, including by AU, UNECA, and African Development Bank individually or jointly[1] and UNCTAD[2] have highlighted among others the following pertinent points. First, significant progress has been made since the Lagos Plan of Action in forming regional institutions to foster integration, such as the RECs, and at the continental level culminating in the creation of the African Union from the former Organization of African Unity. Several of the regional institutions grapple with existential and credibility issues relating to overlapping membership, weak internal finances and hence reliance on donor support, and others challenges so institution strengthening including human resources and expertise from Africa remains an ongoing concern.

Second, RECs and the AU have elaborated comprehensive trade liberalization and cooperation programmes for the formation of free trade areas in goods (liberalizing tariffs and non-tariff barriers) and economic integration programmes for the achievement of customs union through the adoption of common external tariffs, and followed by the formation of common markets through adoption of common policies especially common currency, free movement of persons with right to establish and work, common competition policy and other policy harmonization including sector cooperation such as infrastructure, energy and investment. Programmes for the liberalization of trade in services have started in a few RECs, such as SADC[3] and COMESA, and the free movement of persons and capital is a declared goal of most.

As an outcome of developments over this period, Africa as a group has become a region of a larger potential for mutually beneficial trade, financial flows and transfer of technology. Differences within African countries in terms of levels and forms of skills and technical know-how provide conditions conducive to mutual exchanges of goods and services. In parallel, the rapid shift in competition from national to regional and global dimensions, as well as the impressive economic gains in Asia through cooperation and integration (i.e. the Association of Southeast Asian Nations (ASEAN)) has further spurred interest in regional integration in Africa. The intense competition for markets and external resources of economic development provided an incentive to Africa to strengthen economic links between themselves at sub-regional, regional and continental level.

Third, the performance in architecture and institution creation and programming for regional and continental integration is not matched by sustained and successful implementation and operationalization of the trade liberalization and economic integration programmes, leading to deeper integration. More often, it is the non-implementation or partial and slow implementation of agreed trade liberalization schedules and other common obligations, particularly the trade, development, monetary, financial, investment, technology and infrastructure cooperative measures, that undermines progress towards the desired level and depth of integration and its coherence.

Some progress in some aspects of trade liberalization has been recorded in some RECs, however limited steps have been made to implement the commitments for full tariff reductions, elimination of non-tariff barriers (NTBs), adoption of common external tariffs and common policies. To some extent, the lack of full intra-regional trade liberalization is a factor explaining the low level of official intra-REC trade for most RECs (although unrecorded and informal trade is said to be vibrant). Overlapping mandates and memberships of some RECs further complicate the process of advancing and harmonizing African regional integration. Efforts at accelerating integration have been undertaken including by the African Union in adopting the Minimum Integration Programme in May 2009 which provides a continental framework for acceleration of integration and coordination, convergence and collaboration among RECs.

More fundamentally, the lack of progress in real economic integration has also contributed to limited progress among African countries in fostering structural transformation towards greater production diversification, value addition and services development that can create more and better jobs, foster income-earning opportunities and widen access to basic services for ordinary peoples. Integration remains primarily a concern of Governments while the business community and the ordinary peoples that would benefit and foster economic and social linkages remain at the margins (and thus are sceptical of the process). Moreover, in some RECs, such as SADC, the adverse impact on economic growth and trade of many African countries of the global economic crisis has led them to review and postpone (extend transition period) deadlines for achieving free trade and common external tariffs.

So African integration has been adversely affected by the global crisis, leading to further delays in implementation. This is made complicated by chilling effect of trade agreements between Africa and developed countries, such as the African, Caribbean and Pacific Group of States (ACP)–European Union (EU) economic partnership agreements (EPAs). It is thus crucial that there is accelerated full implementation and operationalization of African integration among RECs to serve as building blocks for conduct of trade relations with developed countries, including with the EU under EPAs, and also ensuring that such North–South agreements are conducive to and coherent with the development of Africa and its economic integration process. Precisely because of the current downturn in the world economy that leads to weakened exports from Africa,[4] the region could focus attention towards its domestic, sub-regional or regional markets which are not only relatively unexploited but also are expected to grow at a reasonably high rate comparable to that of other developing regions.

Some transnational corporations (TNCs) from both outside and within Africa have quickly responded to these developments to seek business opportunities. The implications of this for Africa, as host and home to foreign direct investment (FDI), are important in not only maintaining existing levels of and even attracting new inflows of FDI, but also securing the participation of TNCs to add momentum to the regional integration efforts and integration into a rapidly changing world and regional market economies. Measures have been undertaken at national, regional and inter-regional levels to facilitate and attract FDI flows and mutual FDI among African countries. Bilateral and regional free trade agreements and economic cooperation arrangements dealing with investment occupy have increased. Since much of production, trade and international financial flows are shaped by TNCs which integrate goods and services and factor markets across national boundaries, corporate integration has gained particular relevance in the quest for regional economic integration. Integration in the corporate sector by TNC initiatives on the one hand and government efforts in regional economic and financial integration on the other can reinforce each other and strengthen the mutual links.

Thus, in 2010, the road towards regional and continental Africa integration remains a vision and realizing it will require strong political will at the highest level and consistent and sustained follow-up implementation and operationalization at the regional level, and close and rigorous monitoring and evaluation to ensure progress. The multiple crises including the global financial and economic crisis and the attendant crisis mitigation and counter-cyclical measures taken, the impasse in the World Trade Organization (WTO) Doha Round of trade negotiations and the proliferation of free trade agreements especially by developed countries, including with African countries such as in EPAs, are indicative of a malaise in the global economy and trading system and search for new models to foster sustained growth and development.[5] Trade under regional and bilateral free trade agreements now covers almost 50 per cent of global merchandise trade, indicative of a growing trend towards regionalism.

For African countries, a key growth strategy remains the economic integration of the continent to harness its full economic forces to foster sustained and inclusive development including in meeting the Millennium Development Goals. More than ever before, the acceleration of African economic integration is an imperative for the transformation of African economies and building resilience in meeting the new challenges from globalization and the realization of development benefits. At the same time the multiplicity of trade negotiations has put strain on the negotiating capacities of African countries at a time when such capacities need to be built up and strengthened to consolidate and accelerate African development interests.

In this background, this report assesses intra-regional trade performance of the eight RECs (as recognized by the AU), the progress in liberalizing trade and achieving regional customs union and common markets, and offers some suggestions and recommendations on achieving trade liberalization convergence among the RECs and accelerating the process of creating the pan-African Common Market. The paper has three chapters. Chapter I discusses the economic and trade performances of Africa and the RECs. Chapter II examines the progress attained in promoting regional trade liberalization and economic integration through RECs in meeting the roadmap established by the Abuja Treaty for the formation of the African Economic Community. It also examines progress in implementing national competition policy as well as the interface between regional economic integration and FDI or corporate integration as it has emerged in Africa. Chapter III provides some suggestions and recommendations on achieving trade liberalization convergence among the RECs and accelerating the process of creating the pan-African Common Market.

ENDNOTES

1 For example, AU Commission, ECA and African Development Bank (May 2010). *Assessing Regional Integration in Africa IV: Enhancing Intra-African Trade* (ISBN: 978-92-1-125114-2); and AU Commission, (April 2009). *Status of Integration in Africa (SIA)*, second edition.

2 For example, UNCTAD (2009). *Economic Development in Africa Report 2009: Strengthening regional economic integration for Africa's development* (UNCTAD/ALDC/AFRICA/2009); UNCTAD, 2007, *Trade and Development Report 2007: Regional cooperation for development* (UNCTAD/TDR/2007); UNCTAD (2006). *Policy issues for African countries in multilateral and regional trade negotiations* (Trade negotiations and Africa series: No. 3 (UNCTAD/DITC7TNCD72006/6); UNCTAD (2005). *Multilateralism and regionalism: The new interface* (UNCTAD/DITC/TNCD/2004/7); and UNCTAD (2007). *Trade in services and development implications* (TD/B/COM.1/85).

3 See UNCTAD (2008). *Towards SADC Services Liberalization: Balancing Multiple Imperatives* (UNCTAD/DITC/TNCD/2008/4).

4 UNDESA and UNCTAD (2009). *World Economic and Social Prospects 2009* (New York and Geneva: United Nations), United Nations publication.

5 For a discussion see UNCTAD (2010). *Evolution of the international trading system and of international trade from a development perspective: The impact of the crisis-mitigation measures and prospects for recovery* (TD/B/57/3).

I

Achieving integration that is people-centred and development-oriented

ECONOMIC AND TRADE PERFORMANCE OF AFRICA AND RECS

I. ECONOMIC AND TRADE PERFORMANCE OF AFRICA AND RECS

The African continent has a number of RECs and a multiplicity of cooperation organizations created to address common challenges faced by African countries. The eight RECs forming the pillars of the future African Economic Community are COMESA, EAC, SADC, ECOWAS, the Economic Community of Central African States (ECCAS), CEN-SAD, IGAD and UMA, with membership as follows:

- **COMESA (formed in December 1994 after operating as a preferential trade area since 1981)**: Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libyan Arab Jamahiriya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.
- **EAC (formed in July 2000, building on the EAC of 1967)**: Burundi, Kenya, Rwanda, United Republic of Tanzania and Uganda.
- **SADC (formed in August 1992, succeeding the Southern African Development Coordination Conference created in 1980)**: Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.
- **ECOWAS (established in May 1975)**: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.
- **ECCAS (formed in October 1983)**: Angola, Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Republic of Congo, Rwanda and Sao Tome and Principe.
- **CEN-SAD (created in February 1998)**: Benin, Burkina Faso, Central African Republic, Chad, Comoros, Côte d'Ivoire, Djibouti, Egypt, Eritrea, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Libyan Arab Jamahiriya, Kenya, Mali, Mauritania, Morocco, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Togo and Tunisia.
- **IGAD (created in March 1996 to supersede the Intergovernmental Authority on Drought and Development (IGADD), founded in 1986)**: Sudan, Ethiopia, Eritrea, Djibouti, Uganda, Kenya and Somalia.
- **UMA (created in February 1989, drawing upon the Conseil Permanent Consultative du Maghreb (CPCM) founded in 1964)**: Algeria, Libyan Arab Jamahiriya, Mauritania, Morocco and Tunisia.

Other African intergovernmental organizations with trade programmes are the West African Economic and Monetary Union (UEMOA) (whose members are also members of ECOWAS), the Central African Economic and Monetary Union (CEMAC) (whose members are also members of ECCAS), the India Ocean Commission (IOC) (whose members are also members of COMESA) and the Southern African Customs Union (SACU) (whose members are also members of SADC).

A. Economic Performance

Africa's total gross domestic product (GDP) in 2009 was valued at about US$ 1.4 trillion, similar to that of ASEAN – a grouping of 10 South-East Asian countries, and much smaller than those of developing Asia and developing America (Table 1). This comparison is indicative of a lower level of output in total by the 54 African countries compared to other developing regions.

It underlines the point that Africa has yet to fully exploit its economic potential. But importantly, as with global economic performance, Africa's GDP was increasing strongly over recent years, exceeding the trillion–dollar mark in 2006, until 2009 when it dropped slightly owing to the effects of the global slowdown arising from the financial and economic crisis. Africa' strong economic growth performance was thus curtailed by the global crisis and it may take some time before the continent can fully recover and realize the same kind of dynamic growth in the immediate pre-crisis period.

At RECs level, a similar trend occurred as that of overall African economic performance (Table 1). Most RECs experienced steady and in some cases strong economic growth between 2002 and 2008 which then contracted in 2009 with the exception of SADC and EAC, which showed positive growth. The REC with the largest GDP owing to number of member countries including some of the larger economies was CEN-SAD (US$ 723 billion in 2009), followed by COMESA, SADC, UMA, ECOWAS, IGAD, ECCAS and EAC.

In terms of economic sectors contributing to GDP, the larger proportion of economic activities is accounted by services (exceeding 43 per cent) in COMESA, SADC and EAC (Table 2); industry (exceeding 55 per cent) in UMA, ECCAS; while in ECOWAS there is an equal contribution from agriculture, industry and services (about 30 per cent each). It is striking that the manufacturing sector contributes the least to the GDP in all RECs compared to other activities (with the exception of SADC where it is higher than agriculture). The regional data also conceals individual country performance where the contribution of the manufacturing sector is even more limited. Moreover in the past decade or so, the contribution of the manufacturing sector to GDP has been declining.

Table 1. Africa's and RECs - Total GDP, 2002-2009 (United States Dollars at Current Prices in Millions)

Groupings	2002	2004	2006	2008	2009
Africa	584,338	842,035	1,117,914	1,522,761	1,432,426
America *(developing)*	1,859,186	2,225,858	3,174,405	4,312,933	3,934,345
Asia *(developing)*	4,618,681	6,018,665	8,176,902	11,352,538	11,225,911
ASEAN	646,183	810,813	1,081,579	1,513,113	1,489,703
COMESA	190,117	215,115	308,981	463,959	454,627
SADC	175,814	301,182	366,365	421,440	422,474
ECOWAS	101,323	146,970	215,135	315,022	276,091
ECCAS	41,652	61,133	85,198	124,326	107,057
EAC	33,169	40,319	52,022	73,278	76,811
UMA	141,470	205,354	271,676	390,551	332,458
CEN-SAD	298,935	383,702	534,492	781,974	722,974
IGAD	49,100	65,188	97,024	147,501	128,167
Total RECs*	**1,031,580**	**1,418,963**	**1,930,893**	**2,718,051**	**2,520,659**

Source: UNCTAD Globstat database.
*Note: * It should be noted as some countries are members of several RECs, the total GDP for all RECs is an indicative figure only.*

Table 2. RECs Percentage of Gross Domestic Product by Economic Activity, 2008

Groupings	Agriculture, Hunting, Forestry, Fishing	Industry	Mining, Manufacturing Utilities	Manufacturing	Services
Africa	17	41	36	10	43
ASEAN	12	42	37	27	46
COMESA	19	39	34	11	43
SADC	9	36	32	15	55
UMA	8	55	48	8	37
ECOWAS	31	37	34	5	32
ECCAS	14	59	56	6	26
EAC	28	21	13	9	51
CEN-SAD	20	39	35	10	39
IGAD	32	19	14	8	44

Source: UNCTAD Globstat database.

This performance shows why Africa's participation in regional and international trade of manufactured products is marginal. SADC, with 15 per cent share of manufacturing in GDP (thanks to South Africa's manufacturing strength) is the highest among all RECs, thus showing a higher level of manufacturing output and industrialization. Most RECs, however, face a difficult road towards structural transformation based on attaining a higher level of industrialization led by manufacturing industries for domestic and international consumption. The industry and services sectors make important contributions and could be developed further to enhance economic growth and transformation of RECs.

B. Trade Performance

1. Africa's Participation in Global Trade

African countries remain on the margins of global trade flows. In 2008 and 2009, Africa accounted for an insignificant 3 per cent of global exports and imports as compared to about 6 per cent for developing America and a massive 27–30 per cent for developing Asia (Tables 3 and 4). Even the 10 ASEAN countries together accounted for around 6 per cent of global trade, twice as high as Africa's share. In order for Africa to capture a larger share of global trade, it would need to venture more forcefully into the production and trade of goods and services that command higher value and enjoyed growth prospects, as seen from the case of some Asian countries.

Despite their marginal share of global trade flows, in nominal terms the value of aggregate global exports of Africa and RECs perform quite well compared to the world average or Asian economies since 2000 (Table 5). During 2002–2009, the average nominal export growth of Africa reached 15.1 per cent outpacing world average of 9.7 per cent and those of developing countries of Asia (13.7 per cent) and America (9.9 per cent). In regional terms the global exports of all RECs expanded much

Table 3. Total Exports of Africa, Selected RECs and Other Groupings (US$ Million at Current Prices), 2002-2009

Groupings	2002	2004	2006	2008	2009	2002-2009 Average Growth Rate (%)
Africa	143,195	232,842	373,125	567,084	383,631	15.1
Asia	1,561,748	2,389,500	3,469,162	4,802,415	3,830,649	13.7
America	355,210	479,622	689,605	900,860	687,216	9.9
ASEAN	407,895	569,177	770,424	1,003,346	811,740	10.3
COMESA	27,955	47,187	79,479	128,349	88,185	17.8
ECCAS	18,437	31,805	60,869	116,662	71,208	21.3
ECOWAS	26,323	46,158	76,616	105,974	73,490	15.8
SADC	53,926	81,718	124,843	190,863	135,438	14.1
CEN-SAD	60,734	103,316	168,066	256,232	174,163	16.2
IGAD	5,356	8,122	11,681	21,473	16,696	17.6
UMA	43,767	72,528	119,406	181,675	107,670	13.7
EAC	3,671	5,064	6,751	11,026	10,042	15.5
World	**6,480,670**	**9,189,472**	**12,128,596**	**16,099,612**	**12,419,054**	**9.7**
Share of Africa (%)	2.2	2.5	3.1	3.5	3.1	-
Asia (%)	24.1	26.0	28.6	29.8	30.8	-
America (%)	5.5	5.2	5.7	5.6	5.5	-
ASEAN (%)	6.3	6.2	6.4	6.2	6.5	-

Source: UNCTAD Globstat database.

faster than those of ASEAN, particularly in ECCAS (21.3 per cent). A similar trend can be seen in the case of imports. Average yearly growth rate of imports in Africa (16.9 per cent) outpaced that of developing Asia (13.7 per cent) and America (9.7 per cent) leading to increase in openness of African countries to world trade.

The nominal trade figures are indicative of value of economic activities however these do not measure real change in the volume of exports or imports. Real export indices and geometric yearly average real growth rate of exports (Table 5) do not indicate any superior performance of African exports over Asia or America. During 2002-2008, Africa's real average export growth (3.3 per cent) lagged behind both developing Asia (12.7 per cent) and America (4.3 per cent) as well as the world economy as a whole (6.9 per cent). Interestingly though, ECCAS performed relatively better compared to ASEAN. ECOWAS's real export performance (0.5 per cent) is far from being satisfactory as a stimulus for sustainable development.

2. Intra-African Trade Performance

The contribution of intra-African trade to Africa's aggregate trade performance is the lowest compared to other regions. Intra-African trade accounted for about 10 per cent of Africa's total trade in 2009 as compared to 22 per cent for Latin America and 50 per cent for Asia (Table 6). So far intra-African trade liberalization since the1980s when the Lagos Plan of Action was adopted does not seem to have provided a significant boost to intra-African trade. The modest levels of intra-African and RECs trade are attributed to several factors, most commonly of which, apart from inherent economic constraints arising from limited size of markets and low income, are Africa's unfinished business in trade policy such as reducing and elimination of tariffs, and addressing non-tariff barriers, and limited and weak trade related complimentary measures including infrastructure, trade financing, investment, human and institutional capacities, underdeveloped agriculture, manufacturing and services sectors.

Table 4. Total Imports of Africa, Selected RECs and Other Groupings (US$ Million at Current Prices), 2002-2009

Groupings	2002	2004	2006	2008	2009	2002-2009 Average Growth Rate (%)
Africa	138,683	213,595	306,869	478,670	414,534	16.9
Asia	1,428,311	2,216,672	3,053,412	4,343,382	3,512,116	13.7
America	358,695	451,478	635,433	923,109	683,954	9.7
ASEAN	360,252	496,030	687,394	947,648	722,456	10.5
CEMAC	5,633	6,724	10,461	15,688	16,588	16.7
COMESA	36,424	50,438	76,473	132,738	123,952	19.1
ECCAS	10,634	14,760	22,480	41,286	36,130	19.1
ECOWAS	19,956	33,013	52,084	81,956	67,491	19.0
SADC	51,005	86,699	122,885	165,503	134,421	14.8
CEN-SAD	68,061	96,909	143,809	243,592	211,221	17.6
IGAD	9,038	14,307	24,278	35,337	32,129	19.9
UMA	39,342	58,629	74,325	128,328	116,027	16.7
EAC	6,357	9,459	15,094	24,261	22,417	19.7
World	**6,665,853**	**9,472,356**	**12,374,816**	**16,451,142**	**12,590,408**	**9.5**
Share of Africa (%)	2.1	2.3	2.5	2.9	3.3	-
Asia (%)	21.4	23.4	24.7	26.4	27.9	-
America (%)	5.4	4.8	5.1	5.6	5.4	-
ASEAN	5.4	5.2	5.6	5.8	5.7	-

Source: UNCTAD Globstat database.

