GOVERNANCE REGIONAL INTEGRATION ECONOMICS AGRICULTURE TRADE

GREAT insights

Volume 1
Issue 9
November 2012

online version available at www.ecdpm.org/great

Regulars

Thematic Focus:

Various Recipes for Regional Integration

European Centre for Development Policy Management
ecdpm

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Various Recipes for Regional Integration

Exclusive article by Commissioner Andris Piebalgs

Regional integration seems to be the name of the game these days. As the dynamics of the multilateral trade scene are fizzling out, regional trade agreements are multiplying at an unprecedented pace. A recognition of the reality that many national markets alone are simply too small, for selling products, attracting investment, stimulating innovation and remaining competitive. Beyond trade and market integration, there are a host of other sound reasons to bundle forces at regional level and integrate. Politically it makes sense to strengthen the ties with your neighbours as this interdependence reduces the incentives for conflict.

The reasons for integration in principle are rather uncontested. But views diverge on almost everything else that concerns regional integration: what form of integration, what breadth and depth of commitments, whether to choose for a light or strong institutional configuration, what sequencing of which steps, who drives the process, how best to foster effective implementation, how to ensure that the benefits of the integration are widely spread and distributed, what priority does the regional process take in the face of national interests or challenges? How can outsiders usefully contribute or is external support mainly counter productive?

In this issue of GREAT Insights, several experts address some of the above questions from their point of view. Commissioner Piebalgs explains the lessons learnt from the past EU support to regional integration in the ACP and how he envisages some changes in Europe's approach to supporting regional integration. The article from the Inter Regional Coordination Committee of East & Southern Africa and the Indian Ocean offers some concrete and innovative proposals on how to increase the effectiveness of support to African regional integration process. Stephen Kingah describes how the US has engaged with regional entities from a geo-political point of view. Some articles take a more conceptual approach to RI. Professor Asche argues for deeper and more institutional integration, while Professor Söderbaum calls integration in Africa simply 'symbolic regionalism' and argues to look closer at 'shadow' regionalism. Amanda Sunassee draws lessons from the Asian integration 'model' for African integration. And Kathleen Van Hove looks at the dynamics behind the integration processes.

Finally several articles have a geographical angle. Talitha Bertelsmann-Scott considers the bottlenecks in Southern Africa. Matthias Vogl and Wautabouna Ouattara look at the challenges of the regional integration process in West Africa. And Celine Carrere, Julien Gourdon and Marcelo Olarreaga focus on the Middle East and North African region with a particular focus on the role of natural resources.

This is part of ECDPM endeavour to facilitate reflection and analysis on how best to pursue a regional agenda for more equitable, balanced and sustainable development. The slow progress in the various regional integration processes calls for more thorough political economy assessments of the regional dynamics to understand better what the blockages are and identify the real drivers and incentives that will push an endogenous regional agenda. ECDPM and SAIIA are working on a programme in Southern Africa (*www.ecdpm.org/perisa*).

Kathleen Van Hove

EU Support for Regional Integration and Regional Economic Communities in Africa in Light of the Upcoming 11th EDF

Andris Piebalgs

Promoting regional integration has been a long-standing objective of EU development policy and is set to remain so, as the Commission has clearly reiterated its commitment to regional integration in its Agenda for Change – the blueprint for a higher-impact, more results-oriented EU development policy going forward.

The EU has been supporting regional integration in sub-Saharan Africa since the Lomé II Convention came into being and I am firmly convinced that it must remain a cornerstone of the 11th European Development Fund (EDF).

The EU is obviously a key partner for African, Caribbean and Pacific (ACP) regional organisations and it goes without saying that, thanks to its own experience and close political links with Africa, the EU has both a special responsibility to fulfil in this area and a clear added value to offer. The countries of sub-Saharan Africa have every interest in working together and the EU needs to continue to support the general process of overcoming the obstacles which separate countries from their neighbours. It remains particularly essential in Africa for political stability as well as for economic development and the efficient management of regional public goods. The strategic and policy framework governing EU support for ACP regional integration is defined by the ACP-EU partnership agreement and was last formalised in the Commission Communication of 6 October 2008 on "*Regional integration for development in ACP countries*".[1] The main thrusts of the framework remain as relevant and valid as ever; however, at the same time we must learn from recent experiences to define a new approach that will enable us to increase our impact and do more for regional integration.

Under the 10th EDF the Regional Indicative Programmes have taken on a new meaning, with the negotiation of Economic Partnership Agreements (EPAs) and the strengthening of the political mandates of African regional organisations. This context has justified a doubling of the regional integration allocation in comparison with the 9th EDF. The bulk of the envelope (75%) has gone into supporting ACP countries' efforts to boost regional economic integration – a focal sector which includes building regional economic organisations' institutional capacity and supporting any policy which contributes to the development of integrated regional markets, and which has also been designed for flanking measures in support of EPA implementation. A second major focal sector of African regional programmes has been support for political cooperation.

> "....we must learn from recent experiences to define a new approach that will enable us to increase our impact.

This sector, in turn, has two main components: first, support for the implementation of the Joint EU-Africa Strategy; and second, support for all regional mechanisms seeking to promote peace and stability, prevent conflict and fight security threats.

The signing of the six Regional Indicative Programmes took place later than originally planned, at the end of 2008 (in 2009 for Central Africa). The delay came about because of the complexity of the process, the difficult EPA negotiations and the geographical configuration of the regions, each of which has several regional organisations with partially overlapping memberships. Furthermore, the regional organisations were not sufficiently prepared for a greater role in programming and implementing EU aid – and this with a budget that had doubled. Since these programmes were intended to accompany EPAs, for which negotiations had not yet concluded, a decision was made to identify only very general areas of cooperation, leaving the more detailed programming for a later stage.

Notwithstanding the important increase in funds allocated to regional programmes under the 10th EDF, we must acknowledge that, four years later, there has been very limited progress in terms of regional integration in Africa, and the rate of implementation of EU funds remains low. The Cotonou partnership being what it is, the European Union and the African regions share the responsibility for this situation. We have used the mid-term review of the Regional Indicative Programmes as an opportunity to overcome the difficulties in implementing regional strategies. We want to see funds committed as satisfactorily as possible before 31 December 2013[2]; that is why services from the European Commission and the European External Action Service (EEAS), together with African regional organisations, have identified relevant and feasible projects with which we can use the lion's share of the funds. In some cases, where there were not enough mature projects available, the remaining funds will be reallocated to the Sustainable Energy for all Initiative. The chief aim of the mid-term review was to improve the focus and put our programming into operation. Our progress in formulating new projects in recent months shows how this wake-up call has led to significant steps towards achieving that aim.

The second aim was to draw the best possible lessons for the imminent 11th EDF programming, so as to be able to deal with the challenges of regional integration and cooperation in Africa. From this point of view, the conclusions of the mid-term review are largely in line with the results of the report of the European Court of Auditors in 2009[3] and confirm the existence of the many challenges faced by African regional integration projects. Of course, such challenges vary from one region to another, but five categories of common problems can be identified:

(1) Inadequate mandates of regional organisations, issues of institutional and administrative capacity, lack of legal and policy

instruments for effective implementation of mandates.

(2) Lack of national ownership of regional integration projects, insufficient mainstreaming of regional integration in national development strategies, strong resistance to the transfer of sovereignty, existence of several regional organisations whose mandates and membership overlap, lack of political will and capacities at national level to translate integration projects into action.

(3) Highly fragmented regional markets, poor implementation of economic integration agreements, and coexistence of several incoherent integration programmes.

(4) Inadequate economic diversification, strong dependence vis-à-vis a small number of export products and lack of complementarities between national economies.

(5) Inefficient interconnections of infrastructure, generating extremely high costs for transport and intra-regional services (including energy), together with excessive or illicit costs for administrative operations, inspections, security controls etc.

We must clearly learn from this situation. Accordingly, Commission and EEAS services are working to shape a new approach to the 11th EDF, so that we are not confronted with the same conclusions in 2020. On the one hand, our intention is to continue supporting regional organisations by addressing their core agenda and mandate more directly and by jointly identifying a few key sectors in which we can make a difference together. On the other hand, we feel the need to complement this support by tackling obstacles to regional integration at their very roots: this will involve providing African Member States with the incentive to play a larger role at regional level and to implement their regional commitments, while also ensuring that regional programmes are implemented by the most efficient stakeholders.

To this end, EU and African partners should devise results-oriented regional strategies based on specific and limited objectives. The EU should support regional organisations based on a shared, realistic roadmap taking into account their respective mandates, implementation capacities and real added value in terms of nurturing growth and political stability within their respective regions. This support could thus be focused mainly on capacity-building and enhanced coordination in regional organisations. We should furthermore allow national authorising officers, specialist institutions, regional development banks and other relevant technical bodies to be responsible for implementing regional programmes, especially trans-border or national projects with a specific regional dimension. In this way we can be sure that regional programmes are being implemented by the most efficient stakeholders and that there is more coherence between the national and regional levels. Such an approach could also encourage regional organisations' member states to embrace regional integration because they would enjoy direct access to regional funds. To build further on this opportunity, it would be crucial to establish in all regions a monitoring system to provide comprehensive information on the overall regional integration process, including progress in individual countries.

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The Commission and the EEAS are currently exploring a number of avenues as they work on the regional programming guidelines for the 11th EDF. We are confident that these guidelines will help boost our regional programmes, and thereby improve our contribution to programming dialogue with sub-Saharan African regional economic communities and their member states.

Notes

1. http://ec.europa.eu/development/icenter/repository/COMM_PDF_COM_2008_604_F_EN_REGIONAL_INTEGRATION.PDF
2. Date of the 10th EDF sunset clause.
3. Special Report 18/2009: *Effectiveness of EDF support for Regional Economic Integration in East Africa and West Africa.* http://eca.europa.eu/portal/pls/portal/docs/1/8030724.PDF

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Should the IRCC re-invent itself?

by Vikramdityasing Bissoonauthsing and Khutula Sibanda

The Inter-Regional Coordinating Committee (IRCC) of the Eastern and Southern Africa – Indian Ocean (ESA-IO) region was created in 2001, as a particular application of Article 7 of Annex IV of the EU – ACP Cotonou Partnership Agreement which states that '*in the case the membership of several relevant regional organisations overlaps, the Regional Indicative Programme should correspond to the combined membership of these organizations*'. .

The IRCC's core focus of has been to support, facilitate and coordinate the access by the ESA-IO Regional Economic Communities (RECs) to European Union (EU) funding under the 9th and 10th European Development Funds (EDF). These support programmes underpin several regional integration and cooperation endeavours. Avoiding duplication and building economies of scale along aid effectiveness principles is the mainstay of the IRCC's mandate. The managed resources are significant: over the 9th and 10th European Development Fund (EDF) the combined total initial envelopes for the ESA-IO region has been nearing the EUR 1 billion. Through this IRCC has been able to ensure that grant resources from the EU are mobilised, programmed, identified and formulated in a coordinated way and on behalf of the participating RECs (COMESA, EAC, IGAD and IOC). This has seen joint implementation of programmes covering the 4 RECs, taking advantage of economies of scale and avoiding duplication. The scope of such support has been limited by the fact that only one partner, the European Union, has been involved and as such not much coordination has been done with other partners and other funding financial institutions.