Table 5. Regional Volume Indices of Exports of Africa, Selected RECs and Other Groupings, 2002-2008

Groupings	2002	2004	2006	2008	2002-2008 Average Growth (%)
Africa	103	118	121	125	3.3
Asia	110	151	193	225	12.7
America	103	118	133	133	4.3
ASEAN	105	137	171	189	10.3
COMESA	103	128	138	155	7.0
ECCAS	118	141	167	202	9.3
ECOWAS	85	107	99	87	0.5
SADC	107	114	126	138	4.3
EAC	133	150	157	201	7.1
UMA	108	122	127	126	2.7
World	104	123	143	155	6.9

Source: UNCTAD Globstat database.

There is, however, a caveat to be noted namely that in Africa, as many reports have pointed out, informal (unrecorded) trade is intensive and effected mainly by individuals. There is also intermediate trade taking place in global supply chains which is also a rising. Thus the full extent of intra-African trade could reasonably be higher than the officially recorded figures. So intra-African trade is considerably more important than the aggregate official figures suggest as Africa is the second most important export market for most African countries behind Europe.[6] Africa counts as the main export market for 7 African countries, and for 25 African countries it is the second main export market. Also 5 African countries exports to African countries are larger than half of their total exports and 14 countries export more than a quarter of their exports to Africa.

In terms of RECs' trade performance, with the notable exception of SADC and EAC, intra-group trade is minimal. SADC showed the highest level of intra-group trade (exports plus imports) with a share of over one tenth, followed by ECOWAS and others. Intra-group exports in EAC is relatively higher (18 per cent) than in other RECs, however the value of such export is lower than in other RECs. The largest regional market is CEN-SAD with a value of trade (export and imports) of over $320 billion. In comparison, intra-ASEAN trade accounts for over one quarter of the group's total trade, showing a much higher level of intra-group trade, and a much higher value at $1.4 trillion. As with overall intra-African trade, apart from SADC, mutual trade among members of RECs presently is negligible notwithstanding over several decades of efforts at liberalizing trade and strengthening economic integration. These huge regional differences between African RECs and ASEAN highlight the fundamental weakness of Africa's regional integration and the need for the continent to take serious steps to expedite and deepen trade and economic integration.

3. Limited Diversification of Intra-African Trade

The degree of commodity diversification of a country's exports can be analysed, inter alia, by studying the commodity concentration index. The commodity concentration index is a type of Herfindahl-Hirschmann degree of market concentration index which takes values between 0 and 1 and. Increases in the index (moving towards 1) indicate rising concentration of a country's exports in few commodities. A high commodity concentration of Africa relative to other regions is very evident from Table 7. In 2008, the index is 0.47 in Africa, while 0.12 and 0.16 in developing Asia and developing America respectively.

Among selected RECs the commodity concentration is even more striking: 0.85 in ECCAS and 0.72 in ECOWAS. The index is relatively low in SADC (0.35), due to South Africa, but even that is

Table 6. Africa, RECs and Other Groupings' Intra- and Total Merchandize Trade (United States Dollars at Current Prices in Millions) and as Share of Total Trade (Percentage), 2009

Groupings	Imports/Exports	Intra-Group	Total Trade of Group	Intra-Trade as a Share of Total Group Trade (%)
Developing: Africa	Imports	39,964	429,196	9
	Exports	37,318	349,438	11
	Total	**77,282**	**778,634**	**10**
Developing: America	Imports	168,578	766,184	22
	Exports	152,323	715,034	21
	Total	**320,901**	**1,481,218**	**22**
Developing: Asia	Imports	1,870,179	3,634,236	51
	Exports	1,811,997	3,804,439	48
	Total	**3,682,176**	**7,438,675**	**50**
CEN-SAD	Imports	13,503	254,376	5
	Exports	12,307	174,370	7
	Total	**25,810**	**428,746**	**6**
COMESA	Imports	5,479	131,864	4
	Exports	4,793	84,568	6
	Total	**10,272**	**216,432**	**5**
ECCAS	Imports	418	35,307	1
	Exports	378	64,266	1
	Total	**796**	**99,573**	**1**
ECOWAS	Imports	7,635	98,745	8
	Exports	6,950	72,084	10
	Total	**14,585**	**170,829**	**9**
IGAD	Imports	1,576	33,197	5
	Exports	1,435	15,105	10
	Total	**3,011**	**48,302**	**6**
SADC	Imports	11,871	112,016	11
	Exports	11,196	101,827	11
	Total	**23,067**	**213,843**	**11**
UMA	Imports	3,949	112,373	4
	Exports	3,590	106,948	3
	Total	**7,539**	**219,321**	**3**
EAC	Imports	1,723	22,490	8
	Exports	1,572	8,378	19
	Total	**3,295**	**30,868**	**11**
ASEAN	Imports	213,605	784,724	27
	Exports	204,257	817,682	25
	Total	**417,862**	**1,602,406**	**26**

Source: UNCTAD Globstat database.

considerably higher than ASEAN's concentration index (0.13). This confirms the widely known fact that African countries' exports (and related production) are concentrated in a few products which are mainly primary commodities. Some diversification has taken place mainly in Southern Africa thanks to South Africa and in North Africa.

Even more worrying is that not only is the commodity concentration high among African RECs, but there is upward tendency in the concentration index. The index increased from 0.31 in 2002 to 0.47 in 2008 for Africa as a whole, representing a considerable movement towards concentration in exports. A similar trend is evident in African RECs as well. In contrast, the index fell from 0.17 to 0.13 for the ASEAN economies indicating increased commodity diversification across member States. ASEAN has consistently improved its diversification of production and exports. Thus, for African countries and RECs to achieve the objective of diversifying production and exports to build up economic resilience and robustness, drastic measures are needed to switch away from the trend towards export concentration and move toward greater export diversification. Production-cum-export diversification is important for contributing to stabilizing and upgrading export earnings and, importantly, for diversifying and engaging in higher value production and trade which can foster industrialization and economic transformation of countries.

4. Composition of Intra-African Trade

The structure of intra-African trade, not surprisingly and similar to Africa's trade with the rest of the world, has concentrated on few primary commodities. The products traded among African countries can largely be grouped into two groups: (a) primary commodities including petroleum oils, crude, nickel ores, coal, minerals, carbon, copper ores, tea, lime, gold); and (b) some limited manufactures including printed material, cement, sleepers of wood, tobacco, tea, ships, boats, aircraft and associated equipment, perfumery and cosmetics.

African countries' exports to each other are concentrated on primary commodities and in case of the limited trade in manufactured these could largely be attributed to South Africa, Egypt and other North African countries. In terms of intra-group imports within RECs, the main products are: (a) primary commodities (petroleum oils, vegetable oils, vegetable oils and fats, copper ores), and some (b) manufactures (tobacco, edible products, lime, cement). Imports of machinery and transport equipment are present in SADC owing to South Africa's exports of the items. In other RECs, such essential items for supply and productive capacity building are imported from outside Africa.

The extent of participation in global manufacturing exports for Africa and RECs is minor. Africa's share increased from 1.4 per cent in 2004 to 2.0 in 2009 while that of ASEAN increased from almost 6 per cent to 6.3 during the same period respectively (Table 8). SADC showed the largest share among RECs in world exports of manufactures of about 0.7 per cent in 2009. Also a comparison of exports of manufactured products of Africa and RECs to the world with shares of primary commodity exports to the world, indicate that the shares of the latter go beyond one per cent (except for EAC) while for the former the highest share was achieved by SADC. In world primary commodity trade, Africa

Table 7. Commodity Concentration Index of Exports of Africa, Selected RECs and Other Groupings, 2002-2008

Groupings	2002	2004	2006	2008
Africa	0.31	0.37	0.44	0.47
Developing Asia	0.11	0.12	0.13	0.12
Developing America	0.11	0.12	0.15	0.16
ASEAN	0.17	0.16	0.15	0.13
COMESA	0.28	0.32	0.34	0.42
ECCAS	0.76	0.79	0.84	0.85
ECOWAS	0.56	0.66	0.72	0.72
SADC	0.18	0.18	0.25	0.35

Source: UNCTAD Globstat database.

and RECs participation is also low although higher than in manufacturing in comparative terms. Africa's share in world commodity exports increased from 5.1 per cent in 2004 to 5.8 per cent in 2009 while that of Asia increased from 26 to almost 30 per cent and that of ASEAN from 6 to almost 7 per cent during the same period (Table 9). Individual RECs also increased their trade shares during the period, driven largely by higher commodity prices. This confirms the dominant role of primary commodity exports over manufactures.

ASEAN's share in global manufactured exports (6.3 per cent in 2009) outstrips that of all RECs. Developing Asia's 30 per cent share of world exports of manufactures in 2009 is about fifteen times more than that of Africa This dominance of manufactures exports for Asia and ASEAN compared to Africa is attributed largely to a robust combination of productive-cum-industrialization and trade policies including regional integration. Behind the regional success of ASEAN are the individual countries' own initial industrial success which later catalyzed regional development. RECs could learn from ASEAN's experience in fostering a more diversified and more value addition through manufacturing based on coordinated national and regional integration industrialization and trade strategies.

African countries' intra-trade in manufactures is relatively higher however and this is an encouraging factor. Importantly, the share of intra-REC trade in manufactures (about 43 per cent in 2009) is significantly higher than in its share of exports to the world (8.3 per cent in 2009).[7] In 2009, intra-African trade in manufactures accounted for 43 per cent of total intra-African merchandise trade as compared to 57 per cent for primary commodities (Table 10). While confirming the dominance of primary commodity exports within Africa as is the case in the world, it also shows the relative importance of manufactures trade. Within RECs, the share of manufactures intra-trade is significant in EAC, SADC, UMA and COMESA (46 - 60 per cent) and is higher than in primary commodities for some. Trade in commodities is significant for most RECs, with a share that is largely higher than that of manufactures (except for EAC).

Even more telling is the story that emerges from a comparison of Africa's (a continent) exports of manufactured goods to the United States with those of Viet Nam (one country). In 1995, Africa's exports of manufactured products to the United States exceeded those of Viet Nam (Table 11). Africa exported US$ 2 billion worth of manufactures to the United States compared to Viet Nam's US$ 38 million. Even at country level, Egypt, Mauritius, Lesotho and Zimbabwe each were ahead of Viet Nam in 1995 in exports of manufactured goods to the United States. In 2009, 14 years later, Africa was outpaced by Viet Nam with the latter exporting US$8 billion of manufactures to the United States compared to Africa's $6 billion. Such exports to the United States increased for both Africa and Viet Nam with the latter experiencing a phenomenal expansion.

It is pertinent to examine why the continent was surpassed by a country once devastated by war. A clear point is that Viet Nam underwent rapid structural change and transformation in production and trade while Africa's performance was weak. Regional integration also played a major role. Viet Nam joined ASEAN in July 1995 and was able to take advantage of the dynamism of ASEAN in production-sharing, technological learning, innovation and knowledge. The message for Africa and RECs is that dynamic export growth will come from moving out of the primary commodity box into the value added and manufacturing export basket.

5. Participation in Services Trade

Across countries, services' contribution to income generation, employment creation and foreign exchange earnings has increased significantly over the last two decades. Between 1990 and 2008, the share of services in GDP grew continuously, from 65 per cent to 73 per cent in developed countries, and from 49 per cent to 50 per cent in developing countries. Services now account for about 72 and 35 per cent of employment in developed and developing economies respectively. Further, services trade in general has been more resilient to the global economic crisis than trade in goods.[8]

In Africa, the share of services in total output varies significantly among countries and RECs. Figure 1 reveals that for RECs in Central and West Africa (ECCAS and ECOWAS) the share of services in total output is relatively low, varying between 25 and 40 per cent, and even decreasing over time for ECCAS. In contrast, the share of services in total output is substantially higher for RECs in Eastern and Southern Africa, ranging from approximately 45 to 60 per cent.

Table 8. RECs Shares in Manufactured Goods Trade with the World (SITC 5 to 8 Less 667 and 68) Thousands of US$ and Share (in Percentage) 2004-2009

Groupings	Exports/Imports	2004	2006	2008	2009
World	Exports	6,624,736,794	8,308,076,191	10,411,993,083	8,417,685,209
	Imports	6,753,598,384	8,403,607,363	10,558,945,222	8,546,794,178
	Total	**13,378,335,178**	**16,711,683,554**	**20,970,938,305**	**16,964,479,387**
Developing Africa	Exports	49,419,898	59,614,918	93,633,809	68,695,323
	Imports	137,242,065	186,639,551	296,555,111	272,005,047
	Total	186,661,963	246,254,469	390,188,920	340,700,370
Share of world	**-**	**1.40**	**1.47**	**1.86**	**2.01**
Asia	Exports	1,786,325,705	2,470,428,951	3,207,769,323	2,782,468,666
	Imports	1,619,366,918	2,094,225,260	2,723,087,951	2,344,500,809
	Total	3,405,692,623	4,564,654,211	5,930,857,274	5,126,969,475
Share of world	**-**	**25.46**	**27.31**	**28.28**	**30.22**
COMESA	Exports	8,083,287	10,132,939	18,080,507	15,447,181
	Imports	30,939,903	44,731,712	85,081,055	86,003,381
	Total	39,023,190	54,864,651	103,161,562	101,450,562
Share of world	**-**	**0.29**	**0.33**	**0.49**	**0.60**
ECCAS	Exports	657,958	792,457	1,082,327	696,240
	Imports	11,572,019	16,941,534	31,498,834	28,818,392
	Total	12,229,977	17,733,991	32,581,161	29,514,632
Share of world		**0.09**	**0.11**	**0.16**	**0.17**
ECOWAS	Exports	3,605,993	4,224,887	7,798,447	5,612,535
	Imports	53,165,143	70,979,801	100,770,619	82,880,047
	Total	56,771,136	75,204,688	108,569,066	88,492,582
Share of world	**-**	**0.42**	**0.45**	**0.52**	**0.52**
SADC	Exports	26,796,965	31,969,663	44,015,885	30,425,524
	Imports	53,165,143	70,979,801	100,770,619	82,880,047
	Total	79,962,108	102,949,464	144,786,504	113,305,571
Share of world	**-**	**0.60**	**0.62**	**0.69**	**0.67**
UMA	Exports	15,086,767	18,255,979	28,579,229	21,138,247
	Imports	41,040,138	49,389,540	78,255,111	79,426,684
	Total	56,126,905	67,645,519	106,834,340	100,564,931
Share of world	**-**	**0.42**	**0.40**	**0.51**	**0.59**
EAC	Exports	802,847	1,776,866	3,179,532	2,498,772
	Imports	5,957,763	9,602,213	15,412,334	14,732,841
	Total	6,760,610	11,379,079	18,591,866	17,231,613
Share of world	**-**	**0.05**	**0.07**	**0.09**	**0.10**
CEN-SAD	Exports	20,932,044	24,808,277	45,224,536	35,130,167
	Imports	58,815,113	81,931,548	140,067,896	129,798,263
	Total	79,747,157	106,739,825	185,292,432	164,928,430

(Table 8. Continued)

Groupings	Exports/Imports	2004	2006	2008	2009
Share of world	-	**0.60**	**0.64**	**0.88**	**0.97**
IGAD	Exports	901,979	1,585,136	2,718,218	2,232,072
	Imports	901,979	1,585,136	2,718,218	2,232,072
	Total	1,803,958	3,170,272	5,436,436	4,464,144
Share of world	-	**0.01**	**0.02**	**0.03**	**0.03**
ASEAN	Exports	421,943,818	539,348,969	603,222,908	560,393,424
	Imports	378,713,617	468,044,130	600,933,144	515,314,691
	Total	800,657,435	1,007,393,099	1,204,156,052	1,075,708,115
Share of world	-	**5.98**	**6.03**	**5.74**	**6.34**

Source: UNCTAD Globstat database.

Growing much faster than both world GDP and merchandise trade, between 1980 and 2008, international trade in services expanded rapidly, with total exports increasing from about $400 billion to $3.9 trillion. Developed countries currently dominate world services trade; however, developing economies have achieved strong growth in their services exports since 1990, boosting their share of world exports from 18.7 per cent in 1990 to 26 per cent in 2008, with developing Africa and Asia recording the sharpest growth (Figure 2).

Exports of services from Africa grew at an average annual rate of 14.2 per cent in 2000–2008. However, there are significant variations in services export growth among African RECs. From 2000 through 2008, at 17 per cent the EAC recorded the fastest average annual growth, while COMESA and SADC services exports grew at 14 per cent, and ECCAS and ECOWAS services exports grew at 10 to 11 per cent, lower than the average for Africa. The evolution of services exports from African RECs shown in Figure 3 indicates continuing increasing exports from all groups.

Despite this sharp growth, in most African countries the service sector remains nascent and a substantial push is needed to build productive capacity and moving into high value services activities for: enhancing the quantity and quality of services output for domestic consumption and export; diversifying away from over-dependence on commodities; building a competitive economy; and generating new employment opportunities, particularly for women and youth. There is also the persistent problem of sizeable and growing trade imbalances in services for many African countries. In 2008, on average, African countries imported 1.55 times the volume of services that they exported. Growing services trade imbalances are present in most African RECs.

Figure 4 shows balanced trade in services for two RECs, namely COMESA and EAC, but growing trade in services deficits for ECCAS, ECOWAS and SADC. The development of infrastructure services (e.g. transportation, finance, telecommunications, electricity, water) and related regulatory and institutional frameworks is especially important in the African context in terms of strengthening infrastructure linkages among countries and enhancing the competitiveness of production and facilitating the flow of goods and services.[9] Also, African countries could consider reviewing their services policy with a view to developing national services strategies that can be aligned with regional services policy.[10]

It is of great interest to policymakers to assess the extent of African services that are bound for other developing countries, other African countries as well as other African countries within relevant RECs. Unfortunately, however, data on services trade transactions collected by African countries, and other developing countries more generally, does not include any specification of the partner country with which services trade transaction have taken place. Currently, this data is only collected by Organization for Economic Cooperation and Development (OECD) countries. To remedy this data deficiency, in accordance with recommendations made by the Interagency Task Force on Statistics of International Trade in Services (TFSITS)[11] many developing countries have plans to separately collect services trade data by partner

Table 9. Africa, RECs Shares in World Trade in Primary Commodities (SITC 0 + 1 + 2 + 3 + 4 + 68 + 667+ 971) Thousands of US$ and Share in Percentages, 2004-2009

Groupings	Exports/Imports	2004	2006	2008	2009
World	Exports	2,172,053,221.0	3,286,626,157.0	4,945,420,942.0	3,413,577,667.0
	Imports	2,277,452,588.0	3,409,491,034.0	5,136,284,299.0	3,546,509,246.0
	Total	**4,449,505,809.0**	**6,696,117,191.0**	**10,081,705,241.0**	**6,960,086,913.0**
Developing: Africa	Exports	165,935,812.0	287,555,941.0	430,273,125.0	282,518,122.0
	Imports	60,883,711.0	89,076,170.0	153,197,054.0	118,775,238.0
	Total	226,819,523.0	376,632,111.0	583,470,179.0	401,293,360.0
Share of world	-	**5.10**	**5.62**	**5.79**	**5.77**
Asia	Exports	589,703,920.4	956,872,765.8	1,463,178,760.0	925,252,037.5
	Imports	549,917,770.7	877,560,252.8	1,485,670,420.0	1,085,946,693.0
	Total	1,139,621,691.10	1,834,433,018.60	2,948,849,180.0	2,011,198,730.50
Share of world	-	**25.61**	**27.40**	**29.25**	**28.90**
ASEAN	Exports	138,302,828.4	212,697,212.5	333,402,755.8	248,307,674.9
	Imports	120,672,381.5	190,417,859.7	314,304,295.6	208,694,237.5
	Total	258,975,209.9	403,115,072.2	647,707,051.4	457,001,912.4
Share of world	-	**5.82**	**6.02**	**6.42**	**6.57**
COMESA	Exports	31,702,225.0	57,553,366.0	84,568,911.0	58,494,817.0
	Imports	15,333,459.0	24,706,302.0	46,892,152.0	40,689,550.0
	Total	47,035,684.0	82,259,668.0	131,461,063.0	99,184,367.0
Share of world	-	**1.06**	**1.23**	**1.30**	**1.43**
ECCAS	Exports	29,356,045.0	58,202,801.0	109,001,356.0	65,920,183.0
	Imports	4,320,218.0	7,040,540.0	11,320,917.0	9,213,278.0
	Total	33,676,263.0	65,243,341.0	120,322,273.0	75,133,461.0
Share of world	-	**0.76**	**0.97**	**1.19**	**1.08**
ECOWAS	Exports	41,396,115.0	72,896,816.0	96,042,112.0	65,263,827.0
	Imports	12,087,680.0	15,617,439.0	20,791,133.0	17,785,752.0
	Total	53,483,795.0	88,514,255.0	116,833,245.0	83,049,579.0
Share of world	-	**1.20**	**1.32**	**1.16**	**1.19**
SADC	Exports	47,784,831.0	83,423,366.0	134,863,312.0	92,865,552.0
	Imports	20,921,292.0	31,980,056.0	49,233,683.0	36,157,012.0
	Total	68,706,123.0	115,403,422.0	184,096,995.0	129,022,564.0
Share of world	-	**1.54**	**1.72**	**1.83**	**1.85**
UMA	Exports	50,597,728.0	87,890,278.0	133,668,329.0	75,656,754.0
	Imports	15,460,125.0	20,731,710.0	41,562,873.0	30,125,094.0
	Total	66,057,853.0	108,621,988.0	175,231,202.0	105,781,848.0
Share of world	-	**1.48**	**1.62**	**1.74**	**1.52**
EAC	Exports	4,179,235.0	4,916,846.0	7,143,140.0	7,064,796.0
	Imports	3,333,871.0	5,675,691.0	9,763,810.0	7,842,384.0
	Total	7,513,106.0	10,592,537.0	16,906,950.0	14,907,180.0

(Table 9. Continued)

Groupings	Exports/Imports	2004	2006	2008	2009
Share in world	-	**0.17**	**0.16**	**0.17**	**0.21**
	Exports	68,699,607.0	120,664,803.0	176,138,658.0	115,555,258.0
CEN-SAD	Imports	29,418,877.0	42,367,229.0	77,631,475.0	61,795,831.0
	Total	98,118,484.0	163,032,032.0	253,770,133.0	177,351,089.0
Share of world	-	**2.21**	**2.43**	**2.52**	**2.55**
	Exports	6,827,241.0	9,735,408.0	15,637,047.0	12,141,925.0
IGAD	Imports	4,479,610.0	7,371,386.0	13,332,708.0	10,777,641.0
	Total	11,306,851.0	17,106,794.0	28,969,755.0	22,919,566.0
Share of world	-	**0.25**	**0.26**	**0.29**	**0.33**

Source: UNCTAD Globstat database.

Table 10. Africa, RECs and Other Groupings' Intra-Trade (Exports) in Manufactures and Primary Commodities, (United States Dollars at Current Prices in Thousands) and as Share of Total Merchandise Trade (Percentage), 2009

Groupings	Total Intra-Group	Manufactures	Share (%)	Primary Commodities	Share (%)
Africa	42,758,710	18,331,602	42.9	24,427,108	57.1
ECOWAS	7,564,922	2,347,718	31.0	5,217,204	69.0
COMESA	6,001,662	2,773,406	46.2	3,228,256	53.8
EAC	1,709,385	1,020,420	59.7	688,965	40.3
SADC	14,585,895	7,087,584	48.6	7,498,311	51.4
ECCAS	294,636	84,624	28.7	210,012	71.3
UMA	3,151,917	1,493,723	47.4	1,658,194	52.6
CEN-SAD	12,602,163	5,186,746	41.2	7,415,418	58.8
IGAD	1,325,517	477,442	36.0	844,075	63.7

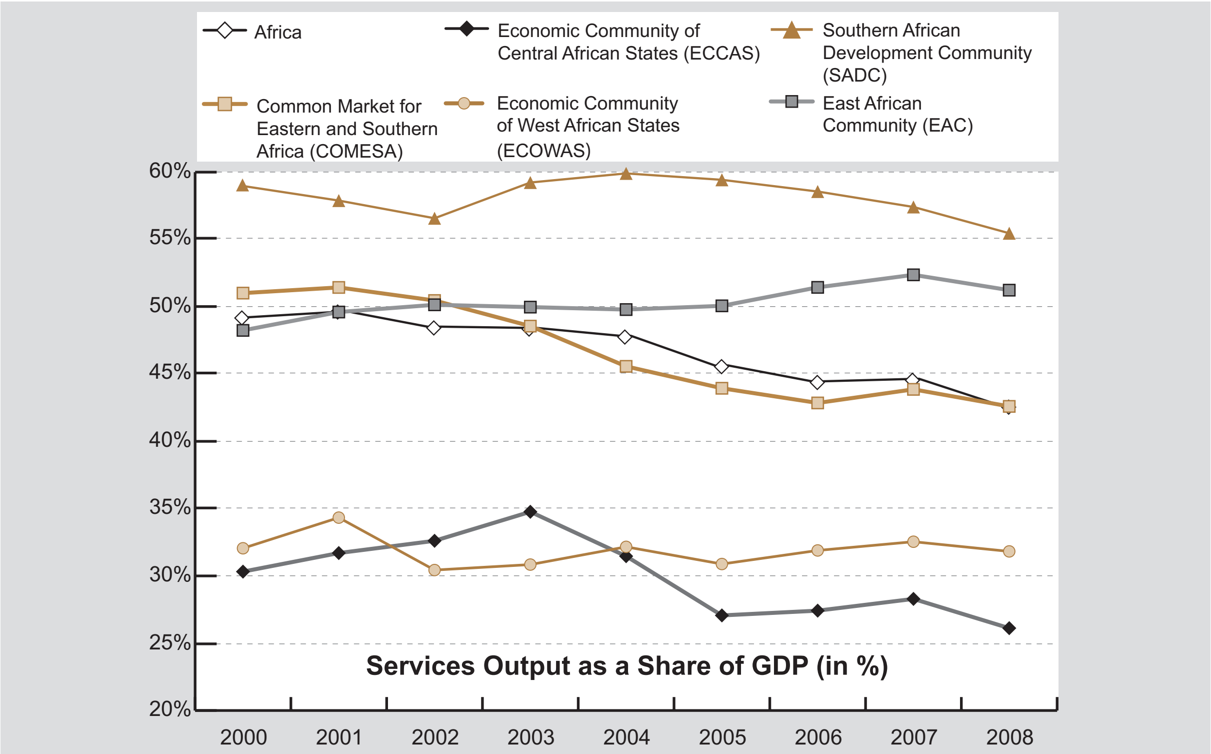
Source: UNCTAD Globstat database.

Table 11. Africa's' Exports to United States of Manufactured Goods (SITC 5 to 8 Less 667 and 68) Compared to Viet Nam (Thousands of US$), 1995, 2009

Countries	1995	2009
Developing Africa	**2,396,479**	**6,047,207**
Egypt	248,597	563,756
Mauritius	215,908	119,547
Lesotho	80,306	709,980
Zimbabwe	62,269	9,342
Viet Nam	**37,599**	**8,253,055**

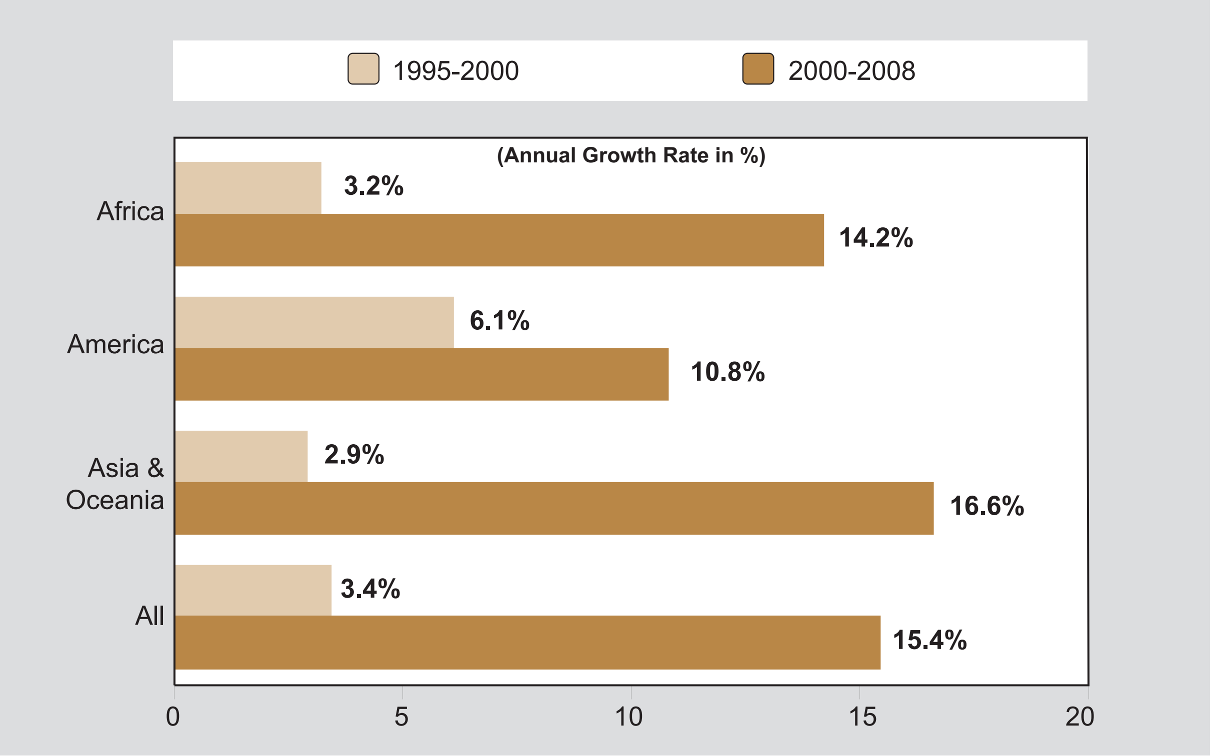
Source: UNCTAD Globstat database.

Figure 1. Services as a Share of Total Output in African RECs (in %)



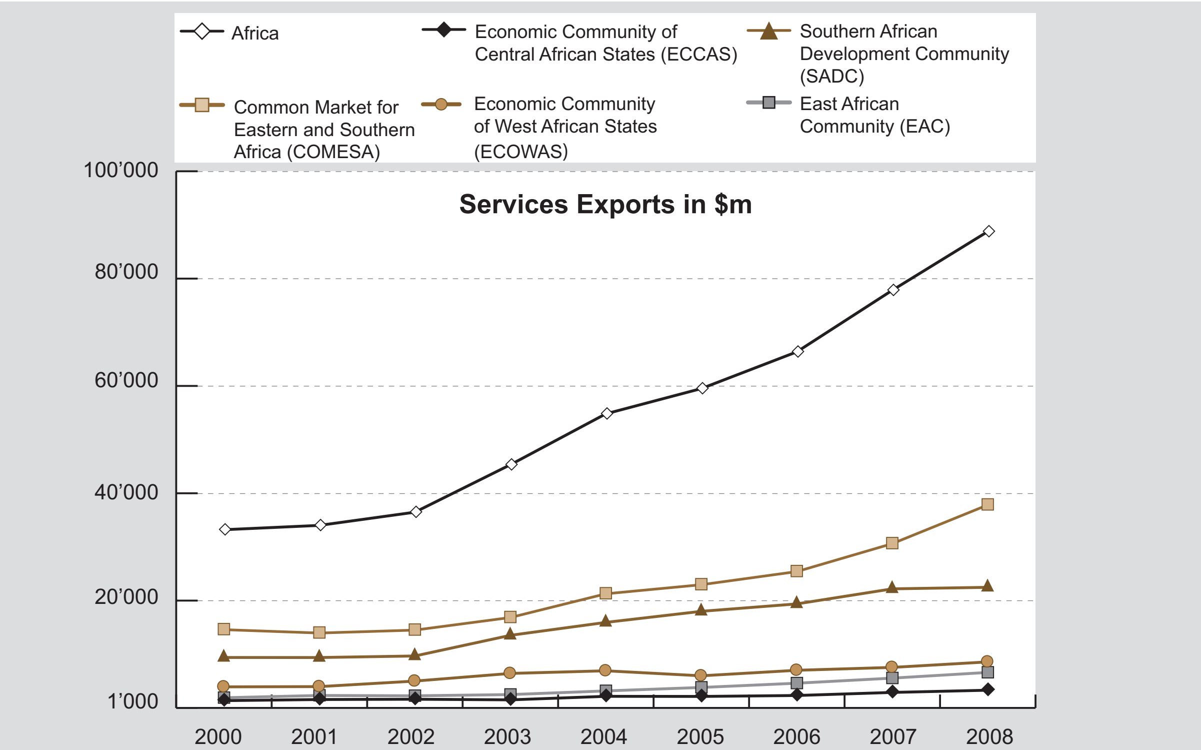
Source: UNCTAD Globstat database.

Figure 2. Growth in Developing Country Services Exports



Source: UNCTAD Globstat database.

Figure 3. Evolution of Services Exports From African RECs



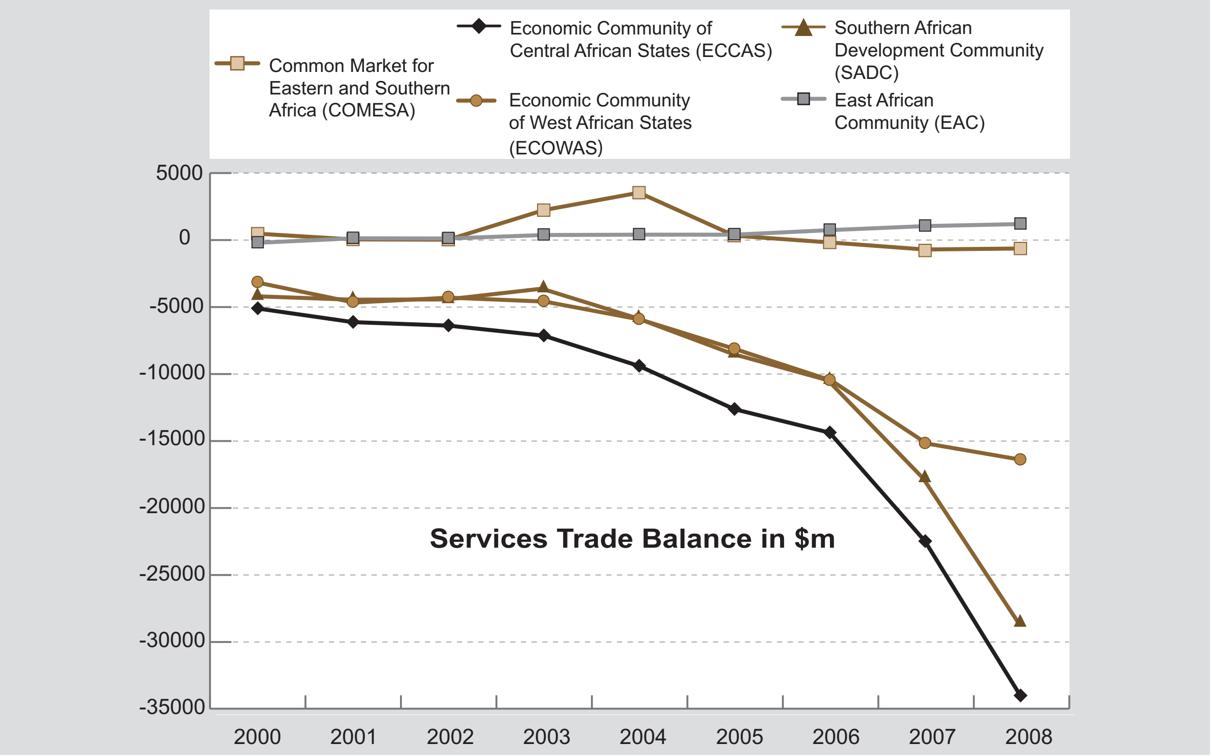
Source: UNCTAD Globstat database.

country, although most require additional institutional and human resource capacities to do so.

Nonetheless, despite the lack of data collected by African countries, calculations by UNCTAD using mirror data between the OECD and African countries indicates that approximately 57 per cent of African services trade is with other developing countries and 17 per cent is with other African countries. However, these data are unable to provide an indication of intra-REC services trade.[12]

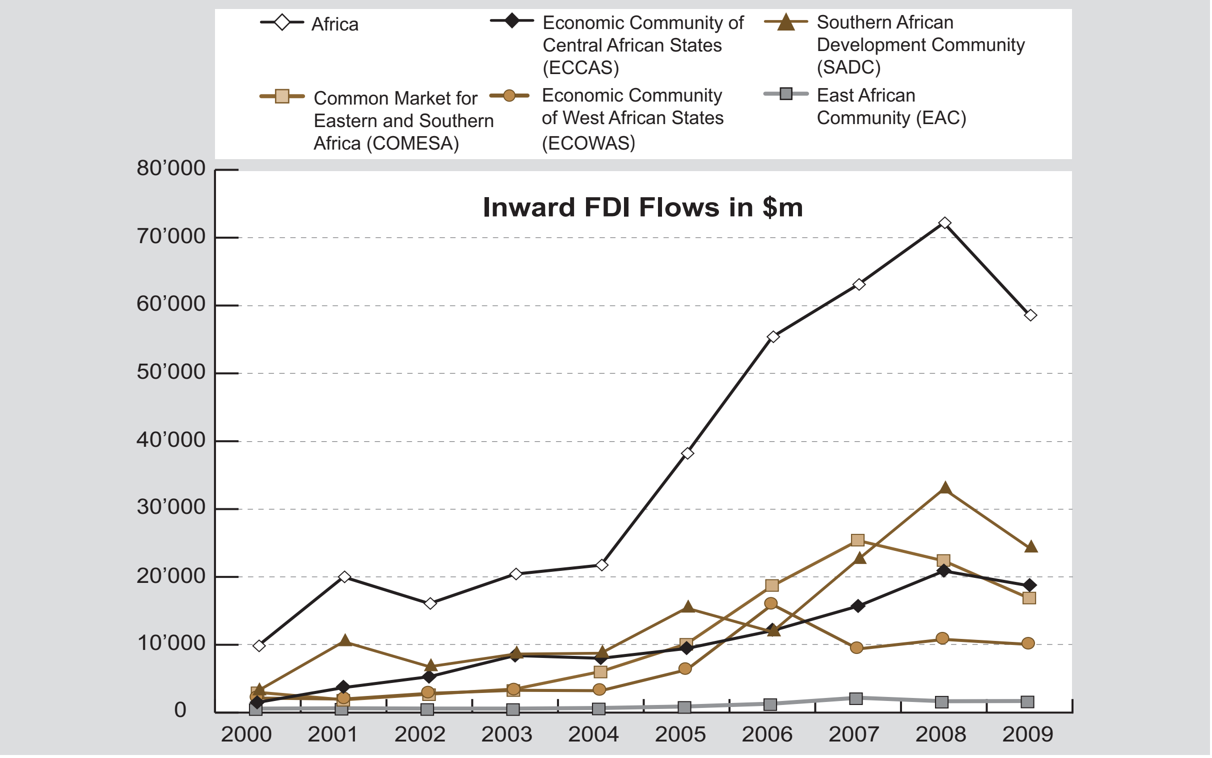
Despite the overall negative balance of services trade in many African RECs, Foreign Direct Investment (FDI) inflows have risen dramatically in recent years and many of these flows have been associated with mode 3 services imports (commercial presence) that have generated employment and raised services output capacity. Figure 5 shows the increase in FDI inflows for Africa and RECs. The average annual growth rate of FDI inflows to each of the RECs in Figure 5 has risen by between 115 and 125 per cent from 2000 through 2008.

Figure 4. Balance of Trade in Services for African RECs



Source: UNCTAD Globstat database.

Figure 5. FDI Inflows to African RECs



Source: UNCTAD GlobStat 2010.

ENDNOTES

6 UNCTAD (2009). *Economic Development in Africa: Report 2009: Strengthening regional economic integration for Africa's development* (UNCTAD/ALDC/AFRICA/2009).

7 See also UNCTAD (2009). *Economic Development in Africa: Report 2009: Strengthening regional economic integration for Africa's development* (UNCTAD/ALDC/AFRICA/2009).

8 See UNCTAD (2010). *Evolution of the international trading system and of international trade from a development perspective: The impact of the crisis-mitigation measures and prospects for recovery* (TD/B/57/3).

9 For a discussion see UNCTAD (2010). *Services, development and trade: the regulatory and institutional dimension* (TD/B/C.I/MEM.3/5) and UNCTAD (2009). *Services, development and trade: the regulatory and institutional dimension* (TD/B/C.I/MEM.3/2).

10 UNCTAD has prepared a number of services policy reviews for developing countries. See for example UNCTAD (2009). *National services policy review of Uganda* (UNCTAD/DITC/TNCD/2009/17).