Widening the IRCC's mandate: beyond EU development funding

A wider mandate was construed in the September 2009 "Lusaka Declaration" from the high level meeting of the ESA-IO ROs, their Member States, represented at Ministerial level, and high officials of the European Commission. At the time, concerns were expressed that speedier funding delivery was critical to imple-ment projects on time and produce benefits early. Delays in aid disbursements for investment projects (e.g. regional infrastructure) led to escalation of costs and significant opportunity costs. It was apparently more prudent to go for commercial loans in financing such projects.

The broadened IRCC caucus of ESA-IO ROs and their Member States, which met in Nairobi in August 2012, noted the new openings under the EU's Agenda for Change in terms of innovative financing mechanisms. Following this meeting, the ESA-IO ROs and their Member States are exploring the interest of other public and private partners to cooperate within the framework of the IRCC; the ultimate goal being to favour intra-platform leveraging and blending of the EU grant funding while subscribing further to the post-Busan principles on Global Partnerships for Development. It is hoped that this type of financing will become the norm rather than the exception for the future of EU support to regional integration in this part of the world.

After more than a decade of being exclusively funded from EU resources, the new IRCC platform, if so endorsed by its membership, will need to draw across its new diverse memberships for its sustainability. Success relies on a common conviction of the collective gains arising from dialogue and a common operational framework across several Regional Organizations (ROs), and in a platform regrouping all interested cooperating partners.

The future IRCC

Building on ten years of lessons learnt, with more partners and newer ways of financing regional assets and services, there is hope of accelerating the pace of economic integration in the region. For this to happen future resources will have to be channelled towards building and strengthening intra-regional markets, productive capacities, and infrastructure. At macro level these will be the Key Performance indicators for the IRCC, but how can these objectives be achieved and financed?

Several approaches are possible inside the wider bloc. Traditional grants-based programmes can support newer, more ambitious high poten-tial goals and attract further public and private funding. The setting up of new vehicles, preferably regionally-owned, is also worth considering. The new platform should also underscore and coordinate approaches by groups of countries on specific themes or sectors and by intra-platform configurations of various entities, mixing regional organisations, countries, development finance institutions, private sector, etc.

A higher level and intensity of coordination, coherence and complementarity assurance will be needed. Ultimately this should work towards cementing the building blocks of the African Union, and, perhaps, reinstate some confidence in achieving the objectives of the Abuja Treaty - creating one single African market. This should be the global objective for IRCC in whatever new skin the IRCC finds itself in for the future.

Conclusion

The IRCC should re-invent itself to take into account the changing global environment and lessons learnt during the past ten years. Constraints to regional integration in Africa have largely been related to supply side handicaps (e.g. poor infrastructure and weak productive and marketing facilities). Addressing these constraints would require an IRCC that is designed and institutionalised to be able to coordinate and mobilise a combination of domestic or regional resources, big and traditional donors such as the EU and the emerging players Brazil, Russia, India, China and South Africa (BRICS). This also implies an IRCC framework that is able to coordinate a number of funding instruments with an added advantage of allowing for blending of grants and interest bearing instruments (loans and other risk capital). This will imply the ability to closely work with other specialised funding agencies such as national, regional and international financial institutions. The re-invented IRCC should be able to facilitate backward and forward linkages between the Africa Union and the RECs in order to realise the vision of a bigger Africa Union Customs Union in line with the provision of the Abuja treaty.

Disclaimer:
The author/s are writing in their individual capacities. The views expressed in this paper are theirs and are not at all linked to the views of the RECs and EU.

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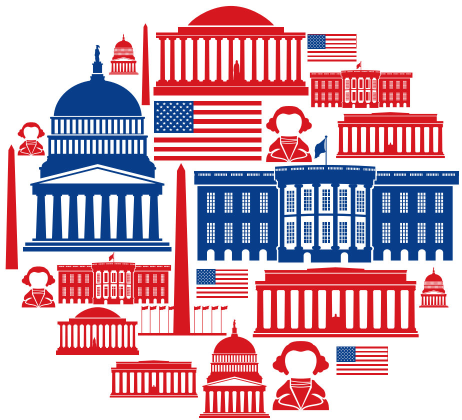
US Engagement with Regional Organizations

Stephen Kingah

This issue of GREAT Insights will hit the road as United States (US) citizens welcome either incumbent President Barack Obama or Governor Mitt Romney as president. Through the campaign, conventions and debates almost every aspect of policy – domestic and foreign – has been subjected to untrammeled scrutiny and dissection. In the field of foreign relations one of the elements that receives little attention has been the approaches of both candidates and their respective parties to regional organizations.



It may be anodyne that only a dearth of emphasis is placed on such regional organizations, yet the constellations of challenges which the US hopes to address will hardly be appositely sanctioned without strong and reliable regional institutions. What is remarkable in US' approaches to regional organizations is that there is no coherent strategy for its engagement with regional institutions even though some, like Peter Katzenstein, contend that through its influence in countries like Germany and Japan the US has shaped regionalism (territorial and otherwise) in Europe and Asia.[1.] This could be explained by the very chaotic tapestry of regional institutions that litter the globe. But there is no gainsaying that there are identifiable and viable regional bodies with which the US has and can engage on a wide array of issues. The approach of US administrations to regional blocs following the Cold War has been marked by responsibility delegation and consistent ad hoc steps rather than by an implicit or explicit grand coherent strategy.

Grounds for US engagement with regional organizations

Basically, the US' engagement with regional organizations can be understood from three main, yet non-exclusive strands. The first strand is security delegation. Such delegation could be partial (with minimal involvement as needed, for instance its use of the North Atlantic Treaty Organization (NATO) in Libya) or extensive (with complete deference of authority to a regional entity like the African Union in dealing with Al Qaeda affiliates in Somalia). While there was hardly any bi-partisan fiesta concerning the US' participation in NATO's recent involvement in Libya, there has been a consistent effort by Democrats on the Hill to approach certain international challenges through regional organizations such as the Arab League and NATO. The former director of Policy Planning at the State Department in the Obama Administration (Anne-Marie Slaughter) aptly captured this when she noted in April 2012 that greater emphasis ought be accorded the role of NATO in Syria mindful of the possibility of invoking NATO's Article 5 on collective security in the event of a Syrian attack / incursion into Turkey. Recent developments corroborate the prescient quality of these remarks.

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The second strand includes democracy promotion whereby certain regional entities have attracted the interests of Washington, especially in the wake of the Arab revolts. These include entities like the Arab League which has been used basically as a tool to enhance the ex ante legitimating process of yet another "external" involvement in the Arab World. Other similar groupings have been exploited by the US for democratic bashing of certain countries in other regions. This has been the case of the Organization of American States (OAS) for Cuba and the Organization for Security and Cooperation in Europe (OSCE) for Russia.

Finally there is an economic interest strand that dwells on specific regional entities that are of strategic economic import such as the European Union and, in some respects, the Gulf Cooperation Council. These regional entities are often invoked when their actions and existence are of an economic interest to the US. US' economic interests have also been at the heart of an approach that even sidelines partnership or trade agreements with the Common Market of the South (MERCOSUR), the ASEAN Economic Community and the African Economic Community in favor of direct deals with the likes of Chile, Colombia, Peru, Singapore and Morocco.

Lackluster engagement

Apart from regional organizations such as NATO, the Arab League, the OAS, the AU and the OSCE, little attention is placed in Washington on the myriad of regional bodies that exist. It is arguable that the impact of US electoral politics has heretofore had has been minimal. But why is this the case?

There is a strong perception that under the Republican Administration of President George W. Bush there was very little effort in building multilateral or regional coalitions in dealing with shared problems. So regional organizations were basically sidelined on key issues. For instance no one sought the views of the Arab League or the South Asian Association for Regional Cooperation (SAARC) before the US and Coalition forces invaded Iraq and Afghanistan.

Second, some of the regional organizations are now dominated by specific countries that tend to call the shots and are members of groups such as the G20 or other relevant G-constellations. This means that it has become easier and fashionable to talk to Brazil instead of engaging MERCOSUR or the OAS and that it has become common to call Pretoria or Abuja instead of the African Union when real challenges are underway in Africa.

This issue is linked to the third problem on a reliable and viable regional partner. In many regions the canvass of regional organizations can simply be breathtaking. Many countries participate in numerous regional bodies and this begs the question of effectiveness and durability of the schemes. With a multitude of regional organizations in developing country regions it becomes hard for interlocutors to identify the real partner for engagement. This in turn relates to the fact that some of the regional bodies themselves are bereft of the mandate in acting in specific areas where US' interests may be on the line.

Moving forward

It is very important that the US should engage with specific regional entities in addressing given problems. Determinants that range from willingness to act, legitimacy of actions and capacity for engagement can be put to use by governments to determine which entities are viable enough to be approached or considered for strategic partnerships. The importance of regional coalitions in dealing with certain challenges cannot be minimized.

Take the current disputes around the East and South China Seas. These are problems that involve countries of the Association of South East Asian Nations +3 (ASEAN+3). The nations in that region have made encouraging progress in the area of financial regionalism and this entente could be built upon in identifying common solutions surrounding the maritime security conundrums. The US needs a bi-partisan approach that supports ASEAN+3 in dealing with this.

Second, while we should be encouraged by the signs made by the Obama Administration to reduce nuclear stockpiles, the threat of the use of weapons of mass murder remains patent. Moving forward it could be useful for any US administration to support existing nuclear free zones and to extend this assistance to regional legal regimes that seek to curb the incidence and proliferation of weapons of mass murder.

Third, the fight against terrorism is an issue that remains top priority for the US Government. It is true that gains have been made in recent years with the killing of leading terrorists through unmanned aerial vehicles (drones) and navy seals but this approach may just not be sustainable without a regional (local) support. The US may do whatever it wants in Afghanistan but it is ineluctable that a solution to some of the intractable problems in South Asia can only be resolved regionally through an institution like the SAARC where most of the belligerents sit as members. SAARC could even be used to address the contentious questions linked to one of its observers: Iran. It is true that SAARC has been toothless. Yet its mere existence could be an exploitable platform for engaging belligerent states.

Farther afield in the Sahel it is simply unclear how the US hopes to deal with the influence of the Islamic jihadists and terrorists of the Sahel and West Africa if this is not done regionally by engaging entities like the Economic Community of West African States (ECOWAS) and Community of Sahel Saharan States (CENSAD). It is true that the US has its regional commands which cover most regions. But these cannot operate effectively and legitimately without buy-in from local actors. The more regional the pool of such actors the better in addressing shared security threats. Some institutions like ECOWAS and SAARC may be weak but in a sense the approach of not engaging them validates a self-fulfilling prophesy: non-engagement based on institutional weakness itself reinforces institutional weakness.
Fourth, the simple fact that the US could place more attention on regional organizations in certain hotspots could itself be of invaluable strategic import because such a shift will also push countries like China and India to pay greater heed to entities like ASEAN+3 and SAARC.