11 See TFSITS website: unstats.un.org/unsd/tradeserv/TFSITS.

12 UNCTAD (2007). *Trade in Services and Development Implications* (TD/B/COM.1/85).

II

Achieving integration that is people-centred and development-oriented

PROGRESS IN AFRICAN REGIONAL TRADE LIBERALIZATION, INVESTMENT AND ECONOMIC INTEGRATION

II. PROGRESS IN AFRICAN REGIONAL TRADE LIBERALIZATION, INVESTMENT AND ECONOMIC INTEGRATION

African regional integration extends beyond trade and market integration aimed at achieving larger regional markets and more efficient production systems to enhance Africa's competitiveness, enabling it to attract a larger share of the global market. African regional integration goals also embrace regional and continental social and political objectives, and ultimately the ambition of a United States of Africa. In this sense, the Abuja Treaty (Article 4) stresses that African economic integration will enhance: (a) economic reliance and promotion of endogenous and self-sustained development; (b) development, mobilization and utilization of human and material resources of Africa in order to achieve self-reliant development; (c) cooperation in order to raise the standard of living of African people, foster close and peaceful relations among Member States; (d) progress, development and the economic integration of the Continent; and (e) coordination and harmonization of policies among existing and future economic communities to foster the gradual establishment of the African Economic Community. Trade and market integration, culminating in the establishment of a pan-African Common Market, is a central plank of African's economic integration. Progress towards this goal is in turn dependent on removing barriers to intra-African trade to create larger regional markets that can realize economies of scale and sustain production systems and markets. A more prosperous Africa will also benefit other nations in terms of increased trade and investment, job creation and promote greater peace and stability.

A. The Roadmap Set by the Abuja Treaty

Africa's regional integration programme rests on a strategy of eliminating, through phases, all barriers against trade in goods and services, as well as facilitating movement of all factors of production. The basic strategy requires that intra-African trade liberalization and market integration should be *preceded* by intra-REC trade liberalization and market integration, and *followed* by the gradual integration of African countries into the global trading system. This strategy comprises the following approaches: (a) elimination of all trade barriers within each REC as a means of achieving complete intra-REC trade liberalization, and formation of customs unions; (b) elimination of all inter-REC trade barriers as a means of achieving continental liberalization, and harmonization of commercial and macro-economic policies for the creation of an African Common Market and Economic Community; and (c) further integration of Africa into the global trading system through conducting preferential, bilateral, and multilateral trade agreements with other countries.

The signing of the Abuja Treaty in 1991 and its entry into force in 1994 confirmed and committed African countries to creating an African Economic Community by 2023 through six stages (Box 1), which would then be followed by the formation of continent-wide economic and monetary union by 2034. The staging provides for a transition period of 30 years from 1994 to 2023 to form the African Common Market, and another 10 years to set up the economic and monetary union, all of which will take up to 40 years. In 2010, 16 years of that transition period have evolved, within which stages 1 and 2 should have been attained.

RECs will comprise the building blocs of the African Economic Community. As noted earlier, the African Union Heads of States and Government have recognized the following eight RECs as the building blocks: Arab Maghreb Union (UMA), East African Community (EAC), Economic Community of West African States (ECOWAS), Southern Africa Development Community (SADC), Community of Sahel-Saharan States (CEN-SAD), Inter-Governmental Authority on Development (IGAD), Common Market for Eastern and Southern Africa (COMESA) and the Economic Community of Central African States (ECCAS).

B. Mixed Progress Towards Free Trade Areas and Customs Unions

The progress attained so far by RECs has been mixed: some RECs have made significant achievements, while others continue to face difficulties (Box 2). There is limited progress towards free trade and customs union in three of the eight RECs, namely UMA, CEN-SAD and IGAD. Important progress has been achieved in COMESA, EAC and ECOWAS

Box 1. Establishment of the African Economic Community - Six Stages

Stage	Goal	Time Frame
1	Creation of regional blocs in regions where such do not yet exist	To be completed in 1999
2	Strengthening of intra-REC integration and inter-REC harmonization	To be completed in 2007
3	Establishing of a free trade area and customs union in each regional bloc	To be completed in 2017
4	Establishing of a continent-wide customs union (and thus also a free trade area)	To be completed in 2019
5	Establishing of a continent-wide African Common Market (ACM)	To be completed in 2023
6	Establishing of a continent-wide economic and monetary union (and thus also a currency union) and Parliament	To be completed in 2028
	End of all transition periods:	2034 at the latest

with realization of free trade areas and launching of formation of customs union programmes to be realized by 2014. Given the uneven progress at present therefore, the progress attained among RECs in terms of the formation of free trade areas and customs union is insufficient to create the necessary building blocks across Africa for achieving the African Common Market. According to the Abuja Treaty framework, the RECs have until 2017, another seven years, to accelerate the attainment of fully fledged customs unions.

ECOWAS has had longer experience in setting up a customs union but has faced many difficulties in implementing it, with free trade originally scheduled to be achieved in 1989. A key issue has been compensation for countries losing revenue from trade liberalization. ECOWAS is seeking to harmonize its customs union with that of the West African Economic and Monetary Union (UEMOA).

SADC has achieved a free trade area in good, and is negotiating a services agreement. Early in 2009 SADC member States decided to postpone the 2010 target for establishing a customs union as some expressed inability to phase down tariffs on sensitive products by the target date of 2012, owing to negative effects on their economies of the global economic crisis. SADC trade integration faces challenges derived from overlapping memberships by several member States to also COMESA, EAC, Southern Africa Custom Union (SACU) and ECCAS including the fact that a country cannot be member of two customs unions applying two different common external tariffs.

To address issues of overlapping membership and ensure harmony in regional integration in the region, the Tripartite Summit between SADC, COMESA and EAC has been set up. The Tripartite builds on a COMESA-SADC taskforce set up in 2004 which was expanded to include the EAC. When Heads of State met in Kampala in 2008, there was agreement on a single free trade agreement covering the 26 countries to be concluded. Subsequently in Dar-es-Salaam in November 2009, the Chief Executives of the 3 regional secretariats circulated a first draft of the tripartite free trade agreement for transmission to member states. Its main objective is the creation of a tariff-free, quota-free and exemption-free area by 2012. Services-related provisions include relaxation of restrictions on movement of business persons, liberalization of priority sectors, and transformation the region into a knowledge- and information-based economy and a focus on cultural industries.

The matter of overlapping memberships in several RECs affects a number of countries. Six of the African countries are members of one REC, 26 are members of two RECs and 20 are members of three RECs, while one country belongs to

Box 2. Status of Trade Integration in RECs – Regional Building Blocks of the African Economic Community

Stage 3 Abuja Treaty*	UMA	CEN-SAD	ECOWAS	ECCAS	COMESA	EAC	IGAD	SADC
Free Trade Area.	No or limited progress.	Limited progress.	Established.	Created and in force.	Established, 31st October, 2000 among 9 members (Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe). Burundi and Rwanda joined the FTA on 1st January 2004. Members working on the eventual elimination of quantitative restrictions and other NTBs. Set up rules of origins that are similar to EAC.	Established and operation from 1 January 2010 (consistent with the entry into force of the customs union).	Limited progress.	Launched in August 2008, with all member states (except Seychelles, Angola and DR of Congo), removing tariffs on 85% of their products (the remaining 15% consisted of sensitive, and expected to be liberalized by 2012).
Customs Union.	No or limited progress.	No or limited progress.	In progress. ECOWAS adopted a CET based on that of the Economic and Monetary Union of West Africa (UEMOA). The CET has 5 band tariff of 0%, 5%, 10%, 20% and 35%. 0 % is for essential social commodities, raw materials and capital goods; 10% for intermediate products, 20% for consumer goods and 35% for specific goods for economic development.	Proposed for 2010.	Launched in June 2009 with adoption of the CET and the categorization of products into the three bands of the tariff structure (0%, 10%, 25%). CET to be implemented over 3-5 years (by June 2014). The CET of COMESA is harmonized with the CET of the EAC.	Enforced in 2005 and became fully operation on 1 January 2010.	No or limited progress.	Proposed for 2010.

(Box 2. Continued)

Stage 3 Abuja Treaty*	UMA	CEN-SAD	ECOWAS	ECCAS	COMESA	EAC	IGAD	SADC
Common Market			Based on Protocol adopted in 1979 ECOWAS has made some achievements on free movement of people, for instance with the abolition of visas, granting of right of residence and establishment, suppression of barriers and police check points, creation of an ECOWAS travel certificate, circulation of an ECOWAS passport and harmonization of documents regulations and formalities.		Concluded the COMESA Regulation on Services in 2009 and Negotiating Guidelines for services negotiations.	Programme launched in July 2010. Provides for progressive attainment of "Four Freedoms" - free movement of goods; labour; services; and capital.		Proposed for 2015. SADC has in principle concluded negotiations on the SADC Protocol on Trade in Services which is pending approval of Ministers of Justice and Heads of States, and the interim negotiating guidelines are in the process of being finalized.

Source: Adapted from ECA-UNECA- African Union. Assessing Regional Integration in Africa IV: enhancing intra-African trade.
*Notes: *Stage 3 of the Abuja Treaty requires the establishment of a free trade agreement (FTA) according to a timetable for the gradual removal of tariff and non-tariff barriers to intra-community trade and the establishment of a customs union by means of adopting a common external tariff.*

four RECs. So the consolidation and rationalization of RECs in different regions is a key challenge for the realization of both regional and pan-African economic integration. Ultimately, the formation of an African Common Market can be expected to bring about greater rationalization and reduce the overlapping membership into members of one pan-African entity. In the meanwhile overlapping membership will continue to be an issue to be addressed.

ECCAS was inactive for several years because of financial difficulties (non-payment of membership fees) and the conflict in the Great Lakes area. ECCAS has planned to achieve free trade by 2007 but has not met this goal. It has begun to harmonize commercial policies (tariff reduction, rules of origin) with the Economic and Monetary Community of Central Africa (CEMAC) to rationalize the integration process in Central Africa.

IGAD, a recent grouping, aims at creating an FTA in the near future, without "reinventing the wheel". So far, with a view to avoid duplication of efforts and resources, IGAD has been supporting COMESA's liberalization programme with respect to the intra-COMESA, as many IGAD members are also members of COMESA.

CEN-SAD, also a recent grouping, aims to establish a Free Trade Area. This free trade area is expected to be compatible with that of COMESA, ECOWAS and UMA, given that CEN-SAD member States are also members of these three RECs.

The liberalization principally involves the elimination of tariffs by members against each other. In practice, tariffs (MFN and intra-REC) have been falling throughout much of the Africa over the past decade for capital goods, intermediate goods and total imports. Most tariff to intra-community trade have been largely eliminated in most of the RECs (except for IGAD and CEN-SAD), except for duties maintained on sensitive products. Data from UNCTAD's TRAINS database for 2006 shows that the unweighted average intra-African tariff rates on agricultural and industrial products were 9.03 per cent and 8.26 per cent, respectively. Within RTAs, tariffs are close to zero except for a few sensitive products. Hence, overall there is no evidence that high tariff rates are currently a major impediment to intra-African trade.

More importantly, the persistence of non-tariff barriers (NTBs) has militated against intra-African trade and partially explains its low level of intra-REC trade despite efforts of the RECs. Several recent studies on NTBs, particularly in the context of the COMESA-EAC-SADC Tripartite Summit, Task Force, have highlighted the following NTBs with a view to removing them through elimination or cooperative measures:

- Cumbersome customs and administrative entry procedures that cause border delays and increased costs. For instance the COMESA and EAC regions are witnesses to lengthy clearance processes, lengthy classification and valuation of import processes, arbitrary documentation requirements and difficulties related to transit traffic (cumbersome and non-standardized procedures, cumbersome procedures for verifying containerized imports and diversion of transit goods into the region). On the other hand, the SADC region reported cumbersome export licensing permits.
- Standards (TBT and SPS). These two issues are quite relevant in the context of EAC and SADC. In EAC, specific problems were identified with respect to: (cumbersome and costly) quality inspection procedures, unnecessary quality inspections (including of products certified by accredited laboratories and of imports originating from the EAC bearing certification marks issued by the three East African Standards Bureau), non-standardized testing procedures and varying procedures for issuing certification marks.
- Other duties, charges and taxes. In the EAC region the following measures were reported: excessive charges on imports, discriminatory taxes. In addition specific limitations (import and export) quotas and unnecessary import bans and prohibitions (that are not related to sensitive products) also persist in the SADC.

Related to the establishment of free trade areas is the adoption of preferential rules of origins by RECs, and which would be expected to evolve into pan-African rules of origin. Preferential rules of origin, used in reciprocal or unilateral preferential trade schemes, are essentially mechanisms for establishing the economic nationality of a product, and hence the eligibility of product for preferential treatment. Their function is to prevent "trade deflection" wherein "non-originating" goods are shipped to the party to a free trade agreement with the lowest external tariffs and then re-exported to the party with higher tariffs in order to avoid paying these higher tariffs.

Handling trade deflection is a legitimate concern. However, rules of origin have often exceeded the point required to simply prevent trade deflection and can be used for protectionist purposes to restrict duty-free entry to the exported products of the intended parties, thereby partly nullifying preferential trade benefits expected of RTAs. Within RECs and ultimately within the African continent there is need to ensure that rules of origins promote the intended objective of preventing trade deflection and facilitating intra-regional trade.

Currently, African RECs apply diverse origin rules that can adversely affect traders by increasing compliance costs, and impairing effective functioning of individual RECs (Box 3). The multiplicity of different origin rules across Africa RECs in itself poses another challenge. It clearly discourages inter-REC trade as exporters need to adjust their production process and administrative rules to meet different sets of rules. Thus continent-wide convergence and harmonization of origin rules, at the level of stringency that is balanced and adequate, could be instrumental for the expansion of intra-African trade.

In West Africa, a decision has been taken on harmonization to align ECOWAS' rules of origin with UEMOA's. Thus, to be granted ECOWAS origin and therefore UEMOA origin, each product must satisfy the following requirements of UEMOA rules of origins: 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 valued-added of at least 35 per cent of the ex-factory price before tax; and products manufactured from raw materials of foreign origin whose value-added is greater than or at least equal to 35 per cent of the ex-factory price before tax. In Central Africa, the ECCAS Treaty provides for rules of origin essentially based on maximum 60 per cent foreign content requirement or minimum 45 per cent local content requirement. In contrast the CEMAC agreement 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 Eastern and Southern Africa, the COMESA rules of origin (Box 4) have been also adopted by EAC (as well as the Indian Ocean Commission). In SADC, origin rules consist of a combination of all three origin determination methods (change in tariff headings, local content and specific processing rules). Specific requirements needed for conferring origin status is defined on a product-by-product basis, mainly at HS chapter or tariff heading levels, such as in the form of specific processing required (e.g., "manufacture in which all materials of Chapter 3 must be wholly obtained" for fish products in Chapter 3; or "manufacture from yarn" for certain apparel products in Chapter 62). In some cases, optional rules are applicable ("Manufacture from

Box 3. Rules of Origin in RECs

UMA	CENSAD	ECOWAS	ECCAS	COMESA	EAC	IGAD	SADC
Minimum 40% of local value-added (20 per cent in the case of goods manufactured in an assembly plant) or 60% of local raw materials.	-	A change of tariff heading or minimum local valued-added of 35% of the ex-factory price before tax.	Maximum 60% foreign content or minimum 45% of local content.	Minimum local value-added of 35% of ex-factory cost of the goods; or change in tariff heading (goods of particular importance to the economic development of the member States and containing not less than 25% value added).	Minimum local value-added of 35% of ex-factory cost of the goods; or change in tariff heading (goods of particular importance to the economic development of the member States and containing not less than 25% value added).	-	Specific product-by-product requirements (mainly at HS chapter or tariff heading levels) combining all three methods (value added, tariff shift, specific processing requirement).

Box 4. COMESA Rules of Origin

(a) Goods wholly produced or obtained in a member State (that is, no materials from outside the Common Market have been used); or

(b) Goods produced in the member States and the c.i.f. value of any foreign (that is, non-COMESA) materials used does not exceed 60 per cent of the total cost of all materials used in their production;

(c) Goods produced in member States whose value added resulting from the process of production accounts for at least 35 per cent of the ex-factory cost of the goods;

(d) Goods produced in member States and are classified or become classified under a tariff heading other than the tariff heading under which they were imported; or

(e) Goods of particular importance to the economic development of the member States and containing not less than 25 per cent value added.

materials of any heading, except that of the product or manufacture in which the value of the materials used does not exceed 60 per cent of the ex-works price of the product" for Chapter 20 "preparation of vegetables, fruits, nuts or other parts of plants").

In North Africa, UMA has also adopted the rules of origin for commodities to be considered to originate from the sub-region. In the case of manufactured goods, they should 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.

In this light, ongoing efforts towards inter-grouping harmonization, such as in ECOWAS and UEMOA, as well as de facto convergence such as in the COMESA and EAC, are important for future broader harmonization of origin rules at the continental levels. The inter-grouping harmonization, combined with adopting, in general, lower and adequate level of stringency for conferring origin status, can facilitate intraregional trade and deepen and harmonize regional integration processes in Africa. The Tripartite Summit initiative between COMESA, EAC and SADC, will be particularly significant in this regard as it will allow convergence between the two major origin models prevalent in Africa, namely those of COMESA and SADC in support of a single free trade area.

While eliminating trade obstacles created by divergent rules can be effective in promoting intra-African trade, substantive contents of origin rules that would form the basis for the continent-wide common rules matters more. This needs to be assessed in the light of lessons learned from existing sets of origin rules in African RECs, as well as drawing on experience in unilateral, regional and multilateral harmonization efforts. For instance, it may be observed that the rules of origin of the various RECs are today more stringent that the proposed EC rules under EPAs and the Canadian GSP scheme for LDCs. Thus efforts needs to be geared towards easing rules of origin .The following consideration could be among the elements that may inform the continental harmonization effort.

- The general origin-conferring rules could be based on methods that are already largely used in various RECs and which have formed the basis for some sub-regional harmonization effort. This could give preliminary case for using value-added (percentage) rules as the basis for harmonization effort.
- The threshold level for conferring origin status need to be liberal and flexible enough to promote intra-regional trade. This could imply preference for sufficiently and reasonably low threshold level. There could however be a concern regarding transshipment and some country may favour more restrictive approach, either by adopting a higher general threshold level or addressing sectoral sensitivity through sector-specific rules. However, it should be noted that transshipment needs to be addressed by enforcement and not by more stringent rules of origin since nothing impedes that transshipment takes place even with restrictive rules of origin.
- Given the increasingly recognized case for more liberal, flexible and transparent rules, rather than stringent ones, in promoting intra-regional trade and building domestic supply capacities, it may prove to be preferable to address any country sensitivity through sector-specific rules. These points to the case for

some sector-specific elements in common rules origin, such as addressing textiles and apparel or other manufacturing sectors, in order to take into account existing trade pattern and economic profiles of African countries. Care should be taken however that such product specific rules should be liberal in nature rather than reflecting domestic protectionist intents. It may be noted that various South-South RTAs have combined general across-the-board criteria (e.g. minimum value-added requirement) with sector-specific rules (e.g. ASEAN has used 40 per cent minimum value added criteria with sector-specific rules).

- In order to allow for greater flexibility and predictability for exporters, consideration could be given to allowing for choice to use different origin determination methods other than value-added method. For instance, tariff shift rules are widely used in Latin America. In such a case, transformation be sufficient to alter the first 4 digits of the HS code (or even at a lower level of tariff classification (e.g. 6 digit) if appropriate), as used in some African RECs, could prove to be reasonable starting point. However, it is important to ensure that such alternative rules of origin should be co-equal in order to avoid loopholes.
- There is a case for avoiding or minimizing overly technical and complex rules, including product-specific rules, as they may be captured by domestic protectionist industry or are difficult to administer.
- Procedural requirements should be kept simple and transparent, while effectively ensuring origin certification and administration, so as to minimize compliance costs and administrable to importing countries.

Beyond trade integration, there have been developments that have modified somewhat the planned phases towards creation of the pan-African common market with significant implication for convergence of economic integration processes. While the Abuja Treaty provides for a transition from RECs with customs unions (stage 3) into the African Community Market (stage 4), the integration movement within RECs shows progress from customs unions into common markets. This would imply that the African Common Market will be established on the basis on regional common markets established within each REC. Thus it could be concluded that an additional step in stage 3 of the Abuja Treaty is the formation of regional common markets.

Some RECs have also planned to achieve status of economic and monetary union, which would then imply that the realization of the continental monetary and economic union has to process from harmonization of the regional economic and monetary unions. For example ECOWAS plans to adopt an ECOWAS common currency by 2020. SADC adopted ambitious milestones to attain the SADC FTA by 2008, customs union by 2010, common market by 2015, monetary union by 2016 and a single currency by 2018. The implications of such staging needs to be carefully considered so as to ensure that the regional and continental integration processes are mutually supportive and complementary. For example, the formation of the pan-African common market would evolve from rationalizing, harmonizing and or merging of regional common markets rather than from regional customs unions.

C. Limited Progress in Services Liberalization

Central to the formation of common markets will be the liberalization in trade in services and cooperative frameworks. Realizing the importance of the services sector in terms of providing infrastructure for the whole economy as well as dynamism of services trade, some regional groupings and African countries are placing greater emphasis on services development and trade as a strategic orientation in post-global crisis recovery and new growth paradigms. Despite the stated objective of the removal of obstacles to the free movement of persons, goods, services and capital, and to the right of residence and establishment, African RTAs are yet to embark on a services liberalization agenda. This is not surprising, given the focus on liberalizing trade in goods and forming customs unions, as well as the remaining unfinished business in this regard. The configurations of African services liberalization can be said to be taking place at three levels (Table 12). The multilateral level, the intra-regional level and the bilateral level, where the focus of services liberalization is the economic partnership agreements being negotiated with the EU and Africa ACP States (sub-Saharan Africa) and between the EU and North African States via the Euro-Mediterranean agreements.

Developments on services liberalization at the WTO through the Doha Round have seen little progress. Intra-regionally, there has been more movement in particular within COMESA, SADC and EAC as well as ECOWAS. COMESA concluded the COMESA Regulation on Services in 2009 as well as Negotiating Guidelines for services negotiations. It has made a choice of priority sectors and is currently in the process of exchanging requests and offers on services liberalization. SADC member States have in principle concluded negotiations on a SADC Protocol on Trade in Services (using a positive list approach) which is pending approval of Ministers of Justice and Heads of States. In the interim negotiating guidelines are in the process of being finalized. SADC States aim to achieve substantial liberalization of trade in services by 2015.

Services liberalization and development in RECs is proceeding slowly. However, apart from critical domestic needs, the pressures brought about by the multilateral services liberalization and EPAs and Euro-Mediterranean agreements militate against procrastination in services liberalization regionally in particular and on the wider African level. In terms of sequencing, the priority for African countries should be the development of regional framework agreements on trade in services to provide the basis from which progressive liberalization with non-African countries can be undertaken. In respect of the approach, liberalization in trade in services could be undertaken on a progressive basis using a positive list approach, rather than the negative list, adapted to the development of African countries in overall terms and in terms of their services sectors and sub-sectors and their specific constraints, while being also comprehensive and moving towards full liberalization.

Intra-African services liberalization should ideally run ahead of liberalization with third countries, building on the basis of unilateral reforms already conducted or in the pipeline. There is clearly a need for the regional agenda to get up to speed in order to keep ahead of the EPA negotiations and should ideally provide for more liberalization at a faster pace. This is critical otherwise the regional agenda runs the risk of being overtaken by events and becoming irrelevant. Timely intra-regional services liberalization would enable African RECs and the African continent to have coordinated positions *vis-à-vis* third parties and gain clout at the multilateral level.

Achievement of free movement of persons will be a test-case for services liberalization among RECs and within Africa. While free trade in goods and customs union as well as sectoral services liberalization will create economic opportunities that can be exploited by enterprises in particular including SMEs, the free movement of persons will be a benefit that is immediately experienced and enjoyed by the ordinary Africans. It will show the benefits of regional integration most vividly to Africans. Yet owing to national sensitivities this pillar of integration is also often among the most difficult to realize in practice, despite comprehensive legal frameworks and programmes for the free movement, residence and establishment in several RECs.

Most RECs have abolished tourist visas and ECOWAS, COMESA and EAC have progressed in adopting common passports, relaxing visas and establishing a single tourist visa. So there is some progress in some RECs in terms of facilitating movement of persons across borders including in terms of abolishing visas. Nonetheless, the full movement of people is within RECs is still restricted because the member States have yet to implement the rights of residency and establishment for citizens of another member States of the REC. Common labour laws, free movement of labour, and rights of residence and establishment have still not been undertaken by most RECs including in those RECs that have adopted protocols on such movements. In addition, ECCAS, SADC, IGAD and CEN-SAD lag behind in terms of concrete actions to advance the free movement of persons. Barriers to the free movement of persons include non-standardized visa fees and procedures for immigration, cumbersome and duplicated immigration procedures and in connection with application of work permits. RECs are undertaking specific actions and plans to advance in the free movement of persons.

D. Common Competition Policies and Laws

Another important consideration is efficient and strengthened competition policies which are essential for an integrated African market and its sustainable development. African markets and companies are relatively small, both in terms of quantity and range of products. Thus there is need for careful and calibrated liberalization of African markets. Unchecked liberalization of domestic economies may lead to the transformation of public monopolies

Table 12. Comparative Services Frameworks of RECs

ISSUE	COMESA	SADC	EAC
Services Framework	COMESA Regulation on Services adopted in June 2009. Negotiating guidelines adopted.	SADC Protocol on trade in Services accepted in 2009. Negotiating Guidelines in process of adoption.	Protocol on the Establishment of the EAC Common Market, adopted November 2009.
Overlapping Membership	Angola, DRC, Madagascar, Malawi, Mauritius, Swaziland, Zambia and Zimbabwe overlap with SADC. UR Tanzania, Burundi, Kenya, Rwanda, Uganda overlap with COMESA.	Angola, DRC, Madagascar, Malawi, Mauritius, Swaziland, Zambia and Zimbabwe overlap with COMESA.	UR Tanzania, Burundi, Kenya, Rwanda, Uganda overlap with COMESA. Tanzania overlap with SADC.
Non WTO Members	Seychelles, Libyan Arab Jamahiriya.	-	-
Mode 4 Coverage	Description of categories and timelines contained in main agreement, annex to develop further.	Being developed.	Extensive coverage.
Approach	Positive list.	Positive list.	Hybrid: treaty guarantees free movement of services, capital, people, however schedules of commitment work towards progressive liberalization.
Sectors Covered	Four priority sectors chosen for immediate negotiation: transport, communications, tourism and finance. Submission of initial schedule by 30th September 2010, negotiations to commence in November 2010.	6 priority sectors chosen: transport, communications, tourism, energy, finance and construction. Choice of sector for negotiation under discussion.	-
Intra-REC MFN	Emphasizes intra-regional MFN. Conditions relate to: (i) intra-regional - 2 or more member states to liberalize faster affording extension of benefits on a reciprocal basis (ii) allows for 3rd party preferential agreements provided it does not impede or frustrate the intra-regional services objectives. Notification to be given prior to conclusion, extension of benefits intra-regionally on a reciprocal basis.	Emphasizes intra-regional MFN. Conditions relate to: (i) intra-regional - 2 or more member states to liberalize faster affording extension of benefits on a reciprocal basis (ii) allows for 3rd party preferential agreements provided it does not impede or frustrate the intra-regional services objectives. (iii) requirement for periodic review MFN exemptions with a view towards elimination.	Unconditional intra-regional MFN clause.
Both COMESA and SADC provide for removal of MFN exemptions, which in case of countries with dual membership may spur deeper liberalization within and across the two regions.			

(Table 12. Continued)

ISSUE	COMESA	SADC	EAC
Negotiations on Comprehensive EPA	Under the ESA configuration Interim EPA signed in August 2009. Negotiations on comprehensive EPA ongoing - negotiating members are Mauritius, Seychelles, Zimbabwe, Madagascar.	Interim EPA signed in June, 2009 Negotiations on comprehensive EPA ongoing - negotiating members are Botswana, Lesotho, Namibia, Mozambique, Swaziland.	Ongoing.
Co-Operation Mechanisms and Existing Protocols	COMESA's protocol on the gradual relaxation and eventual elimination of visa requirements and protocol on the free movement of persons, labour, services and the right of establishment and residence, COMESA Bond Guarantee Scheme, COMESA Yellow Card Scheme, PTA-Reinsurance Company (ZEP-RE), also harmonized road transit charges, the COMESA carriers licence, removal of Bilateral Air Services Agreements (BASAs) to increase frequency of flights between city pairs, launching of Joint Competition Authority on Air Transport Liberalization which would oversee the implementation of the Yamoussoukro Decision on Air Transport in COMESA, EAC and SADC.	Movement of Persons, Health, Culture, Information and Sport, Energy, Tourism, Transport, Communication and Meteorology, Education and Training.	To be read with Annex on Free movement of persons, annex on free movement of workers, annex on right to establishment, schedule on free movement of capital, schedule on trade in services. EAC Protocol also contains clear provisions on competition, commercial (harmonization of regulations intra-regionally) and transport policy, regional statistics collection, environment management and development of research, science and technology.
Cross-Regional: Additional Issues for Consideration	**EPA**: Compatibility with possible comprehensive EPA clause will need to be ascertained to ensure benefits to region accrue first and services trade with "major trading nation" not excluded. **Tripartite**: Services related provisions include relaxation of restrictions on movement of business persons, liberalization of priority sectors on the basis of existing secretariat programs, transformation the area into a knowledge and information based economy and a focus on cultural industries.[13] **Rules of Origin**: similar coverage intra-regionally but consideration of EPA implications need to be taken into account. **Cross-regional institutions**: regional regulators, regional coalition of services, regional professional services associations.		

into private monopolies or cartels activities by large companies originating from developed countries. Thus, careful balance between regulations and liberalization is essential.

Strengthened competition laws are needed to accommodate competitiveness and growth of private sector in Africa and support the process of regional and continental integration. This effort of including competition provisions in regional agreements/treaties is in tandem with the United Nations Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, which recognizes "[...] also the need to ensure that restrictive business practices do not impede or negate the realization of benefits that should arise from the liberalization of tariff and non-tariff barriers affecting international trade, particularly those affecting the trade and development of developing countries".

One of the reasons for including competition issues in regional trade agreements (RTAs) is to create region-wide competition policies and institutions.[14] These arrangements are geared towards greater levels of integration in terms of common markets, economic and political issues. For common markets to deliver the benefits to member states, anti-competitive practices must be addressed both at national and region - wide level. Currently in Africa, trade agreements with competition provisions exist in different RECs. In addition the design of the competition provisions in these agreements vary from one to the other. The African scenario is quite complex with RECs characterized by an overlapping membership. Seven regional groupings in African have incorporated trade related provisions in their treaties, including specific competition provisions, namely, CEMAC, COMESA, ECA, ECOWAS, SACU, SADC and UEMOA.

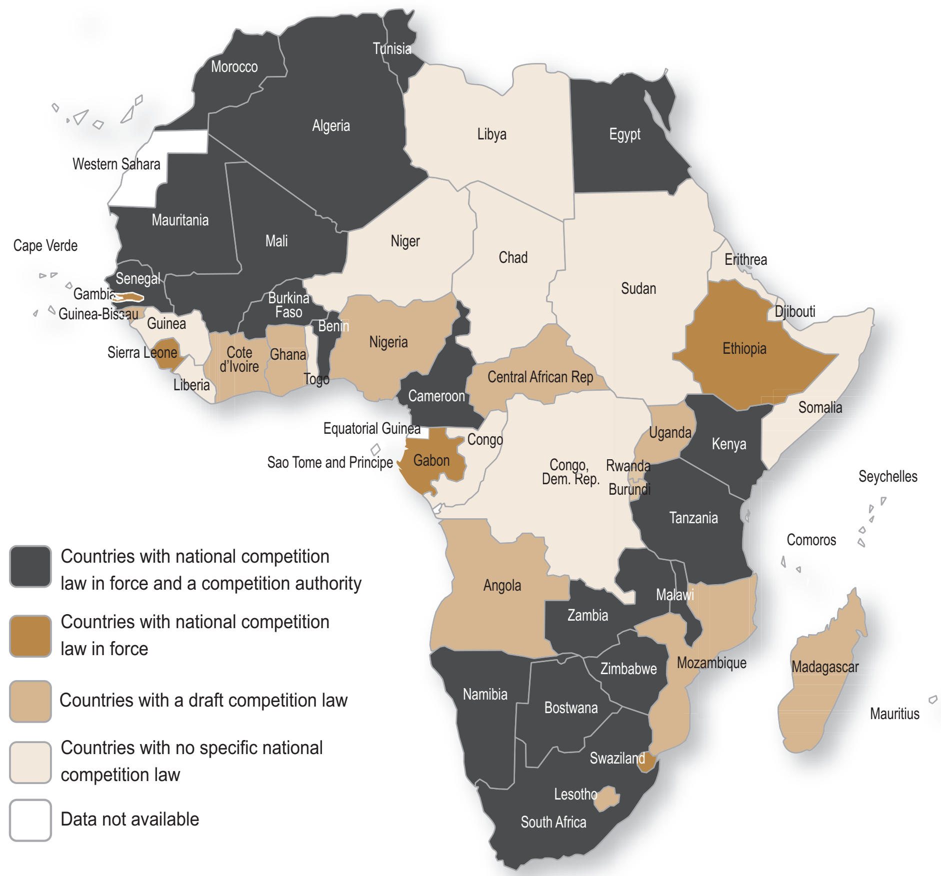
In African RECs, competition rules tend to follow two distinct approaches: centralized and decentralized structures.[15] In centralized structures, such as in UEMOA, the regional competition authority has the enforcement powers. In decentralized structures, all regional other groupings, competition authorities delegate part of their enforcement power to national competition authorities. RECs are facing several challenges in the enforcement of regional competition frameworks. In particular, the question of the allocation of competences in competition law enforcement between national and regional institutions often creates confusion. The distribution of competencies between regional and national agencies is a key issue to address by RECs and is often a cause of problems. Another issue faced by regional competition authorities in enforcing regional competition rules is the limited availability of resources, both human and financial. This impacts the regional competition agencies in their capacity to enforce competition rules. These regional competition rules can compete among themselves. Though the core substantive provisions are similar, the implementation set up can vary a lot from one regional grouping to another creating bottlenecks to the implementation efforts, in particular in those countries that belong to more than one regional grouping.

Many African countries including LDCs, however, do not yet have competition laws and policies, while others have legal frameworks, but no institutions in place to implement the legal framework due to financial and other resource constraints. Others have operational competition laws and institutions, but may not have the necessary expertise to deal with complex competition cases, especially in the area of international cartels and abuse of dominance by multinational corporations. Hence, it may be easy for international cartels to target the region due to weak enforcement of competition laws.

The introduction of free movement of goods and services within the region promotes the occurrence of cross boarder anti-competitive practices and complicates the issue of protecting vulnerable communities in domestic markets. This eventuality calls for enforcement of competition laws and policies at regional level. The map (Figure 6) illustrates the status of competition law in Africa and Table 13 summarizes the existence of competition law and competition authorities. Table 14 summarizes the main competition regulations in African regional groupings.

The African Union as a continent-wide arrangement does not have competition-related provisions in its treaty similar to the ones existing in the EU Treaty (Article 83). Therefore, this could be an appropriate time to think of ways of introducing a supra-continental competition framework and harmonize the existing arrangements to be in line with the continental initiative. That way it would be easier to deal with anti-competitive practices across the whole continent and also assist in addressing competition related provisions in trade agreements with extra-regional partners. In order to achieve this goal, African Competition Authorities and/or Ministries in charge of competition and consumer policies need to garner the necessary political support to speed up the process developing and implementing competition laws and policies and to build the necessary capacities. In cases where laws have been enacted and enforcement has been delayed, it is imperative for governments to accord competition enforcement the required financial and human resource support to avoid a situation where the business community would loose confidence in the competition law and its institutions. Governments could also assist the strengthening of capacity in competition authorities by supporting the introduction of competition courses both at middle level institutions and at Universities' Law and Economic departments, strengthen case adjudication by assisting with the training of the judiciary in competition issues including the economics of competition cases.

Figure 6. Status of Adoption of Competition Law in Africa



E. Intra-Regional FDI in Africa and Development

1. The Issues

Africa countries' efforts to develop more closely integrated, therefore interdependent, economic structures are sought at regional and sub-regional levels, mainly in the form of the creation of a common physical infrastructure and information and financial networks through governmental initiatives, not necessarily in the productive fields that are initiated largely by the corporate sector. All of these are a prerequisite to development, without which many small and structurally weak countries in Africa cannot survive global and regional competition, much less so under the current crisis. Since much of production, trade and international financial flows are shaped by TNCs which integrate goods and services and factor markets across national boundaries, corporate integration has gained particular relevance in the quest for regional economic integration. Integration in the corporate sector by TNC initiatives on the one hand and government efforts in regional and sub-regional economic and financial integration on the other reinforce each other and strengthen the mutual links.

In their efforts to achieve expansion and rationalization of production capability and to acquire technology for industrial growth, policymakers in Africa recognize the emergence of TNCs from Africa and other developing countries and view them as a

Table 13. Status of Competition Law and Policy in Sub-Saharan Africa

Country	Competition Law	Competition Authority	Regional Grouping
Algeria	Yes	Yes	-
Angola	Draft Law	No	-
Benin	Yes	Yes	UEMOA/ ECOWAS
Botswana	Yes	Yes	SACU
Burkina-Faso	Yes	Yes	UEMOA/ ECOWAS
Burundi	Draft Law	No	COMESA/ EAC
Cameroon	Yes	Yes	CEMAC
Cape Verde	Draft Law	No	ECOWAS
Central African Republic	No	No	CEMAC
Chad	No	No	CEMAC
Comoros	No	No	COMESA
Congo	No	No	CEMAC
Côte d'Ivoire	Yes	No	UEMOA/ ECOWAS
Democratic Republic of the Congo	No	No	COMESA
Djibouti	NA*	No	COMESA
Egypt	Yes	Yes	COMESA
Eritrea	No	No	COMESA
Ethiopia	Yes	No	COMESA
Equatorial Guinea	NA*	No	CEMAC
Gabon	Yes	Yes	CEMAC
Gambia	Yes	Yes	CEDEAO
Ghana	Draft Law	No	CEDEAO
Guinea	No	No	CEDAO
Guinea Bissau	No	No	UEMOA/ ECOWAS
Kenya	Yes	Yes	COMESA/ EAC
Lesotho	Draft Law	No	SACU
Liberia	No	No	CEDEAO
Libyan Arab Jamahiriya	No	No	COMESA
Madagascar	Draft Law	No	COMESA
Malawi	Yes	Yes	COMESA
Mali	Yes	Yes	UEMOA/ ECOWAS
Mauritania	Yes	Yes	-
Mauritius	Yes	Yes	COMESA
Morocco	Yes	Yes	-
Mozambique	Draft Law	No	-
Namibia	Yes	Yes	SACU
Niger	No	No	UEMOA/ ECOWAS
Nigeria	Draft Law	No	ECOWAS

Table 13. continues page 34

(Table 13. Continued)

Country	Competition Law	Competition Authority	Regional Grouping
Rwanda	Draft Law	No	COMESA/ EAC
Sao Tome and Principe	Draft Law	No	-
Senegal	Yes	Yes	UEMOA/ ECOWAS
Seychelles	Yes	Yes	COMESA
Sierra Leone	Draft Law	No	ECOWAS
Somalia	No	No	-
South Africa	Yes	Yes	SACU
Sudan	No	No	COMESA
Swaziland	Yes	Yes	COMESA/ SACU
Tanzania, United Republic of	Yes	Yes	EAC
Togo	Yes	No	UEMOA/ ECOWAS
Uganda	Draft Law	No	COMESA/ EAC
Zambia	Yes	Yes	COMESA
Zimbabwe	Yes	Yes	COMESA

Source : UNCTAD
**NA: information not available*

major instrument to promote integrated and balanced regional economic growth. The potential of TNCs, including those from Africa which possess a wide network of operation and high regional or international mobility, cannot be underestimated for the integration process. The decision of TNCs about the location and scope of their activities directly affects the pattern of regional economic integration. On the other hand, governmental policies affect directly the decisions of TNCs as to the location and scope of their global operations. Particularly, expanded markets resulting from integration affect the capacity of TNCs for efficient and profitable operations. Both governments and TNCs can adopt specific policies and strategies towards the sub-regional and regional integration. Thus, the interplay of these two main actors play an important role in the regional integration processes in Africa and needs to be analyzed.

This section examines the interface between regional economic integration and FDI or corporate integration in Africa. Particularly, the analysis revolves around two interrelated questions: (a) What is the global significance and scope of FDI flows among African countries? The volume, geographical and sectoral diversification of such flows is examined on the basis of available statistics. Most importantly, the impact of FDI on regional economic integration processes among African countries and the reasons for relatively disappointing performance are assessed; (b) How can FDI which leads to corporate integration best be promoted to achieve the objectives of regional economic integration? It discusses the implications of FDI policy initiatives available to home countries, to host countries, and to regional and international organizations for regional integration strategies by TNCs.