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Finally, there have been concerns expressed by the White House on the need for the EU to adopt a bolder approach in dealing with the crisis, mindful of the fallout that a weak response in Europe could have in terms of US job numbers. What has not been also sufficiently reported is that Europe is not the only region where bailouts and firewalls have been put in place. In the ASEAN+3 framework countries of South East Asia have augmented the Chiang Mai Initiative Multilateralization and hope to increase the currency swaps to 240 billion US dollars. Such developments on financial regionalism appear increasingly to be the way forward with Latin America and Africa likely also mimicking the trend. The US cannot afford not to take a serious look at such regional processes.

Conclusion

The perennial problem when discussing regions has always been which to engage. Other issues have been related to the fact that many regional organizations are only talk shops marked by convoluted and slow bureaucracies. In this regard one may understand the absence of a coherent strategy on regional entities from Washington especially during electoral seasons. However, on the first issue engagement with regional organizations needs to be based on consistently applied principles. Also, the US and eventually other interested parties should focus more on performance in determining which regional organizations warrant partnership. On the second charge, it is true that some of these organizations often morph into mammoth behemoths steeped in procedures and processes that stifle prompt performance. However these entities help in institutionalizing shared solutions in cases where nations exhibit an inclination to go it alone. In addition, regional entities do help in checking excesses in which a number of countries may be wont to engage.

Note

1. Katzenstein, P. (2005) *A World of Regions*, Ithaca: Cornell University Press.

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A New Impetus for Regional Economic Integration?

Kathleen van Hove

In this issue of GREAT Insights, Frederik Söderbaum points to rhetorical and symbolic regionalism that characterise regional integration in Africa. While officially the stated integration goals are ambitious and abound, one has to question what and who drives those lofty agendas and declarations?

Today African integration is characterised by multiple and overlapping memberships in Regional Economic Communities (RECs) which are at different stages of the integration process. This has created a complex web of competing commitments, which together with different rules and standards, result in high costs to intra-African trade and undermines trade facilitation efforts that are at the core of the economic integration agenda. So, what is the best way to foster regional integration, which ultimately should promote economic development?

Various responses to the 'how' question

Peter Draper[1] has been a great advocate for an endogenous African model of integration that is more in line with the political, economic and capacity realities of the continent. He argues for a limited agenda, focused on trade facilitation and regulatory cooperation in areas related primarily to doing business. The process should avoid formal institution-intensive arrangements, which entail major capacity and funding challenges. 'Champion countries' have a major role to play and should spearhead a less ambitious but more effective agenda that addresses the regions' immediate development needs.

Experts like UNECA[2] emphasize the importance of mainstreaming the regional commitments in national laws and regulations. They argue for more resources and technical capacity at national level, combined with a strong monitoring mechanism is the way to reinforce implementation. Trademark East Africa, with a regional and 5 national offices, can be seen in this context as a long term aid for trade initiative to enhance regional integration.

A key argument for launching the Tripartite Free Trade Agreement (TFTA), in East and Southern Africa in 2005, was to address the contradictions of overlapping membership of the SADC, EAC and COMESA countries. This is heralded again as an important stepping stone towards the Continental Free Trade Area, in the latest 'Assessing Regional Integration V' from the AU, AfDB and UNECA.

The TFTA has an ambitious agenda going beyond the traditional elements of trade negotiations to explicitly include cooperation on infrastructure and industrialization. This has led some analysts to praise the development of an endogenous model of regional integration taking into account the continent's infrastructural deficit and the low productive capacities of some countries. However, critical voices have questioned publicly why this integration effort would have any more chances of success with such an enormous heterogeneous group of countries who have shown little appetite for the regional integration agenda before. If the SADC or COMESA process has little traction, the incentives for implementing the commitments in the wider configuration seem even more insipid.

Moving forward with a coalition of the willing and getting back to basics

In September 2012 in the Seychelles[3] the Accelerated Programme for Economic Integration (APEI) was launched which might hold some promise. Five countries belonging to COMESA and SADC, (Malawi, Mauritius, Mozambique, Seychelles and Zambia) agreed to speed up their economic integration agenda by: (i) improving the business regulatory environment; (ii) eliminating barriers to trade in goods; (iii) promoting trade in services; and (iv) capacity building through peer-to-peer learning. The participating countries insist this APEI is not to counter or complicate the ongoing COMESA-SADC or tripartite integration process. But Dissatisfied with the pace of integration in their current regional groupings, the 5 countries teamed up to agree on implementing the agreed agenda in a higher gear.

If the five countries are serious about wanting to increase trade and investment among the group, barriers need to be removed, which are mainly government measures (laws, regulations and administrative procedures). This basically requires three sets of changes that have been long recognized as fundamental principles in international trade rules. First, all five governments must grant national treatment to goods, services and investment from each other. Second, they must all make their rules and regulations regarding trade and investment transparent and predictable for business people and the general public. Third, they must not discriminate among economic agents (manufacturers, traders, exporters, importers, investors, etc.) or in other words, treat all economic agents from the respective countries the same way. This will avoid sweetheart deals and vested interests getting special preferences and privileges that frustrate real competition and efficiency.

In principle, none of these changes should require significant financial resources. Business operators know the market access, regulatory and investment barriers in the national markets. Removing those government measures requires mainly changes to legislation and regulations, which governments can do if they want to. This recent APEI program could be supported by donors, but should not rely mainly on external resources since that is often a recipe for little action. Time will tell whether this new initiative will be carried forward strongly, and whether there are sufficient interests that will push this accelerated integration agenda forward, despite hurdles along the way. As the underlying thought is that success will create the incentives for other countries in the region to hop on the train.

Notes

1. Peter Draper, Rethinking the (European) foundations of Sub-Saharan African Regional Economic Integration: A political economy essay, OECD Working Paper No 293, September 2010
2. UNECA, Mainstreaming Regional Integration at national level, E/ECA/CTRCI/6/7 27 July 2009
3. The Nation, Ministers act to speed up regional integration - 06.09.2012, http://www.nation.sc/index.php?art=28713

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Regional Integration in Africa - Looking East for Inspiration

Amanda Sunassee Lam

Regional Integration has gone from being a second best policy, shunned upon by mainstream economics, to a policy, which now features as an integral part of most developing county national development plans and key development partners' programmes. This article looks at the East Asian experience with regionalism and draws out some implication for integration on the African continent.

Unlike multilateral liberalization, regionalism tends to be controversial in economic and policy circles for a variety of reasons, most of which being linked to the fact that preferential trading arrangements, such as FTAs and customs unions, are by their very nature discriminatory.[1] Despite the naysayers regional integration has become an important building block of developing countries' economic and trade integration strategies, with some countries going to the extent of adopting national development plans for regional integration. With the uncertain outcome of negotiations at the multilateral negotiations under the Doha Development Agenda, the regionalism movement currently constitutes the most significant trend in international commercial policy. Figures supporting this new trend are the 300 Preferential Trade Agreements (PTA) which include RTAs presently enforced as compared to the 70 PTAs in 1990.[2]

Africa is an important player in the regional integration arena counting close to 28 RTAs (seven Customs Union and the rest mainly FTAs).[3] The nexus of African integration stems from the effort to correct the geographical fragmentation of past colonialism, which resulted in a string of small markets and land-locked economies[4] scrambling to join the global market. The Lagos Plan of Action in 1980 and the 1991 Abuja treaty lay out the foundation for defragmenting the continent through a series of Regional Economic Communities, which are expected to eventually merge towards the formation of the African Economic Community (AEC). However, after close to 40 years of intense integration initiatives, the African market remains highly fragmented. While there has been some success in removing import duties within regional communities, a range of non-tariff and regulatory barriers still raise transaction costs and limit the movement of goods, services people and capital across borders. The end-result is that Africa has integrated with the rest of the world faster than with itself.[5] Intra-regional trade in Africa, which has been on the rise, remains nevertheless anemic. The share of intra-regional goods trade in total goods imports is only around 10 percent in COMESA, 10 percent in ECOWAS and 8 percent in UEMOA. This compares with over 20 percent in ASEAN, around 35 percent in NAFTA and more than 60 percent in the EU.

Heterogeneity facilitates integration

In Africa, which is increasingly looking east, policy makers grapple with questions such as - Why have regional integration initiatives yielded positive results in East and South-East Asia and are there lessons and best practices, which can be adopted from the Asian model of integration? Whilst this topic is in itself a subject for a seminar paper, there are some policy directions and best practices, which can be inferred from the Asian integration process. Regional integration in East Asia is well advanced and unique in character. The process of trade and financial (mainly FDI) regional integration has developed significantly since the early 1990s, as shown by standard indicators of economic interdependence,[6] the levels of which are comparable to those recorded in Europe.[7]

> East Asia's economic integration has been led predominantly by intra-industry, rather than inter-industry, cross-border trade flows, reflected by the development of vertical production sharing networks within the region,

Besides history, geography and culture, which are all key determinants of economic development, one of the factors, which East and Southeast Asian integration have in their favour, is the mix of country profiles and the region's economic heterogeneity. The region counts two OECD countries as well as a healthy mix of developed, developing and least developing countries. This blend of countries forms the basis of the region's complementarities and diversified comparative advantages, which supports the East Asia Flying Geese model of development, as well as intra-regional trade and production fragmentation and cross-border production networks, which have been a major catalyst for regional integration across East Asia. East Asia's economic integration has been led predominantly by intra-industry, rather than inter-industry, cross-border trade flows, reflected by the development of vertical production sharing networks within the region, as large corporations have exploited significant disparities in economic development and comparative advantages across countries in East Asia.

Rules of origin as a trigger or a bottleneck

The ASEAN Free Trade Area has been relatively successful in enabling low-income members (Cambodia and Laos) to participate in production networks with the middle and high-income members (Indonesia, Philippines, Malaysia, Thailand and Singapore). It is notable that the Rules of Origin (RoOs) in the ASEAN area are relatively straightforward and allow for cumulation across a wide range of member countries.[8] The major weaknesses of African regional integration have been the economic homogeneity across the region, the similarities in terms of comparative advantages, the weak productive capacity and lack of a strong industrial base and restrictive rules of origins, which prohibit participation in global and cross-border production processes. Restrictive RoO within

Africa means that countries are unable to use preferences to exploit a comparative advantage in a narrowly defined task, instead having to undertake a wide range of tasks domestically to meet RoO requirements. The current debate under the Economic Partnership Agreements (EPAs) in particular with the ongoing discussion of RoO with South Africa is of paramount importance for production fragmentation and the eventual participation of African countries into global and cross-border production networks.