Table 14. Main Features of Competition Rules in African Regional Groupings

Regional Grouping	Competition Framework	Prohibited Practices	Competent Organ / Regional competition Authority
CEMAC	CEMAC - *Réglementation des pratiques commerciales anticoncurrentielles*. Règlement n°1/99/UEAC-CM-639 du 25 juin 1999.	Aligned with EU competition law. Any agreement between undertakings or concerted practice which has as its object or effect the prevention, restriction or distortion of competition within the Common Market shall be prohibited.	Regional Council on Competition (not in place).
COMESA	COMESA Treaty, Article 55 (1981).	Any agreement between undertakings or concerted practice which has as its object or effect the prevention, restriction or distortion of competition within the Common Market shall be prohibited.	COMESA Competition Commission.
	Competition Regulations and Rules (December 2004).	Covers all types of anti-competitive practices, anti-competitive agreements, abuse of dominance, anti-competitive mergers and acquisitions as well as consumer protection.	
EAC	Treaty Establishing the East African Community - November 1999 and Article 21 of the Protocol on the Establishment of an EAC Customs Union (March 2004).	Partner states are required to prohibit any practice adversely affecting trade within the Community, including agreements or concerted practices, which prevent, distort or restrict competition.	
	East African Community Competition Bill (May 2007 - but not yet approved by all member states).	Detailed provisions of the Bill reflect a prohibition approach derived from the EU model.	East African Community Competition Committee is to be established (not yet functioning).
ECOWAS	Community Competition Rules and application modalities within ECOWAS (Supplementary Act A/SA.1/06/08), 19 Dec. 2008.	They reflect the 4 broad categories of "anticompetitive" market conduct, namely; Agreements and Concerted Practices, Monopolization Practices, Mergers and Acquisitions and State-Induced Competition Distortions. It also reflects areas of substantive convergence between the existing codes in the region (UEMOA, Nigeria and Ghana).	ECOWAS Competition Authority (not yet in place).

(Table 14. Continued)

Regional Grouping	Competition Framework	Prohibited Practices	Competent Organ / Regional competition Authority
SACU	SACU Agreement (2002), Articles 40 and 41.	- *Article 40*, "Competition Policy": agreement of Member States that there should be competition policies in each Member State and obliges the Member States to co-operate with each other on enforcement of competition laws and regulations. - *Article 41* "Unfair Trade Practices", obliges the Council of SACU (acting on the advice of the SACU Commission) to develop policies and instruments to address unfair trade practices between Member States.	Draft Cooperation Agreement on Competition Law Enforcement (Art. 40). Draft Unfair Trade Practices Annex (Art.41).
SADC	Trade Protocol, Article 25 "Competition policy".	It requires member states to implement measures within the Community that prohibit unfair business practices and promote competition.	Proposal for an Enforcement Cooperation Agreement.
WAEMU	Articles 88 to 90 of the WAEMU Treaty. Regulations on anti-competitive practices (2002) and directive on cooperation between the Commission and the competition bodies of member states for the application of Articles 88, 89 and 90 of WAEMU Treaty.	Common Regional Competition Policy. Articles 88-89: prohibits anti-competitive practices. Article 90: mandate of the competition commission - set procedures governing cartels and abuse of dominant position; and on state aid; - WAEMU Competition Commission has exclusive competence for the implementation of competition rules concerning agreements at the regional and national levels, abuse of dominance and state aids.	WAEMU Competition Commission. Control by Court of Justice.

2. Significance and Scope of Intra-Regional FDI in Africa

Changes in the geographical patterns of global FDI over the past two to three decades show the growing importance of developing countries as both host and home countries for FDI. Patterns of *inward* FDI are changing, reflecting responses of TNCs from both developed and developing countries to policy developments towards more liberalization and deregulation in developing countries and growing business opportunities in those countries. These overall patterns are not affected under the current financial and economic crisis and, on the contrary, even reinforced. Therefore, while global FDI flows declined in 2008, the share of developing countries in global inflows rose from 27 per cent in 2007 to 36 per cent in 2008.[16] Africa raised its share to 4 per cent in 2008, though the absolute amount of FDI flows were still a low $62 billion.

Similarly, *outward* FDI is geared more towards developing countries as emerging sources, a fact that suggests that more firms based in developing countries are accumulating the necessary financial and technological capabilities to invest abroad and by investing abroad they may gain access to foreign markets and technology, improve their efficiency and enhance their firm-specific advantages. Over the past decade and half, some developing countries have emerged as significant sources of FDI. In absolute terms, outward FDI flows from developing countries increased – from an annual average of $65 billion in the 1990s to over $250 billion in 2007.[17] Their outward FDI stock level in 2007 was over $4 trillion. Africa alone invested only $6 billion in 2007 and its stock reached $73 billion. In addition to FDI flows and stocks, data on cross-border M&As, greenfield investment expansion projects also confirm the growing significance of TNCs from developing countries, although the growth of African economies as investors was admittedly less spectacular (Table 15).

It is almost impossible to assess the level, scope, significance and direction of FDI from Africa, because no African countries other than South Africa keep data on outward FDI stock and flows that can be meaningfully aggregated and compared. Further, it is difficult to determine the extent to which the investments are genuinely from domestic corporations in the countries concerned as opposed to local affiliates of developed country TNCs.

Nevertheless, the following observations can be established: Africa has the smallest stock of outward FDI, concentrated in five countries – Egypt, Liberia, Morocco, Nigeria and South Africa – that together accounted for more than 90 of Africa's outward stock of $73 billion in 2007. South Africa has been by far the most important African source of FDI. While three quarters of its outward FDI stock in 2006 was in developed countries, investment in other neighbouring African countries has recently increased, mainly targeting natural resources and basic industries.[18]

Major TNCs from Africa have emerged in the primary sector (oil, gas and mining) and resource-based manufacturing industries (metals, steel and petroleum refining). They are also present in various services, though on a much smaller scale. The growth of FDI from Africa has important implications for development in its own region. There are two groups of countries in Africa: one comprises the countries that receive relatively significant shares of their FDI flows from other African countries; and those which receive insignificant shares and amounts of FDI flows from them (Table 16). Geographically, many Southern African countries are part of the former group, while North African countries and other countries belong to the latter group which generally receives FDI from countries outside Africa. Those countries with large FDI from other African countries are largely mining or natural resources-producing countries, in which many South African TNCs are the dominant investors.

Intra-regional flows within Africa were an estimated $2 billion annually during 2002-2004 and $1.6 billion during 2005-2007 (only about 13 per cent and 4 per cent, respectively, of total FDI inflows in Africa).[19] In terms of inward FDI stock in Africa, at least more than 6 per cent of its stock was either from South Africa or Morocco in 2007 (Table 17). The share of intra-regional FDI in total FDI reaches about one third for Botswana, Madagascar, Mozambique and Namibia (Table 18). Over the years, however, the share of intra-regional FDI in Africa has not risen and fluctuates widely. Data on cross-border M&As also point to similar trends, but show a larger share of intra-regional investments than in FDI flows or stock (Table 19). It suggests that greenfield investments which are still a typical mode of investments in Africa are mainly concluded by non-African countries. Indeed, according to the number of such deals in Africa, less than one tenth was concluded

Table 15. Africa's FDI, 2003 and 2008

	Item	1990s (average)	2003	2007	2008 [a]	Share in the World Total (%) 1990s (average)	2003	2007	2008 [a]
Inward FDI	FDI inflows ($ bil and %)	6.6	18.7	53.0	61.9	1.6	3.3	2.9	4.3
	FDI inward stock ($ bil and %)	59.0[b]	202.2	393.4	-	3.0[b]	2.5	2.6	-
	Cross-border M&A sales [c]								
	Value ($ bil)	3.0	5.4	10.2	26.3	0.9	1.3	0.6	2.2
	Number of deals	84	80	142	141	1.5	1.2	1.4	1.5
	Greenfiled investments (number of cases)	-	-	-	-	-	-	-	-
Outward FDI	FDI outflows ($ bil and %)	2.0	1.2	6.1	4.5	0.5	0.2	0.3	0.3
	FDI outward stock ($ bil and %)	19.8[b]	40.4	72.8	-	1.1[b]	0.5	0.5	-
	Cross-Border M&A Purchases [c]								
	Value ($ bil)	3.0	1.4	5.5	13.6	0.9	0.3	0.3	1.1
	Number of deals	55	49	77	89	1.0	0.7	0.8	1.0
	Greenfield investments (number of cases)	-	66	60	-	-	0.8	0.8	-

Source: UNCTAD estimates.
[a] *Preliminary estimates.*
[b] *1990.*
[c] *Africa as ultimate target/acquiring region. In this case of purchases, M&As by foreign companies operating in Africa are excluded, while those by African companies operating abroad are included even if papament is not necessarily made by their African parent companies, while in the case of sales, companies acquired in Africa should have their parent firms based in Africa.*

Table 16. African Countries with FDI Much From Other African Countries and Other Countries

Countries Where FDI From Other African Countries is Relatively High (More Than One Quarter of Total FDI [a])	Countries Where FDI From Other African Countries is Small (Less Than One Tenth of Total FDI [a])
• Botswana	• Algeria
• Madagascar	• Cape Verde
• Malawi	• Egypt
• Mauritius	• Ethiopia
• Mozambique	• Morocco
• United Republic of Tanzania	• South Africa
• Uganda	• Tunisia

Source: UNCTAD.
Note [a] Based on FDI inflows or FDI inward stock.
Only those countries for which data by source of FDI in past few years are available are considered.

Table 17. Distribution Share of the Top 20 Investors in Africa, as Reported by Investing Economies (%)

Rank	From [(a)]	Shares in Total Inward FDI Stock in Africa
-	**Developed Economies**	**79.6**
-	**Developing Economies**	**20.2**
-	**South-East Europe and the CIS**	**0.2**
1	United Kingdom	21.2
2	United States	19.4
3	France	15.4
4	**South Africa**	**5.9**
5	Germany	4.8
6	Singapore	4.4
7	Switzerland	4.3
8	Norway	3.7
9	India	3.6
10	Canada	2.9
11	Japan	2.7
12	Malaysia	2.6
13	Sweden	2.0
14	China	1.8
15	Portugal	1.2
16	Denmark	0.9
17	Taiwan Province of China	0.8
18	Netherlands	0.5
19	**Morocco**	**0.4**
20	Korea, Republic of	0.4
-	*Others*	1.2

Source: UNCTAD, FDI/TNC database.

[(a)] Geographical, breakdown of inward FDI in Africa is not available for most African countries. This table is based on outward stock data of:

- Cyprus (2002), Hungary (2003), Latvia and Pakistan (2004);

- Austria, Czeck Republic, Germany, India, Netherlands, New Zealand, Norway, Republic of Korea and Singapore (2005);

- Australia, Brazil, Chile, China, Croatia, Denmark, France, Kazakhstan, Morocco, Portugal, Slovenia, South Africa, Sweden, Switzerland, Thailand, Turkey and the United Kingdom (2006);

- Bulgaria, Canada, Estonia, Finland, Iceland, Israel, Japan, Malaysia, Poland, Taiwan, Province of China, Ukraine and the United States (2007).

Data for India and the Taiwan Province of China are estimated based on approval date.These economies accounted for about 36 per cent of total inward stock of Africa in 2007.

Table 18. Intra-Regional FDI in Africa, Various Years

	Country	Period Average/ Year	Source Region ($ Million)		Share of Africa in World (%)
			Africa	World	
FDI Inflows	Cape Verde	2004-2006	0.2	84.7	0.2
	Egypt	2004-2006	8.4	8 772.2	0.1
	Ethiopia	1992-1994	0.1	7.0	1.6
		2002-2004	37.3	421.7	8.8
	Madagascar	2005-2007	25.0	459.1	5.5
	Mauritius	1994-1996	0.9	25.1	3.8
		2004-2006	3.8	129.4	2.9
	Morocco	1996-1998	20.3	664.7	3.1
		2004-2006	9.9	2 348.8	0.4
	Mozambique	2004-2006	86.1	168.8	51.0
	Tunisia	1998-2000	8.5	605.3	1.4
		2005-2007	47.3	1 902.3	2.5
Inward FDI Stock	Botswana	1997	769.7	1 280.2	60.1
		2005	183.8	806.3	22.8
	Madagascar	2002	43.0	165.5	26.0
		2006	326.8	932.4	35.0
	Malawi	2000	103.6	357.7	29.0
		2004	151.5	562.3	26.9
	Morocco	2006	234.7	29 938.7	0.8
	South Africa	1990	183.8	9 210.4	2.0
		2000	301.1	43 451.0	0.7
		2006	584.5	87 765.0	0.7
	Uganda	2003	249.4	1 358.8	18.4

Source: UNCTAD, FDI/TNC database.

by African countries during 2003-2007 (Table 19).

Because of small markets in individual African country and unrealized integrated common markets at regional or sub-regional levels in Africa, consumer-products manufacturing FDI is relatively small. Thus, investments are concentrated in mining, finance, telecommunications and resource-based industries in manufacturing such as foods, metals and chemicals for exports. When it comes to intra-regional FDI, there is some difference in trends between M&As and greenfield investments. Overall the share of Africa in total cross-border M&A sales in Africa ranges between 20 per cent to nearly 60 per cent (Table 20), while in greenfield investments, the share is much lower in each industry. In both modes of entry, intra-regional FDI is high in finance, wood and wood products, and textiles, clothing and leather industries. In the mining sector which is the largest FDI recipient sector, the intra-regional FDI is relatively small as their investment is confined by South African mining TNCs only.

South African FDI is substantial in many neighbouring countries (Botswana, Mozambique, Mauritius and Namibia) at the individual investor level. Much intra-African investment from South Africa is in mining, but also engaged in other natural resources, resource-based industries, and recently infrastructure and finance. This network

Table 19. Cross-Border M&As in Africa, 1987-2008

Mode of FDI	Period	Adquiring / Investing Region		Africa's Share in World (%)
		World	Africa	
Cross-Border M&As (Number of Deals)	1987-2008	2 456	773	31
	1987-1994	299	118	39
	1995-1999	832	251	30
	2000-2004	617	203	33
	2005-2008	708	201	28
Cross-Border M&As (Value in $ Million)	1987-2008	170 155	47 764	28
	1987-1994	5 960	1 832	31
	1995-1999	32 319	19 840	61
	2000-2004	38 964	6 517	17
	2005-2008	92 911	19 575	21
Greenfield Investments (Number of Deals)	2003-2007	1 939	149	8

Source: UNCTAD.

of the corporate sector from South Africa is limited to these industries and not beyond these industries or sectors, particularly manufacturing. This network, which is different from the one in South-East Asia (or ASEAN) or Latin America (or MEROSUR), does not develop intra-regional corporate integration as it does not essentially benefit from different levels of skills and technological development which mutually strengthen both host and home countries.

South Africa itself receives a negligible share of its inward FDI form other African countries (Table 4). Other Africa countries also are large investors in certain countries: for example, Mauritius invests in Madagascar (15 per cent of total FDI inflows during 2004-2006) and Mozambique (23 per cent during the same period),[20] Kenya in Uganda (10 per cent during fiscal years 2000-2002) and Egypt Algeria (19 per cent during 1999-2001).[21]

Similar to other TNCs, those from Africa tend to establish their footholds in other developing countries. The main factors that motivate firms from Africa to invest within the region are similar to those that motivate FDI from other countries. However, unlike South-East Asia (or ASEAN) where more than 30 per cent of FDI is already intra-regional, a lower level of intra-regional FDI in Africa which accounts for about one tenth of total FDI in the region is perhaps due to lack of adequate transport and communication infrastructure, skilled labour, and weak economic links and contact among them within the region. The relative absence of these factors makes selection of a reliable partner in host economies difficult. Inability to find the right local partners makes all FDI difficult and insecure.

Geographical proximity, familiarity with the political and economic system of the neighbouring countries, ethnic ties and historical links, all of which are the factors leading to the high level of intra-regional or intra-subregional investments, already exist in some parts of Africa. Therefore, intra-regional FDI is geographically concentrated among the more developed African countries, mainly in Southern Africa and North Africa only. Poor quality and performance of production and human capital, including lack of technology know-how or information originating from the region, lead other African country firms to seek FDI abroad in developed or other developing regions.

If these problems are lessened, the preceding analysis indicates to the positive potential of FDI for both home and host countries as well as for the overall economic development and cooperation efforts of Africa as a whole. For host countries, it implies more alternatives for selecting foreign inputs, and thus an improved bargaining power *vis-à-vis* international suppliers of productive resources from developed or other developing economies.

Table 20. Cross-Border M&As (1987-2008) and Greenfield Investment Projects (2003-2007) in Africa, by Sector/Industry of the Seller and by Investing Region (Number of Deals)

Sector/Industry of the Target Country	M&As in Africa by Acquiring Region, 1987-2008			Greenfield Investments in Africa by Source Region, 2003-2007		
	World	Africa	Africa's Share in World (%)	World	Africa	Africa's Share in World (%)
Total	**2 456**	**773**	**31**	**1 939**	**149**	**8**
Primary	**638**	**164**	**26**	**285**	**11**	**4**
Agriculture, hunting, forestry and fishing	32	6	19	-	-	-
Mining, quarrying and petroleum	606	158	26	285	11	4
Manufacturing	**716**	**216**	**30**	**853**	**57**	**7**
Food, beverages and tobacco	159	40	25	110	11	10
Textiles, clothing and leather	37	15	41	61	6	10
Wood and wood products	24	14	58	20	3	15
Chemicales and chemical products	138	42	30	81	2	2
Rubber and plastic products	26	10	38	23	1	4
Non-metallic mineral products	63	16	25	33	6	18
Metals and metal products	62	16	26	207	14	7
Machinery and equipment	45	17	38	46	-	-
Electrical and electronic equipment	52	15	29	88	5	6
Motor vehicles and other transport equipment	46	8	17	141	4	3
Others	64	23	36	43	5	12
Services	**1 102**	**393**	**36**	**801**	**81**	**10**
Hotels and restaurants	53	14	26	105	8	8
Transport, storage and communications	202	68	34	180	11	6
Finance	307	128	42	190	45	24
Business services	249	84	34	304	17	6
Others	291	99	34	22	-	-

Source: UNCTAD.

For home countries, the benefits include access to markets, raw materials, skilled or unskilled labour, thereby increasing international competitiveness. However, as evidenced, intra-regional investments still constitute an extremely small fraction of the FDI total. There seems to be a general agreement about the need and the rationale to increase investment flows among African countries. In order to maximize possible benefits and remove or prevent undesirable effects such as unequal distribution of cost and benefits, FDI involving host country partners (i.e. joint ventures) or FDI projects on a regional basis is a viable option.

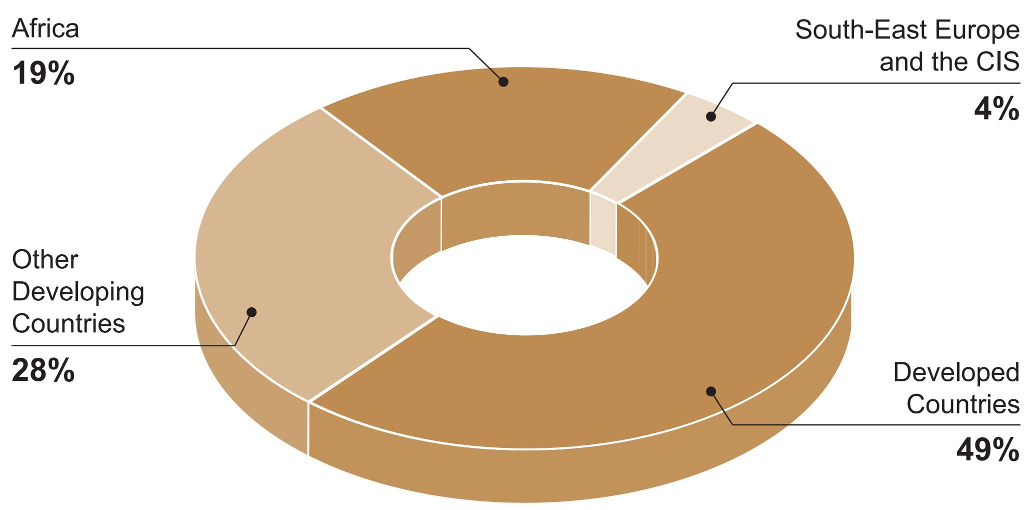
Indeed, one of strategic options by African TNCs which are generally small except for mining giants is to cooperate and invest together with other firms based in other countries or in host economies.[22] Smaller transnationals have been more attracted to joint ventures than large transnationals. The limited resources and skills make small firms extremely vulnerable in highly competitive markets.