Pragmatism is the name of game

Regionalism in Asia has developed differently than from Africa. Asian integration process has been harnessed by a strong Private Sector and driven more by markets than by governments and institutions, whilst the African integration initiative has been driven by politics and based on strong policy and institutional building processes to facilitate regional cooperation. Cooperation among national authorities in ASEAN is more recent and less intimate. It remains focused on economic issues (with some social components) and light on formal institutions. This distinction is often thought of being one of the contributing factors to the Asia's pragmatic and flexible approach to regionalism. The evolving approach to integration in Asia is market-friendly, multitrack, and multispeed, allowing for a healthy dose of pragmatism among a collegial group of economies. This approach is workable for a region of such size and diversity, and holds several advantages. First, any group of territories, economies, or subregions can integrate according to its particular levels of development and the specific opportunities that regionalism offers. Second, as partnerships strengthen, smaller groups are more likely to merge into larger ones, leading to wider and deeper relations across an ever-growing swathe of Asia. Third, this approach ensures that Asia's economic integration remains market-friendly—that its framework continues to be responsive to private sector needs as expanding business and open markets power Asian economies ahead.[9]

Private sector led deeper integration

The unrealized potential of African regional trade is evidenced by the fact that a significant amount of cross border trade does take place between African countries. Nevertheless, a major limitation to African integration progress has been its adherence to a "linear" integration model based on the Europe experience (i.e. Balassa's five stages of regional integration). This process is marked by the stepwise integration of goods, labour and capital markets, and eventually monetary and fiscal integration. Border measures are likely to represent a minor constraint to regional trade in Africa compared with

> Asian integration process has been harnessed by a strong Private Sector and driven more by markets than by governments and institutions, whilst the African integration initiative has been driven by politics and based on strong policy and institutional building processes to facilitate regional cooperation.

structural economic shortcomings, such as a lack of infrastructure, an institutional framework, skills, and its limited productive capacity. Deeper integration, which promotes competitive regionally integrated services markets; the elimination of non-tariff barriers; appropriate regulations that allow cross-border movement of services suppliers; and builds the institutions that are necessary to allow small producers and traders to access open regional markets[10] could improve Africa's record on regional cooperation. Adopting strategies from the Asian Regional Integration Playbook, which support private sector led integration and balancing this with the institutional and political drive is likely to yield a more market friendly, equitable and pragmatic regional integration experience.

Notes

1.Best Practices in regional Trading Agreements: An Application to Asia, Michael G. Plummer, The World Economy (2007)
2. World Trade Report 2011: The WTO and preferential trade agreements: From co-existence to coherence
3. http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx
4. Out of 48 landlocked, 17 are from the African Continent, 13 from Europe and 13 from Asia countries.
5.De-Fragmenting Africa Deepening Regional Trade Integration in Goods and Services - Edited by Edited by Paul Brenton and Gözde Isik, World Bank 2012
6. The two measures that are commonly used to examine the extent of regional interdependence are the share of intraregional trade over total trade, or intraregional trade share (IT Share), and the intensity with which a region trades with itself compared with its trade with the rest of the world, or intraregional trade intensity (IT Intensity). The IT Share is a more straightforward measure of interdependence, as it shows the relative importance of internal (intraregional) versus external trade dependence. The IT Intensity is a more sophisticated measure showing the region's bias for trading within itself, that is, among partners located within the region. In both measures, total trade is defined as the US dollar value of exports plus imports.
7. Developing Indicators for Regional Economic Integration and Cooperation Giovanni Capannelli, Jong-Wha Lee, and Peter Petri No. 33 | September 2009, ADB
8. Cadot, O. and J. de Melo (2007), 'Why OECD Countries Should Reform Rules of Origin', CEPR Discussion Paper No. 6172.
9. EMERGING ASIAN REGIONALISM A Partnership for Shared Prosperity, ADB 2008
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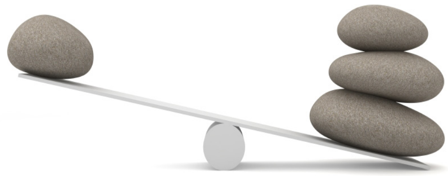
Reconciling Two Paradigms in African Economic Integration

Helmut Asche

Although the situation is gradually improving, Africa still displays the lowest level of intra-regional trade integration in the world (along with Central Asia), and is plagued by a well-known myriad of politico-administrative imperfections and mutual mistrust. Accordingly, the formal status of "free trade area", "customs union" or "common market" substantially diverges from reality on the ground.



At the same time, African countries are on average low-level diversifiers: they somewhat diversify exports and production, but essentially along the same product lines and with a low level of sophistication.[1] Why, then, is formal integration so problematic when informal trade is so prevalent? Why these imperfections? Is it simply a matter of time, as the EU experience would seem to suggest?

While there is still no conclusive analysis, in my view, of the underlying reasons, two arguments stand out. First, regional economic integration in Africa represents a typical case of **shallow integration** of goods, services and factor markets. On the other hand, mostly Northern powers tend to impose what economists call **deep integration**: near complete liberalisation of goods and factor markets, before African industry has become competitive enough to stand the liberalized environment. This exercise is underway since structural adjustment times, and extends *inter alia* into the Economic Partnership Agreements (EPAs) introduced by the European Commission. It leaves African producers with few opportunities to move up the ladder of skill-intensity and sophistication, both globally and regionally. North-South deep integration jeopardizes the achievements of *intra*-African shallow integration.

A second observation relates to the role of the so-called regional champions in African regional economic communities (REC). In fact, over the last years a complex argument from international trade economics, related to imbalance in South-South economic integration, has been to put to the fore. It comes from British authors (best explained by Venables), and has been largely ignored by the sanguine continental European prejudice on economic integration. In short, it reads as follows: both trade creation and trade diversion in South-South RECs tend to reinforce the trade and investment imbalance in favor of the regional champion (in Africa: South Africa, Kenya, Nigeria).

What is more, the regional champion is often a producer far below global productivity heights of the same goods as every other low-level diversifier in your REC (cement, maize flour, corrugated iron sheets, flip-flops...) or of second-class monopoly goods (cars, agricultural machinery...). A regional community protected by sizeable external tariff barriers, but with a regional champion producing below global standards, generates consumer welfare losses, without creating much producer rents. In North-North integration, the less advanced members at least benefit from first-class machinery or equipment, supplied by the regional leader(s), and can hence raise overall productivity levels.

The absence of such dynamics is probably the basic reason for mistrust and lukewarm intra-REC liberalisation in Africa: mutual gains are not obvious while immediate gains for some national interest groups are, and mostly for those in the one country where advantages already cluster.

From the fundamental problem described, **two competing visions** arise on how to better advance African economic integration: market-liberal trade economists often conclude to do away with South-South RECs, or to pursue at best light integration (as in the COMESA-EAC-SADC tripartite project), with better infrastructure, better business environment and "light institutions", rejoining the old Balassa – stream of thinking, but stopping short of achieving the customs union stage. Customs unions hardly travel with light institutional baggage (unless one member does most of the administration for the others, as in SACU), and so they are disliked by this liberal strand. In South Africa, two influential think tanks support the vision of light integration (SAIIA and Tralac).

The ambitious structuralist alternative reads: African RECs need a vision of comprehensive regional industrial and agricultural policies to address regional imbalances and harness opportunities within a protected space. It is generally recognized that meaningful agricultural & industrial policy for most African countries needs the larger regional market to work, but the inverse is true as well: without proactive policy for a better spatial distribution of new industries, a protected space with heavy institutions remains pointless. The few industries that exist cluster in very few places unless a deliberately designed regional tissue of industrial supplies is worked out, along with the private sector. And defending common external tariff (CET) lines, e.g. in EPA group negotiations, without having a common industrial vision is almost futile. Regions need a joint regional idea of which industries to promote in negotiations.

This is an important extension of a still recent debate. Imaginative new industrial policy concepts, departing from old prescriptive modes of policy-making, are gaining more and more ground in development economics worldwide, and some African economies are important testing grounds for industrial policy; see the experience and lively debate in South Africa. However, the new industrial policy discussion and literature has so far not systematically embraced the regional dimension. Historically, this is acceptable: showcases of successful industrial policy like Taiwan and South Korea individually had access to global markets and did not need the region for their advancement. That developmental industrial policy in the current global setting mostly needs a protected regional space to start, but that southern regional spaces in turn need industrial policy to function is less well researched. Suffice it to mention the South African debate again; a SADC perspective remains marginal herein.

Reconciling, in economic science and political practice, the paradigms of regional economic integration and of industrial policy can help both, and support industrial catching-up which otherwise hardly occurs in Sub-Saharan Africa, despite sustained overall economic growth.

Note

1. Asche, Helmut, Neuerburg, Philipp and Menegatti, Matteo (2011). Economic diversification strategies: a key driver in Africa's new industrial revolution. UNIDO General Conference 2011. Vienna, UNIDO.

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Whose Regionalism in Africa?

Fredrik Söderbaum

The majority of academics and policy analysts are overly idealistic about the potential of state-led regional cooperation. This line of thought is particularly strong in the debate about African regional organizations. Indeed, African regionalism is often seen as beneficial and an instrument for achieving socio-economic development and more recently also for security provision and good governance.

Integral part of such idealism is the belief that the rather modest results achieved during the last five decades of regionalism in Africa can first and foremost be explained by unfavourable external conditions or a lack of institutional capacity to implement agreed policies (either within African organizations or at the national level).

The fundamental problem with the idealistic view is that it crowds out less sanguine and less politically correct assessments. As a brief contribution to a more balanced debate this commentary offers alternative answers to some basic but crucial questions: who is regionalism for and why is there such weak implementation in Africa's regional integration schemes?

Symbolic regionalism

It is commonly understood that the Organization of African Unity (OAU) in important regards was a mere 'talk-shop'. Rhetorical and symbolic diplomacy can of course be relevant, and the positive effects of the OAU, for instance, in the fight against colonialism and apartheid should not be ignored. Yet, the OAU's primary characteristic was not implementation of agreed policies, and a similar discursive logic has been institutionalized in many regional organisations on the continent. Indeed, most political leaders in Africa frequently engage in symbolic and discursive activities, whereby they praise the goals of regionalism and regional organization, sign cooperation treaties and agreements, but with only sporadic implementation.

'Summitry' has become part of such discursive and symbolic regionalism. The summits of heads of states of the main intergovernmental regional organizations, such as the African Union (AU), the Common Market for Eastern and Southern Africa (COMESA), the Economic Community Of West African States (ECOWAS) and the Southern African Development Community (SADC), are gigantic events where the political leaders can show to the world and their citizenry that they are promoting the cause of African regional cooperation and at the same time show that their 'state' is important (or at least 'visible') on the international diplomatic scene. These summits and conferences are crucial elements in a discursive and even imaginary construction of regional organizations, and this social practice is then repeated and institutionalized at a large number of ministerial and other meetings, which in reality involves little debate and no wider consultation within or between member states. [1]

Many civil society organisations in Africa are critical of these discursive and rhetorical practices. For instance, the Southern African Peoples Solidarity Network states that "the governments of our countries have for long mainly engaged in rhetorical declarations … with few effective achievements; [they] are at the same time, committed to supporting and defending each … and are using SADC as a self-serving 'old boys' club' for such mutual support."

As already mentioned, discursive practices are not necessarily malign. Speech acts may be intimately connected with diffusion of ideas, norms and identities, which appear to be integral part of more or less all multi-purpose regional integration projects around the world. The argument raised here is that symbolic regionalism has become chronic African and that it is used as image-boosting instrument whereby leaders can show support and loyalty for each other, which enables them to raise the profile, status, formal sovereignty and image of their (often authoritarian) regimes, but without ensuring implementation of agreed policies. As Jeffrey Herbst correctly points out, "African leaders are extremely enthusiastic about particular types of regional cooperation, especially those that highlight sovereignty, help secure national leaders, and ask little in return." [2] Importantly, this logic should not necessarily be understood as a 'failure' of regional cooperation. From the point of view of the political leaders, such discursive practices can be a rational and well-calculated strategy of non-implementation. Those who idealistically (even naively) believe that regional institutions are designed in order to implement agreed goals and solve collective action dilemmas will fail to understand the underlying logic of such practices.

The overlapping membership of regional organizations on the African continent has been debated for several decades. The seemingly ineffective overlap is often taken as an indicator of a poor political commitment to regional cooperation. However, considering that the overlap is such a distinctive feature of African regional organizations, surprisingly few scholars try to answer for what purpose and in whose interest the overlap actually prevails. Part of the answer may be that the maintenance of a large number of competing and overlapping intergovernmental regional organization is deliberate in order to increase the possibilities for rhetorical and discursive regionalism. One related hypothesis in need of further research is that weak political regimes are particularly prone to such behaviour and may search for as many arenas as possible to satisfy their quest for formal status and recognition.

Symbolic regionalism appears to be tied to the supposedly specific characteristics of the African state and their insertion in the global order. Yet, the role of procedures, symbols, 'summitry', and other rhetorical and discursive practices appear strongly also in other regions both in the present era and throughout history, and they are by no means unique to Africa. For example, the Arab League is undoubtedly a project shaped and surrounded by rhetoric, perhaps even more than many African regional organizations. The Bolivarian project of regionalism pushed by Venezuela's President, Hugo Chavez, is first and foremost an anti-liberal and anti-American project. Even if there is 'implementation' and achievements in some specific sectors, such as oil, gas and health, the ideological and counter-hegemonic component is clearly its fundament. Likewise, it is difficult to dispute the fact that rhetoric and symbols played an important role in the Soviet-led Council for Mutual Economic Assistance. Discursive practices and symbolism have also played a role in EU. Historically, some EU member states have used Europe to legitimate their political regimes (mirroring the African pattern) while others have used Euro-scepticism for similar aims. Lastly, EU summitry regionalism may possibly even outcompete the AU.

Shadow regionalism

It is undisputed that many parts of Africa are characterized by myriad of informal and non-institutional interactions and activities between a mosaic of informal workers and self-employed agents, families, business networks, petty traders, migrant labour, refugees, and so forth. However, these practices should not only be seen as a way for poor people to survive, but are also linked to the informalization of politics and patronage.

> 'shadow regionalism' suggests that regime actors use their power positions within the state apparatus in order to erect a complex mode of regionalism, characterised by informality and a search for personal gain.

The concept of the 'shadow state' was developed by William Reno in order to refer to a particular type of state where corrupt politicians were sheltered by the formal façade of political power based upon informal markets.[3] There is a strong transnational dimension of these informal activities, which can also enhance our understanding of informal regional activities. Building on Reno's concept, 'shadow regionalism' suggests that regime actors use their power positions within the state apparatus in order to erect a complex mode of regionalism, characterised by informality and a search for personal gain.

As Daniel Bach points out, shadow "trans-state" regionalism grows from below and is built upon rent-seeking or the stimulation of patron-client relationships. These types of shadow networks are inherently inequitable and extremely uneven. They accumulate power and resources at the top, to the rich and powerful, and those who have jobs, rather than to the unemployed, the urban poor, and rural producers. Small-scale cross-border traders have a disadvantage since the economies of scale are "only for those who can pay the necessary bribes."[4]

Shadow activities undermine the regulatory capacity of the state and its promoters may actively seek to preserve existing boundary disparities (e.g. customs, monetary, fiscal and normative). Consequently, when political leaders resist formal regionalism, this may very well be a deliberate strategy to maintain the *status quo* in order to not disrupt shadow activities.

The profits involved in shadow networks are considerable. The attempts to restrict shadow and similar 'trans-state' informal flows in Africa have often been unsuccessful, because agents are often able to adjust to new circumstances. In the current African context where the state apparatus itself offers less opportunity for private accumulation and where formal barriers between countries have been reduced, shadow regionalism stems no longer only from the exploitation of existing border disparities. Instead it has expanded to more criminal activities, such as new trades in illicit drugs, including heroin, mandrax and cocaine, arms, light weapons and other merchandise of war. Shadow networks may even be actively involved in the creation and promotion of war and conflict, as seen in the more turbulent parts of Africa, especially West Africa, Central Africa and the Great Lakes region.

Shadow regionalism does not occur just everywhere, but tends to exist where patron-client relationships are the strongest. What is particularly disturbing is that it appears that even a small number of 'shadow agents' may block or even destroy egalitarian forms of development and regional organizations.

Finally, given that both patronage and informal markets exist all over the world, it needs to be emphasized that there is no reason at all to believe that shadow regionalism is restricted to Africa. The failure by regional integration scholars to discuss these and other clandestine effects (in Africa as well as other regions) result from exaggerated idealism, which in turn leads to a failure to design more appropriate and relevant regionalization strategies.

Notes

1. SAPSN, 'Making Southern African Development Cooperation and Integration a People-centered and People-driven Regional Challenge to Globalisation', Declaration to the Governmental Summit of SADC, Windhoek 1-7 August 2000, p. 1.
2. Jeffrey Herbst (2007), 'Crafting regional cooperation in Africa', in Amitav Acharya and Alastair Johnston (eds), *Crafting Cooperation. Regional International Institutions in Comparative Perspective* (London: Oxford University Press), p. 144
3. William Reno, *Corruption and State Politics in Sierra Leone* (Cambridge: Cambridge University Press, 1995).
4. Daniel Bach (1998), 'Regionalism versus regional integration: the emergence of a new paradigm in Africa' in Jean Grugel and Wil Hout (eds.), *Regionalism Across the North-South Divide. State Strategies and Globalization.* (London: Routledge), p. 162.

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Doing Business in SADC Still Not for the Faint of Heart

Talitha Bertelsmann-Scott

The recent Southern African Development Community (SADC) Summit, which took place in Mozambique on 17 & 18 August 2012, approved the Regional Infrastructure Development Mater Plan (RIDMP). The plan aims to deal with the region's deficit in road, rail, ports, power, communication and water infrastructure, currently estimated at around $100-billion dollars.

However, a recent study done by the South African Institute of International Affairs (SAIIA), with support from the Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) in Botswana, has shown that there are a number of smaller interventions that could ease intra-SADC trade significantly.

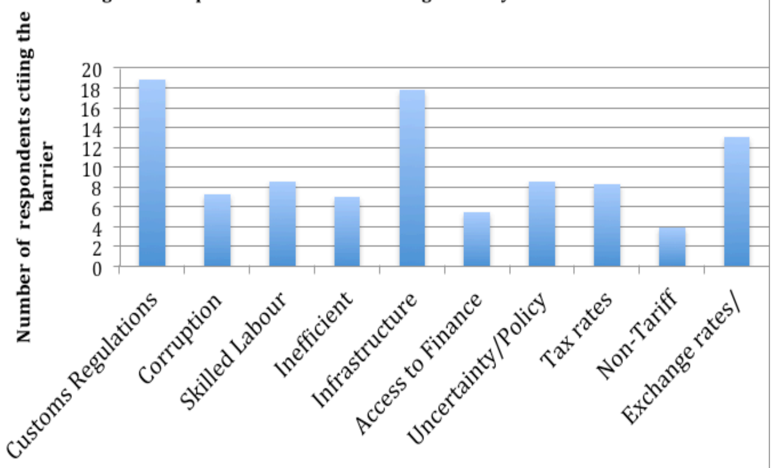
The study consisted of firm-level interviews with around 50 companies throughout the SADC region, in order to gauge whether documented trade barriers in Southern Africa are indeed the most problematic. Drawing on existing work done by the World Bank and the region's own analysis of the problems in implementing the Regional Indicative Strategic Development Programme (RISDP), SAIIA compiled an initial list of trade barriers that it expected companies to mention. These included: the access to and the cost of finance; tax rates; access to skilled labour; economic and regulatory uncertainty; fluctuation of exchange rates and foreign currency controls; customs regulations, procedures and bureaucracy; infrastructure deficiencies; corruption; inefficient bureaucracies; and, non-tariff and other trade barriers.

The findings: mixed concerns throughout the region

The development of the top ten barriers was not far off the mark, although they could probably be condensed into a top five or six (see Figure 1). The more common concerns are the areas of customs clearance, the high bureaucratic burden faced (with one company mentioning paperwork for a mixed container of perishable goods being a foot deep), the lack of infrastructure, corruption and access to skilled labour. But generally there is a spread across all the indicators identified.

The findings revealed a definite split between the more northern, less developed member states and the members of the Southern African Customs Union (SACU), which includes South Africa, Botswana, Namibia, Lesotho and Swaziland and the barriers they find constrictive. Customs regulations and delays, inefficient bureaucracy and infrastructure deficits were ranked the top three constraints for SACU states, with non-SACU states ranking infrastructure deficits much higher, followed by customs delays, access to skilled labour and finance (see figure 2).

Figure 1 - Top ten trade barriers amongst surveyed SADC businesses



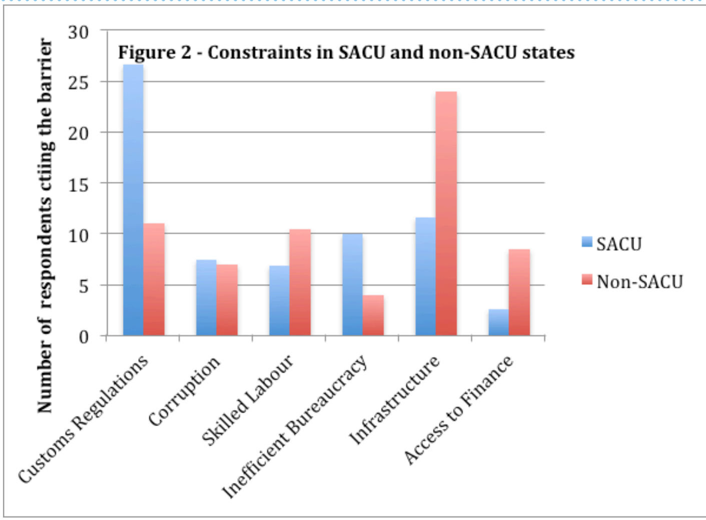
It seems that in the DRC and Malawi the basics of banking and tax issues need to be addressed first before other areas develop into the most significant barriers. For South African firms the border crossings are of highest concern, followed by corruption. South African firms especially mentioned doing business in the DRC as near impossible given the high corruption levels. However, the firms interviewed in the DRC acknowledged the wide-spread nature of corruption but accept it as part of the environment. They would rather address the banking issue than try and deal with corruption.

In terms of non-tariff barriers, interviewees most often mentioned the problem with weighbridges, especially outside of South Africa. A different reading at different weighbridges brings huge confusion and attracts additional costs for firms. Most weighbridge points only accept cash for payment of overloaded vehicles often leaving truckers in the difficult position of having to abandon their trucks to seek a bank point several hundreds of kilometers away. No secure environment is offered to the trucks.

Roadblocks, especially in Zimbabwe, were mentioned as a significant non-tariff barrier and source of corruption. Having to pass through several of these roadblocks and having to bribe their way through, truckers need to carry dollar notes to be able to continue their journey without harassment from police.

The introduction of the new e-platform for border crossings to and from South Africa was met with high optimism by the Road Freight Association but extreme pessimism by others, arguing that it is in fact duplicating work with border officials not trained on the system still insisting on the actual physical paperwork and infrastructure deficiencies at the border resulting in the system being inaccessible and resultant delays.