3. Policy Recommendations on Corporate Integration

Measures have been undertaken at national, regional and inter-regional levels to facilitate and attract FDI flows and mutual FDI among African countries. Regulatory changes that occurred in the past two decades at the national level by and large are in the direction of more liberalization and deregulation. They simplified procedures, enhanced incentives, reduced taxes and opened new fields to foreign investors. In a 2006 UNCTAD survey of investment promotion agencies (IPAs),[23] more than 90 per cent of all African respondents stated that they currently targeted FDI from other developing countries, notably from within their own region. Indeed, for African IPAs, South Africa tops the list of developing home countries targeted. This suggests that host countries adopt specific strategies to attract such investment.

National governments can play an important role in creating public policy and a legal system that encourage intra-regional FDI and provides incentives for economic cooperation. For example, in South Africa, the Industrial Development Corporation (IDC)

Figure 7. African BITs, Mid 2010 (Percentages)



Source: UNCTAD.

and the Development Bank of Southern Africa, are involved in, for example, equity financing of private sector projects in the Southern African region and elsewhere in Africa. In addition to participating directly in financing investments, IDC helps companies identify investment opportunities abroad. Furthermore, the Department of Trade and Industry has had some schemes aimed at supporting the internationalization of notably the automotive sector in South Africa.[24]

Joint ventures concluded in a country or on a regional basis, are capable of advancing the process of economic cooperation and integration, and provide support for regional projects such as transport links and information systems, policies and institutions. The efforts of governments within a region to create region-wide projects as a new force to channel productive resources within sub-regions in Africa in better, more equitable terms and conditions, to exploit the scale economies, and to countervail the monopolistic power of the TNCs from developed countries, fell far short of expectations except for a few cases such as infrastructure (transport facilities such as roads) and electricity distribution in certain sub-regions. These projects can include industrial collaboration agreements, licensing agreements, engineering and technical services, training personnel, and rendering of research and development (R&D) services. A more realistic approach to business-oriented investment and technology linkages among African countries is required at the firm level on the basis of rationale or driving forces of such activity from the perspective of African TNCs.

Establishment of joint ventures and projects on a regional basis can be considered as an integral part or essential component of national development plans and strategies. Measures to promote region-wide FDI projects range from direct assistance to such projects to information services, promotional loans and credit on favourable terms, advice and financial services. Assistance in identifying and formulating industrial projects, including the undertaking of feasibility studies and the formulation of bankable project proposals, would be required in reducing failures of projects.

Efficient information networks should be established to provide accurate and up-to-date information on investment opportunities, technological and market potential, national laws and regulations, costs, availability of labour, potential partner experiences, etc. Lack of such information acts as an important deterrent to FDI as well as forming a joint venture on a bilateral or regional basis. The supportive role of government gains particular significance in light of the small size and limited resources of African TNCs, the infant stage of their internationalization process, the formidable obstacles and constraints they face, and unfamiliar regional and international economic conditions they have to encounter.

The development of industrial associations at the regional level could play a particularly positive role in linking local firms in different countries and offering possibilities for joint meetings, deliberations and negotiations on FDI involving several different countries. Infrastructural gaps at the regional and inter-regional levels in Africa should be also systematically closed. Some physical infrastructure projects (e.g. hydro-electric development and the construction of regional roads, bridges, railways) can be undertaken jointly. Finance is a crucial input to undertaking these projects. Multilateral financial organizations may become an important source of financing.

For home countries, research and development (R&D) activities should be strengthened as a basis for the development of ownership-specific advantages which are the driving force for investing abroad. Technology policy should aim at the indigenous development and adaptation of technology and transfers of technology among African countries themselves, while seeking to improve the terms of transfer from TNCs. Appropriate infrastructural facilities are necessary in order to facilitate promotion of their mutual investments and technology transfer.

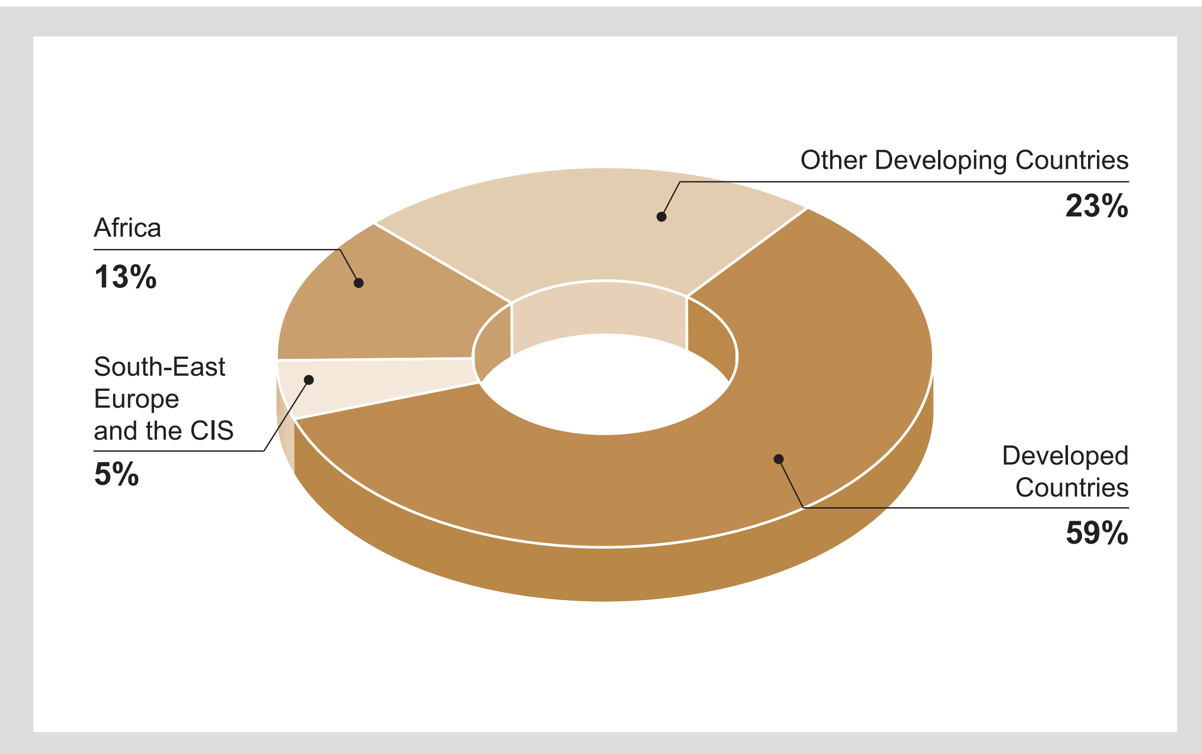
In terms of legal arrangements covering FDI, regional economic cooperation or integration agreements, bilateral investment treaties (BITs) and double taxation treaties (DTTs) occupy an increasingly prominent place in the evolving universe of African international investment agreements (IIAs). By mid-2010, African countries had signed 748 BITs, 140 of which were with other African countries (Figure 7). With respect to DTTs, African countries had signed 469, with 59 being with African counter parts (Figure 8).

At the regional level, African countries had an early start in the process of covering investment issues in their economic integration regimes. The UDEAC Common Convention on Investments (signed in 1965); the Treaty Establishing the Economic Community of West African States (ECOWAS) (signed in 1975) and the Treaty for the Establishment of the Economic Community of Central African States (ECCAS) (signed in 1983) all contain references to investment. More recently, investment related rule-making was undertaken by the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). In 2006, SADC members signed a Protocol on Finance and Investment that seeks to foster harmonization of investment policies of the State Parties and to ensure a stable and transparent investment framework in the region. In May 2007, the COMESA adopted an agreement for the Common Investment Area, which envisages a free investment area by 2010 (Box 5).

Functional integration and cooperation at the government level among countries should be put in place and promoted. Firstly, political and economic decisions should be closely coordinated. Political decisions have often been taken in the absence of consultation with the business community. Government programmes have therefore often failed to generate an interest or faced opposition from firms. The representation of business community on national or regional policy making institutions must be increased. Secondly, policies of home and host countries should be coordinated to prevent serious trade-offs due to conflicting objectives (for example, performance requirements between host and home countries). Economic policies of the countries concerned in the region should be harmonized with respect to FDI, granting of preferential treatment, industrial promotion schemes, etc. Thirdly, projects directed to or coming from other African countries should be facilitated, particularly putting their joint ventures or regionally based projects under a different light than the one applied generally.

The identification of the firms' priorities and interests with the objectives of programmes of African countries to promote regional economic cooperation and integration is of crucial importance. When joint ventures involving firms from more than two countries become a firm-initiated activity, they will produce benefits for both firms themselves through commercial efficiency and governments through strengthening of bargaining power and regional cooperation and integration. A new balance between the role of micro (enterprises) and macro agents (governments and regional and international agencies) in promotion of mutual investments must be achieved to realize the objective of economic viability.

Figure 8. African DTTs, Mid 2010 (Percentages)



Source: UNCTAD.

However, economic cooperation among African countries at the firm level, based on the principle of economic viability as a guiding principle, may accentuate existing asymmetries in the developing world by concentrating the advantages of industrial collaboration and joint production in the more advanced countries in the region. Home-host government incentives, special provisions for the least developed countries of the regional groups, and financial assistance from international agencies may only partially succeed in directing investment flows and industrial development activities to these countries. A gradual, progressive and step-by-step approach to regional cooperation and integration may be required. A region-wide approach to economic cooperation therefore does not exclude the strengthening of more limited initiatives on a bilateral basis. It is in the bilateral context that it will often be found most feasible to undertake joint production and other collaborative economic activities. Bilateral schemes have more frequently given rise to regional or multilateral schemes rather than vice versa.

Box 5. COMESA Adopts an Agreement for a Common Investment Area

The Common Investment Area, which envisages a free investment area by 2010 aims inter alia at attracting and promoting sustainable FDI by gradually eliminating restrictions and conditions to investment and operation of projects. The new Agreement is to help its members, most of which are too small to attract the investment they need to support their national development processes and regional integration efforts.

The Agreement grants investors [a/] in COMESA national treatment, MFN and fair and equitable treatment as of 2010 "with respect to the establishment, acquisition, expansion, management, operation and disposition of investments" in all economic activities except those reserved by each Member State. It further grants investors protection against expropriation and taxation measures alleged to be an expropriation.

Member States have committed themselves under the new Agreement to (a) take appropriate actions to promote transparency; (b) apply and interpret their investment laws, regulations and administrative procedures in a consistent way; (c) facilitate, promote and liberalize their investment measures, gradually; (d) enhance the attractiveness of their investment environment for direct investment flows; and (e) ensure observance of the provisions of the Agreement by their regional and local government authorities.

[a/] A foreign owned or controlled firm is considered to be a COMESA investor if it maintains substantial business activity in a Member State. "Substantial business activity" is determined, on a case-by-case basis, by taking into account all the circumstances, including, inter alia (a) the amount of investment brought into the country; (b) the number of jobs created; (c) its effect on the local community; and (d) the length of time the business has been in operation.

Source: UNCTAD, 2008. World Investment Directory: Volume X. Africa (New York and Geneva: United Nations), United Nations publication, 45.

ENDNOTES

13 www.Eact.int/tripartite-summit.html. Report by the Chair of the Tripartite Taskforce, July 2010.

14 See UNCTAD (2005). *Competition Provisions in Regional Trade Agreements: How to Assure Development Gains* (UNCTAD/DITC/CLP/2005/1).

15 See UNCTAD (2008). *The attribution of competence to community and national competition authorities in the application of competition rules* (TD/B/COM.2/CLP/69).

16 UNCTAD (2009). *Global foreign direct investment now in decline and estimated to have fallen during 2008.* UNCTAD Press Release, UNCTAD/PRESS/PR/2009/001.rev1, 19 January 2009.

17 UNCTAD (2008). *World Investment Report 2008: Transnational Corporations and the Infrastructure Challenge* (New York and Geneva: United Nations), United Nations publication.

18 UNCTAD (2008). *World Investment Directory: Volume X. Africa* (New York and Geneva: United Nations), United Nations publication.

19 The level of FDI from Africa in many other small African economies may well be understated in official FDI data, as a significant proportion of such investment goes to their informal sector, which is not included in government statistics.

20 Such investment is mainly made by foreign companies operating in Mauritius.

21 UNCTAD (2008). *World Investment Directory: Volume X. Africa* (New York and Geneva: United Nations), United Nations publication.

22 Not surprisingly, the incidence of joint venture arrangements, equity and non-equity, among TNCs from developing countries is quite high.

23 UNCTAD (2006). *World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development* (New York and Geneva: United Nations), United Nations publication.

24 UNCTAD (2005). *Emerging FDI from developing countries*, note prepared by the UNCTAD secretariat at the Commission on Investment, Technology and Related Financial Flows, Ninth session, Geneva, 7–11 March 2005.

III

Achieving integration that is people-centred and development-oriented

ACCELERATING ACHIEVEMENT OF THE PAN-AFRICAN COMMON MARKET AND ECONOMIC COMMUNITY

III. ACCELERATING ACHIEVEMENT OF THE PAN-AFRICAN COMMON MARKET AND ECONOMIC COMMUNITY

A. Efforts at Consolidating and Converging Market Integration Among RECs

In the 30 years since the adoption of the Lagos Plan of Action, African market integration processes have seen important advances. Important progress has been attained in four of the eight RECs forming the pillars of the Africa Economic Community, namely ECOWAS, COMESA, EAC and SADC – these groupings have achieved a measure of free trade and started implementation of customs union programmes. Progress has been slow or partial in UMA and ECCAS. In the two relatively new RECs – CEN-SAD and IGAD – market integration programmes have yet to be adopted and implemented.

In terms of the six stages of the Abuja Treaty, stage 1 (to be achieved by 1999) has been achieved. Eight RECs have been created and accepted by African countries as constituting the pillars for the formation of the African Economic Community. In terms of stage 2 (to be completed by 2007), namely intra-REC enhancement and inter-REC harmonization, the process is ongoing. The RECs established have created, launched and continue to implement various economic integration and cooperation programmes including in market integration. In terms of stage 3 (to be achieved by 2017), formation of free trade areas and customs unions in each REC, the progress is underway for ECOWAS, COMESA, EAC and SADC (which have achieved free trade and launch customs unions), slow or weak in UMA and ECCAS, and non-implementation in CEN-SAD and IGAD. Progress towards stages 4 and 5 for the formation of continental customs union and common market respectively (to be achieved by 2019 and 2023 respectively) has yet to start.

It is clear that progress towards the strengthening of African economic integration has been slow and partial. In some cases, implementation of some decisions have been slow; in others the ratification and non-application of some legal instruments has inhibited progress; economic disparities among members has also affected progress as countries endeavour to ensure that they all benefit in a balance manner from integration, especially *vis-à-vis* LDCs and other small, vulnerable and landlocked countries; and the matter of multiple membership has complicated integration. On the one hand, this sluggish pace of African integration can be expected. Market integration implies ceding of national commercial sovereignty, especially the right to impose tariffs for purposes of fiscal revenue and industrial development, in favour of the regional community. This has been a sensitive issue most economic integration processes around the world and especially in the African continent. On the other hand, African countries and their leaders have underlined their commitment to consolidating fragmented African markets into consolidated regional and continental economic, trading and investment space so as to buttress economic growth and development in Africa based on internal economic dynamism. Intra-African integration is also critical to building up the resilience of the continent to external economic shocks.

The slow, partial or non-implementation of market integration and the consolidation, coordination, harmonization or merging of RECs is a concern that African countries have recognized and sought to address. At the highest level of Heads of State and Government, the Sirte Declaration adopted by OAU Assembly on 9 September 1999 on the formation of the African Union also decided to "Accelerate the process of implementing the Treaty Establishing the African Economic Community, in particular: (a) Shorten the implementation periods of the Abuja Treaty, (b) Ensure the speedy establishment of all the institutions provided for in the Abuja Treaty, such as the African Central Bank, the African Monetary Union, the African Court of Justice and, in particular, the Pan-African Parliament." Article 7 of the Abjua Treaty provides for the creation of these pan-African institutions.

In hindsight, this decision to fast-track African integration was not only timely and relevant in terms of dealing with the perceived low or slow pace of integration that contributed to hold back economic progress in Africa, but also is central to building up the economic resilience of the continental to external economic shocks, as recently experience in terms of the global food, fuel and financial and economic crises. African countries integration into the global trading system has to seek a balance between reliance on external trading partners (for exports and imports) and reliance on the domestic (regional) market to create the resilience needed to withstand future external shocks. At the same time, however, an acceleration of the phase of implementation will not enhance African regional integration unless it is accompanied by important progress towards deeper and "development integration" combining trade liberalization with regulatory cooperation, infrastructure and supply capacity building. There is urgent need in Africa to build up the supporting infrastructure and institutions for regional integration that would sustain an acceleration of economic integration towards relation of the continental common market.

An important consideration in many economic integration processes and globally, in terms of ensuring balanced development, is the lead role of regional growth poles – such as South Africa, Nigeria, Egypt, Kenya, Libyan Arab Jamahiriya, etc. – which have a dominant role in intra-regional trade and investment. These countries would need to take more active role in supporting the accelerated operationalization of economic integration programmes, including by providing support to the weaker economies and fast tracking the liberalization of their commitments.

Measures to implement this commitment at the continental level have been examined, discussed and recommended to African countries, especially through the meetings of the Conference of African Ministers In Charge of Integration (COMAI). In the meetings COMAI held so far, among matters of integration discussed, a particular emphasis has been placed on accelerating, within RECs, the implementation of decisions on free movement of persons, goods and capital.

COMAI I in March 2006 (Ouagadougou, Burkina Faso) recommended that the African Union Assembly recognize the following eight RECs as a way for fostering consolidation of RECs (and preventing the creation of new ones and limiting further multiplication): ECOWAS, COMESA, ECCAS, SADC, IGAD, UMA and CEN-SAD. This recommendation was taken up and adopted by the African Union. It also recommended that the Abuja Treaty timetable be rearranged to be consistent with the Sirte Declaration, in other words to accelerate (fast-track) attainment of the pan-African common market and economic community and hence to shorten the timetable (implementation period) for achieving the different stages, and meet expectations of the peoples of Africa.

COMAI II in July 2007 (Kigali, Rwanda) encouraged member States and RECs to continue to strengthen regional and continental integration, and called up the African Union Commission to harmonize and coordinate policies and programmes of RECs on the basis of the Abuja Treaty taking into account the need for conducive political, economic and social governance as well as peace and security.

COMAI III in Abidjan (Côte d'Ivoire) in May 2008 recommended that member States, RECs and the African Union Commission take measures to accelerate implementation of decisions on strengthen intra-African integration taken at previous COMAI. It also requested the African Union Commission to draw up, in consultation with RECs, a timetable for the implementation of the Minimum Integration Programme developed by the African Union Commission. The meeting also requested African countries to remove tariff and non-tariff barriers to facilitate intra-African trade. It also recommended the exemption of all holders of African diplomatic and service passports from visa requirements and that such privilege should be gradually extended to all African nationals.

COMAI IV in Yaoundé (Cameroon) in May 2009 adopted the Minimum Integration Programme (MIP) as a dynamic strategic framework for continental integration and urged the African Union Commission, in consultation with member States and RECs, to evolve modalities for the implementation of the MIP in each priority sector. The MIP provides a continental framework for coordination, convergence and collaboration among RECs to achieve the integration of the African continent as foreseen under the Abuja Treaty and in a fast track manner as desired by the AU Heads of State and Government. It identifies nine priority sector, one of which is trade and the others are free movement, peace and security, infrastructure and energy, agriculture, industry, investment, science and technology, social affairs, political affairs, statistics, and capacity building.

In respect of trade, the MIP recommends that RECs undertake the following priorities on an accelerated basis (Table 21):

a) Remove and eliminate tariff barriers, within the prescribed timeframes, and adopted revenue loss compensation measures.

b) Eliminate NTBs, drawing upon the computerized system used by COMESA which allows trade community actors confronted with an NTB to denounce this practice.

c) Simplifying the different rules of origins existing for RECs, and harmonizing them towards a single continental set of rules, in the second instance.

d) Establishment of partnership agreements among RECs designed to enhance coordination and harmonization of activities and programmes. Such partnerships have been elaborated between SADC, COMESAS and EAC; IGAD with COMESA and with EAC respectively; and CEN-SAD with UMA and ECOWAS. Such partnerships need to be developed between ECOWAS and ECCAS, ECCAS and COMESA, and CEN-SAD and ECCAS.

e) RECs which have not done so to adopt a common external tariff leading to the formation of customs unions, and ensuring harmonization of tariff systems with other RECs.