Business interest in the region is definitely increasing with Tanzania and Mozambique mentioned as desirable markets to increase exports to. The DRC is still seen as a sleeping giant that will hold many potential benefits once some basic infrastructure; rules and regulations are in place. Already,



improvements in infrastructure at the DRC borders are attracting more traders to this part of Southern Africa. Whereas the business potential of Angola is recognized companies are put off by the high bureaucratic burden to enter the country, corruption and the often lengthy port and border delays.

Company size matters

In Mozambique we interviewed non-typical companies that were either situated in the Duty Free Zone or were large gas companies. Those in the Duty Free Zone are exempt from normal taxes meaning their border crossings are far less complicated with a significant reduction in bureaucratic burden. The oil companies effectively have an exchange rate reserved for their large transactions, they have their own dedicated customs clearance procedures and windows, and government has spent large sums on infrastructure development in areas necessary for oil companies. Not surprisingly, they did not have many barriers to trade to cite apart from the skills shortage. In this regard they are investing heavily in education and skills training for their own industries.

These non-typical companies pointed out that they infrequently come into contact with corruption, the reason being that they don't deal with normal custom procedures. They were of the opinion that corruption was the root-cause of all barriers to trade in SADC, and once this had been rooted out other barriers would resolve themselves.

The Mozambique case studies confirmed what has been evident elsewhere: it is hugely advantageous to be a big company. Not only does government wish to attract you and provides duty-free zones and an eased bureaucratic burden, large companies are more like to attract necessary skills and are better equipped to lobby government in their areas of interest. Large firms can afford to appoint highly skilled teams in completing paperwork. They can hire logistical experts for the sequencing of various permits, visas and other forms that can only be collected on an interval basis.

The SAIIA sample only included one or two small firms who impressed with their tenacity but who were clearly unique individuals that are well equipped with the necessary personality to thrive in a high risk, high reward environment. Economists regularly argue that small business entrepreneurs are needed to give the region a necessary growth boost, but are lacking in Southern Africa. The SAIIA study shows that the environment is not conducive to their growth. The RIDMP will also not create this environment as it will focus on the much larger, multi-million infrastructure projects to span 14 countries.

> Policy engagement, through which businesses could influence governments and the regional authorities to explore the suggestions made above, is very low, with most companies interviewed claiming ignorance of regional business organisations or how their chambers should be feeding into the Apex organisations.

Needed: policy engagement on trade facilitation

Whilst this investment is necessary and very welcome, SADC should also in the interim work on non-infrastructure related barriers, that could be easily resolved at the regional level, provided the necessary buy-in exists amongst the member states. During the interviews respondents were asked for suggestions on how to improve the trading environment in Southern Africa and the most common suggestion made was for a SADC-wide business visa to be implemented and for progress to be made on uniform regulations on foreign labour permits. The hope was also expressed that a thorough logistical map of ports and border posts could be done in order to see where small changes (without high capital input) could result in a big impact on delays. A SADC e-platform with regular updates on tariff and excise duty changes would be welcomed. Ensuring that weighbridge scales can be trusted to have accurate measurements with alternative payment methods at weighbridge points would ease business for many road freight operators.

Policy engagement, through which businesses could influence governments and the regional authorities to explore the suggestions made above, is very low, with most companies interviewed claiming ignorance of regional business organisations or how their chambers should be feeding into the Apex organisations. Most firms interviewed argued that they would engage at the national level – either in their own countries or with third country Ministries of Trade or Customs officials. They saw trade delegations as good opportunities to address some of their key concerns.

The telecommunications sector was the one sector that did mention effective and deep engagement with SADC via the Communication Regulators' Association of Southern Africa (CRASA), which enables regular interaction between firms and relevant government officials at a senior level. Telecommunications is slightly different to other areas as it is heavily regulated and in some SADC states the tax revenue from this sector is the largest contributor to the country's budget. There is, therefore, a mutual concern in engagement.

There is undoubtedly a big need for infrastructure investment in SADC, as the SAIIA case studies confirm, but the region, under the leadership of Mozambique, should not lose sight of the myriad of smaller interventions they can make to attract more businesses to trade in Southern Africa. The review of the RISDP should open some opportunity to explore the areas mentioned by the companies interviewed.

The full study is available at www.thetradebeat.com/sadc-business-case-studies/the-case-studies

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Obstacles to Sustainable Regional Integration in West Africa

Matthias Vogl and Wautabouna Ouattara

Over the last two years, the regional integration agenda in West Africa, or more precisely, the agenda of the Economic Community of West African States (ECOWAS) has been dominated by the issue of conflict management.

Beginning with the turmoil in Côte d´Ivoire at end of 2010, the region has not been able to escape from a series of troubles which are still ongoing in Mali and Guinea-Bissau. For ECOWAS, as the principal regional political actor, these problems are the top priority. This focus reflects the history of the regional grouping but also reveals shortcomings.

Background

Initially created in 1975 to boost intra-regional trade among West African States and to enhance cooperation for development, ECOWAS first became known trough its peacekeeping efforts during the civil wars in Liberia and Sierra Leone in the 1990s. While progress in the economic sphere is very slow and deadlines for the completion of a common external tariff and the installation of a single currency are regularly postponed, ECOWAS achievements have mainly focused on peacekeeping and security. It has become somewhat of a model in this sector, particularly because of a huge conceptual output and by integrating into the African Peace and Security Architecture (APSA). However, the practical performance of ECOWAS so far is average. It will be tested again in Mali now.

Obstacles– The problem of policy formulation

While in Europe, crises have time and again pushed the integration process forward, the permanent state of crisis in West Africa seems to prevent significant progress. It is true that some measures have been implemented like, for example the transformation of the ECOWAS Secretariat into a Commission, following the EU model. In spite of this, a major problem in West African regional integration continues to be the formulation of effective policies. For this, several reasons can be mentioned: first, a comparatively low economic and political interdependence of West African countries which hampers interest creation for regional solutions. Second, exaggerated ambitions contradicting with a striking lack of capacities and resources. Moreover, the little capacities often seem to be uncoordinated and sometimes badly managed.

Apart from these structural shortcomings, the monopolistic setting of decision-making and the vested interests of the Member States are often transferred to the regional level. This is also because the regional integration process in West Africa is and has always been a project of "political elites". European integration has also been an "elite process", and this has contributed positively to the continuity of the integration process. However, the "driving forces" not only came from the political but also from the private sector. In West Africa, it is this "drive" that is missing. ECOWAS is aware of this fact. It is pursuing the goal of transforming ECOWAS of States into an ECOWAS of the people by 2020. However, as in other policy fields, this ambitious plan does not yet match with current realities. Reform needs time, but more could be done. The pluralistic societal setting is not missing, but it is somewhat unconnected to decision-making in ECOWAS.

Steps forward

How can these shortcomings be addressed? An external and an internal perspective should be distinguished.

The influence of foreign powers on West Africa, even 50 years after the end of colonialism, is still high. However, as West African stakeholders continue to emphasize, the number of alternatives has increased because of the growing interest of emerging powers like China, India and Brazil. The relationships of ECOWAS, either with the EU or with the emerging powers may still be of an asymmetric nature but interdependence has increased. This new leverage can be an incentive to develop strategies on how to jointly profit from the new opportunities. This kind of West African regional foreign policy is missing so far.

The main problems from an internal perspective have already been outlined above: a lack of institutional coherence and coordination, a lack of resources, exaggerated strategic ambitions and little inclusiveness. These circumstances negatively affect policy formulation. Therefore, first of all, there is a need to have a more knowledge-based regional decision-making so as to achieve sustainable results and to avoid disappointment. Only on the basis of a clear and realistic assessment of policies and their determining factors, is it possible to develop approaches in a pragmatic way. This connection between academia, think-tank work and politics is widely missing in West Africa.

Even without a more detailed analysis, there are already several suggestions that can be made in the short and medium term: a more targeted capacity development to train qualified human resources to work for regional integration; the establishment of innovative structures for dialogue within and between ECOWAS institutions as well as between ECOWAS, the private sector and civil society; the strengthening of institutions like the ECOWAS Court of Justice and the inclusion of independent research and analysis. These measures can contribute to constrain monopolistic structures of decision-making, to increase the legitimacy and transparency of regional policies and also to balance the one-sided focus on peace and conflict issues.

This article summarizes part of the outcome of the first study meeting in the framework of the ZEI-WAI research cooperation on "Sustainable regional integration in West Africa and Europe" held in Praia from 1-2 October 2012, a 2012-2016 project sponsored by the German Federal Ministry of Education and Research (BMBF); see www.zei.de.

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Natural Resources: A Key Challenge in Regional Integration of the Middle East and North Africa Region

Céline Carrère, Julien Gourdon and Marcelo Olarreaga

Greater trade integration within Middle East and North Africa region is expected to happen through the completion of the Pan-Arab Free Trade Agreement (PAFTA). However, recent studies suggest that when resource-rich and resource-poor countries give preferences to each other, as in PAFTA, the resource-rich country is very likely to suffer from trade diversion. Our recent empirical research states that it has happened in PAFTA. This could explain why resource-rich countries may be reluctant to deepen further this type of agreement.

Regional Integration in MENA: many attempts, few results

Regional integration is reshaping the world. The Middle East and North Africa (MENA) region has implemented several regional trade agreements the last fifteen years. Regional integration schemes among MENA countries provide an ideal case study to test for the importance of trade diversion in agreements involving resource-rich and poor members. Half a century after the creation of the Arab League in 1945 - aiming at intensifying regional trade in the region - MENA's spaghetti bowl of regional integration agreements has little to envy to those in Latin America or Sub-Saharan Africa (See Figure 1). In spite of the numerous regional trade agreements, the extent of intra-regional trade is only a tenth of total trade, and is below what a standard gravity model (which explains bilateral trade using distance between partners and the economic size of the two partners) would predict.[1]

Natural Resources: a brake on regional integration

The link between resource abundance and regional integration has been subject to an extensive literature. The 2010 edition of the World Trade Report details how many integration schemes in the developing world disintegrated in the seventies when the oil price shocks accentuated the dichotomy between those which were commodity net importers and had to bear a rising import bill and those who were net exporters.[2] Indeed, this led many governments from net resource importing countries to decide against the further liberalisation of intra-regional trade and instead to concentrate on earning revenues in trading extra-regionally. On the other hand, net resource exporters have often abruptly abandoned domestic policy reforms after enjoying resource windfall gains and thus injected some further erratic volatility into integration schemes.

A matter of redistribution... through trade diversion?

A recent theoretical study by Tony Venables the proximity of resource-rich and resource-poor countries gives an opportunity to even wealth distribution within the group of countries via regional integration.[3] Indeed, the resource-poor countries have a strong incentive for preferential trade liberalization with its resource-rich counterparts, as a way to get access to their rents. However, this can be done at the cost of trade-diversion in the resource-rich country, and a loss of efficiency in imports. There is little scope for the resource-poor country with a small but developing manufacturing sector to suffer from trade diversion if the resource-abundant country is specialized in the natural resource good. On the other hand, the resource-rich country may suffer from a significant amount of trade diversion as the resource-poor country benefiting from the preferential access can increase its exports of manufacturing goods to the resource-rich country, hence the resource-rich country substitutes imports from the relatively more efficient rest of the world towards the regional partner.

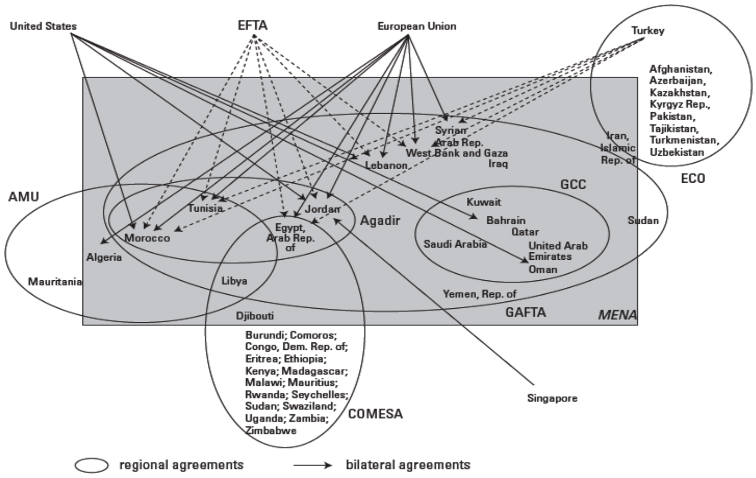
Are natural resources impeding or fueling MENA integration?

In our recent empirical research we explore the extent to which the various integration schemes (AGADIR, GCC, PAFTA etc...) in the MENA region have led to trade creation and trade diversion. Middle East and North Africa region contains both resource-rich and resource-poor countries.

The Pan-Arab Free Trade Area (PAFTA, in force since 1998) is particularly interesting as it involves eight resource-poor countries and twelve resource-rich countries according to the World Bank's classification.[4] Other agreements such as the Gulf Cooperation Council (GCC) in force in 2003 only involve resource-rich countries and AGADIR in force in 2004 only resource-poor countries. Thus the same forces behind trade diversion are not at play.

Using a classic gravity model explaining bilateral trade patterns of each MENA country during the period 1990-2009 we measure the trade creation (increase in imports from partners) and trade diversion (decrease in imports from rest of the world)

figure 1.Preferential Trade Agreements in the Arab World



Source: World Bank staff.

Note: Only major agreements are depicted.
Agadir = Agadir Agreement for the Establishment of a Free Trade Zone between Arabic Mediterranean Nations (4); AMU = Arab Maghreb Union (5); COMESA = Common Market for Eastern and Southern Africa (19); ECO = Economic Cooperation Organization (10); EFTA = European Free Trade Association (4), including Iceland, Switzerland, Norway, and Liechtenstein; GAFTA = Greater Arab Free Trade Agreement (18); GCC = Gulf Cooperation Council (6).

following implementation of preferential trade agreements (in the region but also with Europe and other partners).[5]

For AGADIR and GCC, we do not find a statistically significant impact on intra-regional trade. This can be partly explained by the fact that all AGADIR and GCC countries are part of PAFTA and entered into force after PAFTA. So the advantages in terms of intra-regional liberalization that AGADIR and GCC offer may be limited. But the reason could also be that countries in those two regional trade agreements are too homogenous in resource endowments and production capabilities, and hence did not lead to specialisation and diversification.

We find strong evidence of increases in intra-regional trade in PAFTA and in other agreements signed between MENA countries and partners in the rest of the world, such as the Euromed agreements with the European Union. However, evidence of trade diversion is only found in PAFTA.

We then explore whether Venables' prediction is verified in PAFTA and find that indeed the main source of trade-diversion in PAFTA was due to the replacement of imports of resource-rich countries from the rest of the world by imports of resource-rich countries from other resource-poor PAFTA members. Resource-poor counties suffer no trade diversion.

In PAFTA, resource-rich countries generally export only a few products and with a highly concentrated export bundle. Interestingly, these countries have also significantly increased their exports of non-oil goods to resource-poor countries, but these increases were not accompanied by trade diversion in resource-poor countries.

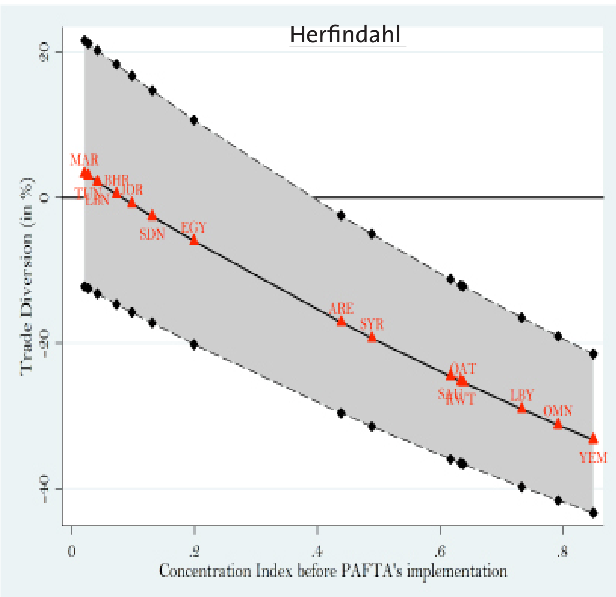
Figure 2 provides an idea of the size of trade-diversion for the different PAFTA countries according to the export concentration which is a good proxy for natural resources abundance (as well as the standard error of the estimate for each country). When we measure such concentration using the Herfindhal index, resource-poor countries (such as Morocco, Lebanon and Tunisia) do not suffer from trade diversion and then benefit fully from the PAFTA agreement (they experience only trade creation). Saudi Arabia, Qatar, Kuwait, Oman, Libya, Yemen and United Arab Emirates all have levels of trade diversion that are statistically different from zero with an average decline in imports from the rest of the world above 15 percent.

This may appear surprisingly low given that their increase in imports from other PAFTA countries is on average 107 percent in our results. But to assess the relative importance of these flows one also needs to consider the difference in the base. Given that initial imports from the rest of the world of imports are at least five times of imports from other PAFTA countries; this suggests again a fully trade-diverting PAFTA for resource-rich members.

Policy implication for MENA

Putting together our results suggest that the main beneficiaries from PAFTA are resource-poor countries that experienced only trade creation and benefited from the trade diversion of resource-rich countries at the expenses of the rest of the world. This means that PAFTA has helped redistribute income from resource-rich countries to resource-poor countries within PAFTA. It also explains why resource-rich countries may be reluctant to deepen further this type of agreements.

figure 2. Predicted non-fuel trade diversion given by the pre-PAFT Concentration index.



	Trade Diversion %
Morocco	3.35
Tunisia	3.02
Lebanon	2.23
Bahrain	0.55
Jordan	- 0.78
Sudan	- 2.49
Egypt	- 5.93
UAE	-17.10
Syria	-19.26
Saudi Arabia	-24.52
Kuwait	-25.19
Qatar	-25.35
Libya	-29.01
Oman	-31.19
Yemen	-33.23

source: Authors' calculations

Indeed, there are certainly more efficient means of redistributing income to resource-poor countries in the region than through trade diversion. However non-economic objectives, such as the reinforcement of the resource-rich country hegemonic power could be one reason why resource-rich countries will enter this type of agreements.

Hence, while further intra-regional trade integration is an important avenue for enhancing diversification of resource-poor MENA countries, resource-rich countries have no strong incentive for further preferential regional integration from a purely economic standpoint. Future discussions of regional trade agreements should take this into account. In this context, trade liberalization on an MFN basis may be the best option to further global integration.

Notes

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2. World Trade Report, 2010. Trade in Natural Resources. World Trade Organization: Geneva
3. Venables, A., 2011 'Economic integration in remote resource-rich regions' in Costs and benefits of economic integration in Asia, R. Barro and J. W. Lee (eds) Oxford University Press
4. According to World Bank's classification resource-poor countries in PAFTA include Tunisia, Morocco, Lebanon, Jordan, Egypt, Sudan, West Bank of Gaza and Djibouti. Resource-rich countries can be divided into two sub-categories. GCC Oil exporters include UAE, Saudi Arabia, Qatar, Oman, Kuwait and Bahrain. Developing Oil Exporters include: Yemen, Syria, Iran, Iraq, Libya and Algeria.
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Monthly Highlights from ECDPM's Talking Points Blog

www.ecdpm-talkingpoints.org

Will the re-election of Obama just bring more of the same to Africa?, Talking Points, Faten Aggad, November 7th 2012

When I visited Tanzania in early 2009, small street shops were selling fabric with the face of Obama and the famous 'Yes we Can' election slogan printed on them. Few months later, I bought a box of Obama gum from a store in Burundi. The box of gum was a special edition produced by a Kenyan candy factory to celebrate the election of Obama into the White House. Africa was clearly proud of its (half) son and expectations that his election would yield a new era in US-Africa relations were very high. But the Obama-fever (...)

Budget hawks circling EU development aid, Talking Points, Laura Mayer, November 7th 2012

Florian Kratke co-authored this article. European Heads of State will be taking more than one shirt to the 22-23 November budget summit, anticipating lengthy negotiations for reaching the political agreement on future EU funding needed by the end of the year. EU insiders are expecting a deal to include cuts of up to € 200 billion. A key question is how much development cooperation expenditure will be lost in the process. The revised "negotiation box" for the EU's 2014-2020 Multi-Annual Financial Framework (MFF), presented by the Cyprus EU Presidency at the end of October, will serve (...)

Monitoring Regional Integration – tedious or a tool?, Talking Points, Bruce Byiers, November 7th, 2012

With burgeoning regional integration and free-trade arrangements around the world, a key question is whether or not agreed treaties are being implemented and if so, with what impact. This is all the more relevant since a significant number of South-South Regional Trade Agreements (RTAs) suffer from a well known lack of implementation, monitoring, and general follow up. A good starting point is to ask what to monitor, why do it, how to do it and who should do it – we may even find that the exercise of monitoring itself helps improve implementation! Sharing monitoring (...)

EU-Africa relations: what's in store for 2013? Talking Points, ECDPM Challenges Team, October 26th 2012

Each year ECDPM publishes a Policy Brief, on Challenges for EU-Africa Relations, outlining key events and expected trends for the year to come. This year's 'Challenges Paper' will aim in particular to cover the preparatory work for the EU-Africa Summit in 2014, and the major issues that will influence it or be addressed there, as well as the impact these issues might have on future EU-Africa relations. This article provides an initial indication of our plans for the paper that will be published at the end of year. If you have a different take on (...)

Monthly highlights from ECDPM's Weekly Compass Update

www.ecdpm.org/weeklycompass

Natural resources: from curse to purse, Weekly Compass, Issue 127, 26 October 2012

Africa's current resource boom is at the centre of high-level discussions at this week's 8th African Development Forum addressing the challenge of how to govern and harness natural resources for development. This will also be a central element of the African Caribbean Pacific Group of States meeting on Global Commodities in Brussels next week. ECDPM experts are participating in both meetings and Isabelle Ramdoo released her new paper 'From Curse to Purse: Making extractive resources work for development.' The Guardian cited Ramdoo explaining that Africa must diversify its economy to save itself from resource curse.