In respect of the sector relating to free movement, which is also trade-related, the MIP recommends the following within certain timeframes (Table 21): (a) elaboration (where this does not exists like in IGAD), ratification (as in COMESA where there is non-ratification by members) and implementation of protocols on free movements of persons, right of residence and establishment as a priority; (b) facilitate free movement of goods by way of (a) adopting community motor insurance schemes and harmonizing them; and (b) harmonizing the axle load and size of vehicles and road transit charges in RECs and between them.

B. A Revised, Expeditious Roadmap and Its Implementation

There is consensus among African Union Heads of State and Government for an accelerated implementation of the six stages of the Abuja Treaty for the creation of an African Common Market and Economic Community. There is also high expectation from African people and enterprises about expeditious movement towards the formation of a consolidated African economic community, underpinned by strong and efficient regional and continental institutions, that can create sustainable conditions for internally dynamic opportunities for employment creation, income-earning possibilities for peoples and enterprises, reduce poverty, improve access to basic services, increase job opportunities, and encourage economic transformation toward highly industrialized and knowledge-based economies. RECs and their member States are also committed to a process of fast-track integration to form viable regional economic and investment spaces that would converge into a single, continental common market and economic community.

At the same time as noted earlier, an acceleration of the phase of implementation of African regional integration, if it is to succeed, must be accompanied by important progress towards deeper and "development integration" combining trade liberalization with regulatory cooperation, infrastructure and supply capacity building. There is urgent need in Africa to build up the supporting infrastructure and institutions for regional integration that would sustain an acceleration of economic integration towards relation of the continental common market. Maximizing use of development assistance, including through aid for trade in the multilateral context or regional and bilateral context in support for building regional integration institutions and infrastructure should be a priority.

The challenge, therefore is, through consultation with RECs, African countries, and African businesses and civil society organizations, the elaboration of realistic timeframes for accelerated achievement of free trade areas and customs union, followed by accelerated established of regional common markets, to be subsequently converged into the pan-African common market. While the implementation of the regional and continental frameworks need to be accelerated, at the national level there is need for African countries to review and adapt their trade and related policies to focus on national development goals as well as on the continental integration agenda.[25] Even at the continental level, the elaboration and adoption of a pan-African wide trade policy framework within which the continental integration objectives is promoted could be considered. It should be noted while the staging of the formation of the African Common market has been determined in the Abuja Treaty, some member States have enquired in the light of the immense challenges and difficulties of the past if the objective of continental economic integration could be made less complex. During the AU Trade Ministers Meeting in October-November 2010, it was discussed that continental integration could be facilitated if RECs conclude formation of free trade areas and proceed directly towards the continental common market without forming customs unions which may be unnecessarily complex and difficult to manage. Nonetheless, as the Abuja Treaty remains the charter for African integration, the plan contained therein constitutes the roadmap which African countries and RECs would need to adhere to.

A revised roadmap of the Abuja Treaty would need to reflect the following broad parameters: (a) the time frames for each of the six stages should be shortened as recommended by the Sirte Declaration in view of the experience with weak implementation of the past, and taking into account the recommendations of the MIP as regards trade; (b) accelerated formation and deepening of regional free trade areas and customs union should go hand-in-hand with convergence of trade liberalization programmes in regions where there is clear overlapping of memberships and programmes, based on the example of SADC, COMESA and EAC; (c) while formation of market integration is relatively undemanding in terms of ceding of sovereignty (loss only of commercial policy space), the subsequent formation of regional common markets and their convergence into the continent common market would necessitate a much higher degree of harmonization of macro-economic policies that can be quite demanding in terms of both the African countries ceding the policy making to the regional community and eventually the continental community, and for the convergence to be achieved at the regional and continental level; and (d) the ultimate goal of an African Economic Community with a single currency can only be attained on the basis of first establishing the single common market.

In this light, the following revised time frames for the implementation of the Abuja Treaty are proposed for the consideration of African countries and RECs (Box 6). These can be reviewed and adjusted based on discussions among African Trade Ministers and RECs.

In the second stage, the strengthening of integration within RECs and inter-REC harmonization would continue until the continent-wide Africa common market is achieved, which in a revised and fast-track but realistic timeframe would be by 2020 (i.e. in 10 years from 2010). The process of inter-REC coordination should also involve the African Union, especially by way of implementing provisions of the Protocol on Relations between the AU and the RECs, signed in January 2008. There has also been a proposal by COMAI III to set up regular meeting between the Chairperson of RECs and the Chairperson of the AU. In the third stage, the formation of free trade areas within RECs has been attained in ECOWAS, ECCAS,

Box 6. Proposed Revised Time Frames for the Abuja Treaty Six Stage Establishment of the African Economic Community

Stage	Goal	Original Time Frames	Revised Time Frames
1	Creation of regional blocs in regions where such do not yet exist	To be completed in 1999	Completed
2	Strengthening of intra-REC integration and inter-REC harmonization	To be completed in 2007	To be completed in 2020
3	Establishing of a free trade area and customs union in each regional bloc, and common markets by 2017	To be completed in 2017	To be completed in 2015 for free trade and customs unions, and by 2017 for common markets
4	Establishing of a continent-wide customs union (and thus also a free trade area)	To be completed in 2019	To be completed in 2017
5	Establishing of a continent-wide African Common Market (ACM), from the regional common markets	To be completed in 2023	To be completed in 2020
6	Establishing of a continent-wide economic and monetary union (and thus also a currency union) and Parliament	To be completed in 2028	To be completed in 2025
	End of all transition periods:	2034 at the latest	2030 at the latest

Table 21. Summary Table of the Minimum Integration Programme (MIP)

Priority sectors of the MIP	Subsectors of the MIP	No.	Objectives of the first phase (2009-2010)	Objectives of the second phase (2013-2016)	Objectives of the third phase (2017-2020)	Projects, activities and programmes to be implemented in the first phase (2009-2012)
Trade	Tariff barriers (TB)	1	Gradual elimination of all the TBs in the RECs	Elimination of all the TBs in the RECs	Elimination of all TBs in the RECs at the continental level	• Speeding up of the implementation of programme for the elimination of TBs in every REC
	Non tariff barriers (NTB)	2	Elimination of all tariff barriers (NTBs) in the RECs	Gradual elimination of the NTBs in the RECs	Elimination of all the NTBs at the continental level	• Establishment/operationalization of the computer-ized system in all the RECs in order to detect and eliminate all the non tariff obstacles to trade
	Rules of origin	3	Simplification and harmonization of the rules of origin	Rules of origin harmonized at the regional level	Rules of origin harmonized at the continental level	• Simplification and harmonization of the rules of origin in all the RECs and among them
	FTA	4	Signing of partnership agreements between RECs	Creation of two zones: • COMESA, SADC, EAC, IGAD • ECOWAS, ECCAS, CEN-SAD, AMU	-	• Signing of partnership agreements between RECs • Harmonization of programmes of the RECs
	Customs	5	Facilitation of the customs procedures and establishment of customs union in every REC with a CET	Customs union in each of the two groups of the REC	Continental customs union with a continental CET	• Speed up the establishment of the customs unions in the RECs • Address the problem of multi adherence of Member States to more than one REC. It would encourage the establishment of cooperation between communities with a view to establishing in the long run, customs unions among REC groupings

(Table 21. Continued)

Free movement	Free movement of persons	6	Complete Free movement in the regions and partial among them	Gradual Free movement of persons between the regions	Complete freedom of movement of persons in Africa	• Speed up the effective establishment of regional protocols in the free movement of persons, the right of residence and establishment • Facilitate free movement for Africans holding diplomatic and service passports • Establish guarantee mechanisms
	Free movement of goods	7	Free movement of goods in the regions	Gradual freedom of movement of goods between regions	Complete freedom of movement of goods in Africa	• Establish mechanisms which facilitate the free movement of goods in the regions • Harmonization in the regions of some instruments which facilitate free movement of goods in the regions
	Free movement of services and capital	8	Gradual freedom of movement of services and capital in the regions	Gradual freedom of movement of services and capital between regions	Complete freedom of movement of services and capital in Africa	• Establishment in every REC of a legal framework (protocol) for the free movement of services and capital
Peace and security	All the sectors	9	Conflict prevention and resolution and post conflict development in Africa	Conflict prevention, resolution and post conflict development in Africa	Conflict prevention and resolution and post conflict development in Africa	• Establishment and functioning of an early warning system of conflicts and observatories for observation and monitoring • Establishment and functioning of an African standby force and regional brigades • Implementation of the African Union borders programme

Source: MIP, Table 2

COMESA, EAC and SADC and they have also launched programmes for formation of customs union with the EAC attaining that objective in 2010.

There is limited or no progress towards formation of free trade areas and customs union in UMA, CEN-SAD and IGAD. A more resolute progress in market integration is required in UMA, so as to create a free trade area and customs union by 2015 (within 5 years). In CEN-SAD, if an accelerated formation of market integration is to be achieved, members should consider adhering to the free trade area and customs union of ECOWAS or UMA. Likewise in IGAD, member States could adhere to the free trade of COMESA, which in effect the grouping has considered. In this manner, both CEN-SAD and IGAD would achieve speedy establishment of free trade areas (with a short transition period) and launch progress towards customs union without reinventing the wheel.

It should be noted that the formation of free trade areas requires development of rules of origins. As UMA advances on its free trade area, it could consider adopting rules of origin similar to other RECs to facilitate convergence at a later stage. The rules of origin of all RECs would need to be aligned into a single set of rules in the fourth stage when the single continental customs union is created. Likewise, in the adoption of common external tariffs for the formation of customs union, RECs should review and align them so as to facilitate convergence during the fourth stage. COMESA, SADC and EAC has agreed on the formation of a single free trade area which would contribute to the goal of harmonization of different free trade areas into a single continental one, preferably by the proposed revised time frame of 2017 (i.e. within 7 years from 2010 or a transition period of 3 years following achievement of customs union status in all RECs). It would be easier if all RECs attain customs union status (together with free trade) by 2015 and the process of convergence into the continental customs union can be implemented (rather then attempting to bring convergence of free trade areas, followed by another effort at convergence of customs unions).

The liberalization and development of services trade will be a major challenge for RECs and a continental services regime. Most RECs have had limited progress so far in developing services frameworks and in implementing them. Decisive efforts at launching services frameworks in all RECs and concluding those which are planned should be undertaken, followed by implementation to develop the services economy.

A continental custom union requires that all Africa countries have a single commercial (tariff) policy *vis-à-vis* the rest of the world while trade within Africa is totally free, respecting the continual rules of origin. It makes sense therefore that the common external tariff of RECs should be aligned to facilitate the convergence. This will be a major challenge. Harmonizing external tariffs of RECs which involve both developing and least developed countries into a single external tariff at the continental would be rather complex in terms for example of deciding at what level and how many tariff bands to be set, etc. Further, in any customs union such as UEMOA or SACU there will be need for a revenue sharing mechanism to equitable distribute the duties earned from the common external tariff and located possibly in a common pool (see Box 7).

Trade expansion will be increasingly affected by SPS and TBT requirements. There is a need to strengthen cooperative frameworks on SPS and TBT requirements within RECs, and consider creation of continent-wide institutions for fostering common standards among African countries. There is also need to address other non-tariff barriers. RECs have identified some of them and a systematic effort at the continental level could be undertaken to identify and quantify these barriers and to discuss approaches to reducing them among RECs and among African countries.

In the fifth stage, the formation of the African common market could be envisaged by 2020 (i.e. within 10 years from 2010 and a transition period of 3 years from the formation of continental customs union). Following the harmonizing of commercial policies through the formation of a continental customs union, the harmonization of other macro-economic policies could be undertaken to form the common markets. Such integration should be backed up with complementary integration strengthening measures especially transportation networks, trade facilitation and energy.

A key set of policies for harmonization would be those on the free movement of persons with the right of residence and establishment and recognition of qualifications. More broadly, the liberalization and development of services would be a key aspect of common markets. Cooperation in investment will also be important. Efforts are also underway in some RECs to build up competition and consumer protection

Box 7. Comparative Table UEMOA - SACU

Agreement	Stage of Integration	Financing Mechanism	Allocation Criteria	Period of Operation	Remarks
SACU	Customs Union	Common revenue pool of all customs and excise duties	Combination of projected intraregional import shares and gross domestic product	Not determined	Portion of funds raised is used for other purposes
UEMOA	Economic and Monetary Union	Community solidarity surcharge of 1% on imports from third countries	Lost tariff revenue from intraregional imports, according customs declaration	Six years (from January 2000) regressive compensation	Portion of funds raised is used for other purposes than revenue loss compensation

Source: World Bank.

laws and policies. These should also be undertaken in other RECs, with a view to moving towards an African common competition policy. This is an area of integration that is lacking in most RECs, apart from COMESA, SADC and EAC. As noted previously, most RECs have the goal of creating regional common markets. Thus the formation of the continental common market would have to proceed from an harmonization and convergence of common policies of the common markets of different RECs. RECs thus would also have to expedite progress towards the formation of regional common markets and preferably by 2017.

In the sixth stage, the African Common Market would be transformed into an African Economic and Monetary Union, preferably by 2025 (i.e. with a period of 15 years from 2010 and a transition of 5 years from the formation of the African Common Market). Allowing for possibly delays that might occur, the entire transition period from stage 2 to stage 6 should take up to 2030, a total transition period of 20 years (from 2010). This is an ambitious but doable timeframe that will require significant political will and commitment of African countries, RECs and the African Union to implement.

In view of the complexities involved as the process of continental integration advances from regional market integration into economic integration and further into continental economic and monetary union, there is need for continuous follow-up, monitoring and for recommendations to be made on adjustments to be undertaken as necessary. The African Union has two bodies that perform such a role namely (a) the Conference of African Union Minister of Trade, and (b) the Conference of African Ministers In Charge of Integration. These bodies draw advice from experts and from RECs on measures to take regarding strengthening of intra-African economic integration.

In addition, it would appear important in view of the emphasis on accelerated implementation of the Abuja Treaty to form a Multi-Agency Task Force on the African Common Market and Economic Community to closely monitor progress achieved, undertake studies on practical ways of strengthening economic integration in specific areas, and submit recommendations to experts, Ministers of Trade and COMAI on advancing the expeditious implementation of the Abuja Treaty. The Multi-Agency Task Force would be led by the African Union Commission and members would include the Economic Commission for Africa, African Development Bank, RECs and UNCTAD. Other African Union entities would participate in ad hoc capacity as appropriate.

ENDNOTES

25 UNCTAD supports countries in national trade policy development. See, for example, UNCTAD (2009). *The Rwanda Trade Policy Framework* (UNCTAD/DITC/200972).

IV

Achieving integration that is people-centred and development-oriented

CONCLUSION

CONCLUSION

African Union Heads of State and Government have agreed on accelerating implementation of the Abuja Treaty with a view to creating an African Common Market and Economic Community. An integrated African economy and continent is expected to create sustainable conditions for internally dynamic opportunities for employment creation, income-earning possibilities for peoples and enterprises, reduce poverty, improve access to basic services and encourage economic transformation toward highly industrialized and knowledge-based economies that is also resilient to external shocks. Such African integration must be people-centred and development-oriented.

The Abuja Treaty had established a 40-year transition period, starting in 1994, within which the goal of an economic union of African States would be established. Some 16 years have passed and progress has been mixed, and for the most part slow or lacking. An accelerated implementation of the Abuja Treaty could be considered within a total 30-year transition period from 2010 all objectives i.e., free trade areas, customs unions and common markets within RECs; convergence into single continental customs union and common market; and evolution into African economic and monetary union. A 30-year transition period with different stages of market and economic integration to be achieved is ambitious given the current state of integration, but this is realistic and needed at present.

Beyond the market integration programmes, intra-Africa trade is quite low compared to other regions and regional integration groupings. Causes of the poor trade performance in goods and services relate to a number of factors including slow or partial implementation of trade liberalization programmes, existence of NTBs and lack of adequate infrastructure networks. An important factor also is the weakness of productive capacities of Africa countries and a dominance of primary commodities. This means that African countries have limited export baskets to trade in. It also means that the process of structural transformation into value addition and high tech products remains a vision for most African States, impeding their fuller and effective participation in regional trade or for that matter in global trade. Infrastructural gaps at the regional and continental levels in Africa should be also systematically closed.

Thus, even as African countries seek to accelerate the consolidation and realization of a continental common market and economic community, national, regional and continental measures to facilitate development of productive capacities especially in manufactures and services should be pursued and also accelerated. One approach would be to develop regional supply chains within Africa and RECs to foster production, investment and trade. Regional growth poles have a major role to play in the consolidation, acceleration, coherence and deepening of trade and economic integration in Africa. Another complementary approach would be to strengthen participation in South-South economic cooperation and integration efforts. Such efforts could also be pursued with emerging economies of the South (China, India, Brazil) which are strengthening their partnership and engagement with African countries in deriving mutual development and trade gains.

The strengthening of endogenous African negotiating capacities to manage the multiple trade negotiations and accelerate and advance intra-African trade and economic integration is critical. African countries need to invest in their trade institutions and trade negotiating and implementing capacities.

In regard to investment and productive capacity development, national governments can play an important role in creating public policy and a legal system that encourage intra-regional FDI and provides incentives for economic cooperation. Joint ventures concluded in a country or on a regional basis, are capable of advancing the process of economic cooperation and integration, and provide support for regional projects such as transport links and information systems, policies and institutions. The development of industrial associations at the regional level could play a particularly positive role in linking local firms in different countries and offering possibilities for joint meetings, deliberations and negotiations on FDI involving several different countries. For home countries, research and development (R&D) activities should be strengthened as a basis for the development of ownership-specific advantages which are the driving force for investing abroad. Regional agreements that would regulate the terms and conditions of capital flows among African countries could be concluded, the basic aim of which is to grant some margin of preference for such flows in the form of tariff and tax concessions, preferential market access or at least elimination of some discriminatory measures, avoidance of DTTs, introduction of simplified registration procedures, etc.

A Multi-Agency Task Force on the African Common Market and Economic Community should be constituted to closely monitor progress achieved, undertake studies on practical ways of strengthening economic integration in specific areas, and submit recommendations to experts, African Union Ministers of Trade and COMAI on advancing the expeditious implementation of the Abuja Treaty and take measure to build up the productive capacities of African countries towards greater industrialization and knowledge-based economies. The Task Force would serve in advisory capacity, and would be led and supported by the African Union Commission. UNCTAD, as the focal point of the United Nations system on international trade and development and interrelated issues continues to support the African Union and African countries in their national, regional and continental trade policy and trade, investment and economic integration process. It is actively involved in providing support in trade policy and negotiations including competition policy, investment, technology, trade facilitation and commodities to African countries and RECs.

The 6th Ordinary Session of the Conference of African Union Ministers of Trade (2010), discussed the state of African integration process, based on the UNCTAD-AU report and other reports made available. It adopted a number of conclusions as outlined in Box 8.

Box 8. Extract of the Report of the Conference of AU Ministers of Trade: Recommendations in Respect of Intra-African Trade (AU/TD/MIN/Rpt (VI))

"On Intra-African Trade:

20. The Conference took note of the evaluation of progress in the implementation of FTAs and Customs Unions in the various RECs both by the RECs themselves and by UNCTAD. It further noted the conclusions of a study on the assessment of regional integration in Africa, ARIA IV. It further considered the findings of a workshop on Trade Facilitation as well as the concerns of the private sector.

21. To that effect, the Conference recommended that:

    a) The establishment of an African FTA should be fast tracked;

    b) In this regard, the AUC and UNECA should develop modalities to examine the challenges and opportunities of such an FTA in consultation with the RECs.

    c) A developmental integration agenda that would look beyond market integration and focus on other issues such as developing regional markets, infrastructural development and policy coordination aimed at building and strengthening productive capacities should be developed;

    d) A Multi-Agency Task Force on the African Common Market and Economic Community could be constituted to provide recommendations to experts, AU Ministers of Trade and COMAI on advancing the expeditious implementation of the Abuja Treaty;

    e) A program on trade facilitation and elimination of trade obstacles with a view to improving intra-African trade should be developed by the African Union Commission working in collaboration with the RECs, taking into account existing trade facilitation programmes;"

    [...]