Regional action to boost food security in the Horn of Africa, Weekly Compass, Issue 127, 26 October 2012

Since the 2010 food and drought crisis in the Horn of Africa, a number of initiatives have been launched to address food insecurity and strengthen the region's resilience to disasters. One of them is the regional Comprehensive Africa Agriculture Development Programme (CAADP) for north-east Africa, led by the Intergovernmental Authority on Development. A new ECDPM paper - building on series of studies mapping regional CAADP progress across Africa - presents early lessons on the complexities associated with using CAADP as a framework for regional action on food security. It highlights how important it is to clarify the links and possible synergies with other initiatives and recommends that a 'roadmap' identifying complementary actions and investment areas to boost the region's food security could be useful.

'Thorny issues' in support to weak civil society, Weekly Compass, Issue 127, 26 October 2012

In fragile situations, state-society relations are at the core of the transition out of fragility, and civil society has an important role to play. It can contribute to a broader ownership of national development plans, contributes to domestic accountability and state-society relations, and fills a service gap. Perhaps even more importantly, civil society channels societal dynamics and can foster change, explains ECDPM's Frauke de Weijer in a new discussion paper. Her research looks at how international support affects the ability of an often weak civil society to perform these functions and addresses some of the 'thorny issues' that arise from external engagement in fragile states.

Development ministers meet on MDGs, finance, Weekly Compass, Issue 126, 19 October 2012

At Monday's EU Council meeting of Development Ministers, several stressed the importance of maintaining poverty eradication as the focus of the future development agenda, while addressing gaps in the existing MDGs framework, such as sustainable growth or fragility and conflict. In relation to financing for development, the EU, inter alia, decided to incorporate tax administration into policy dialogue with partner countries, support reform and help to combat illicit capital flows. Council conclusions also call for mainstreaming of civil society in all areas of cooperation. EU Member States also agreed that they should coordinate better in the programming process of future cooperation to ensure policy coherence for development and support for social protection.

EPA Update

This month, this section covers recent EPA developments that occurred over the past months in the EAC, Caribbean, Pacific and SADC regions. Stay tuned for coverage of negotiations in other regions

ALL ACP

11th ACP-EU Joint Ministerial Trade Committee held in Brussels

A weeklong meeting of Senior trade officials and ACP Ministers of Trade took place during the third week of October at the ACP house in Brussels, culminating in a ACP-EU Joint Ministerial Trade Committee on Friday 26th. Chaired by Fiji, the meeting's agenda focused on several issues chosen for their importance to ACP-EU trade ties: the EPAs, the European Commission's Communication on Trade, Growth and Development, EU negotiations with third parties, commodity-specific questions, WTO issues, and plurilateral agreements.

On the first point, Fiji's Attorney-General and the Minister for Industry and Trade, Aiyaz Sayed-Khaiyum, called for ACP states to show unity and "put forward innovative but pragmatic solutions to resolve the outstanding issues and conclude negotiations on a Comprehensive EPA for the benefit of all." [1] The ACP secretariat reportedly updated the 260 delegates on the latest developments on the "deadline" put on MAR regulation 1528/2007, initially set at 2014 by the European Commission, later amended by the European Parliament to 2016, amendment that the Council has rejected.[2] As GREAT reported last month, European institutions will seek a compromise date, something the ACP Group will keep a close eye on.

The ACP side also reiterated its concerns regarding the EU's pursuit of bilateral agreements. The Fijian minister called for 'impact studies' to be conducted on specific products whose liberalization with third countries is likely to harm the preferences enjoyed by the ACP. Karel de Gucht, European Commissioner for Trade, assured the ACP that these concerns were being taken into account.[3] On another note, the WTO Director General, Pascal Lamy, delivered a speech to ACP Ministers, praising the Group's instrumental role at the WTO, and stressing areas of interest to the ACP at the WTO.

Eastern and Southern Africa

Inaugural Committee meeting held

The first Eastern and Southern Africa (ESA) EPA Committee gathered in Brussels on October 19th. Four countries in the ESA grouping have signed Interim EPAs: the Seychelles, Zimbabwe, Madagascar and Mauritius. The first two have already ratified the agreements, while Madagascar and Mauritius are provisionally applying it. The Customs Cooperation Committee and the Joint Development Committee also met for the occasion.

Two issues of importance for the region were discussed; cumulation rules and derogations for canned Tuna loins, which some ESA countries are reportedly experiencing trouble with, and EPA related development support for the region. The next meeting is scheduled for early 2013.

Pacific

Pacific ACP Region and European Commission meet for formal EPA negotiation after 3 years lapse

As we reported in these columns last month, the Pacific ACP (PACP) EPA grouping and their EU counterparts had agreed to meet from 1-5 October, their first formal EPA negotiations meeting since September 2009.

The Pacific side came to the meeting with its revised marked access offer, the EU having responded to the region's initial offer a couple of months earlier. All twelve PACPs have submitted conditional market access offers. Both sides have agreed to set up working groups to deal with remaining issues, amongst which trade in goods, rules of origins and cumulation, fisheries and development cooperation.

It should be noted that a key issue for PACPs throughout the negotiations has been rules of origin for fish products and related fisheries questions. The global sourcing provision, allowing the export of processed fish to the EU under preferential rates, even if the raw fish is of foreign provenance, is a key question.

CARIFORUM

CARIFORUM and EU hold Joint Council in Brussels

The fifteen CARIFORUM States and the EU held the second Joint EPA Council, the highest institutional body set up by the agreement on October 30th in Brussels. Last month's Trade and Development Committee set the backdrop to the meeting, as reported in these columns. Items up for discussions included, amongst others, slow implementation of the agreement by countries in the region, missed deadlines and requests to amend provisions on certain goods in the agreement, and several areas of concerns to CARIFORUM states.

The meeting did not come to any settlement on the latter question, which concerns the request made by Trinidad and Tobago to amend some provision of the agreements on tariff cuts on paper product on motor parts. Trinidad and Tobago claims the dispositions present in the agreement are erroneous, and do not reflect their understanding of what had been agreed previously. The item will remain on the agenda of future meetings.

CARIFORUM states voiced several additional areas of concerns. Caribbean states contend that some of their exports to French Islands in the region attract higher taxes then similar goods from EU Member States and other countries. The tax in question, the 'Octroi de Mer', is allowed under the agreement, the question seems to be whether it is applied in a non-discriminatory and transparent manner. The EU and CARIFORUM states vowed to cooperate to resolve the matter.

The reduction of EU aid to middle income countries, referred to as the 'differentiation' principle, also attracted criticism for the Caribbean states. If applied to the Caribbean, the principle could lead to significant cuts in EU support. The region argues that the vulnerability of the countries in the region is not reflected by measures relying solely on income per capita measurements.[4]

In other news, St. Kitts and Nevis' Prime Minister Dr Denzil Douglas announced in an interview on a local radio that the nation would seek an extension for the implementation of tariff cuts foreseen in the agreement, citing fears of revenue losses.[5] St. Kitts and Nevis has yet to start implementing tariff reductions. It is unclear if the matter was raised during the Joint Council.

Also in other news, the EC recently announced a proposal on removing Schengen visa requirements for travellers from 16 island states, five of which are Caribbean states - Dominica, Grenada, Saint Lucia, Saint Vincent and the Grenadines and Trinidad and Tobago.[6] This follows longstanding criticisms from some actors in the region, which argued that the stringent and lengthy process to obtain Schengen visas compromised the commitments made by the EU regarding the free movement of service providers. The proposal is now in the hands of the council and the parliament. It is unclear if other CARIFORUM states will eventually be consider for the "visa waiver".

Notes

1. http://tinyurl.com/az03ohd
2. http://www.acp.int/print/content/opening-remarks-secretary-general-acp-seniortrade-officials-technical-meeting-22-23-october-
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6. http://tinyurl.com/bbcbtnc

ACP-EU Trade Calendar

November

6 EU ACP Working Party
6-9 EAC-EU joint Technical Officials negotiations session, Kampala, Uganda
13 ACP Working Group on Banana, Brussels, Belgium
22-29 24th session of the ACP-EU Joint Parliamentary Assembly, Paramaribo, Suriname
TBC SADC-EU joint Senior Officials' negotiating sessions (venue TBC)

February 2013

11-15 ACP-EU JPA - Regional Meeting (Caribbean)

March 2013

(TBC) Pacifc EPA Joint Technical Working Group

Resources

From Curse To Purse. Making Extractive Resources Work For Development, Isabelle Ramdoo, ECDPM Discussion Paper 136, October 2012

Regional Approaches To Food Security In Africa: Early Lessons From The IGAD Regional CAADP Process, Dolly Afun-Ogidan and Frauke de Weijer, ECDPM Discussion Paper 128e, October 2012

Strengthening Civil Society? Reflections On International Engagement In Fragile States, Frauke de Weijer and Ulrika Kilnes, ECDPM Discussion Paper 135, October 2012

Differentiation in ACP-EU Cooperation Implications of the EU's Agenda for Change for the 11th EDF and Beyond, ECDPM Discussion Paper 134, October 2012

Gaining Control: A Parliamentarian Toolkit To Get The EIB Back On Track, Counter Balance, October 2012

A Review of Trade Preference Schemes for the World's Poorest Countries, Sam Laird, ICTSD Issue Paper 25, October 2012

Globalization and Corporate Taxation, Manmohan S. Kumar and Dennis P. Quinn, IMF Working Paper 12/252, October 2012

Soft Lending without Poor Countries: Recommendations for a New IDA. Final Report of the Future of IDA Working Group, Jean-Michel Severino and Todd Moss, Center for Global Development, October 2012

Public Financial Management Reform In Fragile States. Grounds For Cautious Optimism?, Overseas Development Institute, ODI Briefing Paper 77, October 2012

Aid Untying: 2012 Report, OECD DAC, October 2012

The EU-South Africa strategic partnership: changing gear?, Damien Helly, FRIDE Policy Brief 7, October 2012

MDG Report 2012 Assessing Progress In Africa Toward The Millennium Development Goals. Emerging Perspectives From Africa On The Post-2015 Development Agenda. UNDP, July 2012

Taking Stock Of Measures Restricting The Export Of Raw Materials. Analysis Of Oecd Inventory Data, Barbara Fliess And Tarja Mård, OECD Trade Policy Papers No. 140, October 2012

Old Problems, New Solutions: Harnessing Technology And Innovation In The Fight Against Global Poverty, 2012 Brookings Blum Roundtable Policy Briefs, Brookings Institute, October 2012

TRIPS-Related Patent Flexibilities and Food Security. Options For Developing Countries, Carlos M. Correa, ICTSD Policy Guide, September 2012

Africa's Pulse. An Analysis of Issues Shaping Africa's Economic Future, World Bank, October 2012

The State Of Food Insecurity In The World. Economic Growth Is Necessary But Not Sufficient To Accelerate Reduction Of Hunger And Malnutrition, FAO, WFP and IFAD, October 2012

Global Hunger Index The Challenge Of Hunger: Ensuring Sustainable Food Security Under Land, Water, And Energy Stresses, IFPRI, Concern Worldwide, Welthungerhilfe and Green Scenery, October 2012

GREAT Insights is published by ECDPM

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