

September 2007, Preliminary draft

Rabbits Caught in the Headlights? Africa and the “Multilateralizing Regionalism” Paradigm

Peter Draper

South African Institute of International Affairs and
European Centre for International Political Economy

Mzukisi Qobo

Stellenbosch University and
South African Institute of International Affairs

Paper presented at the Conference on
Multilateralising Regionalism
Sponsored and organized by WTO - HEI
Co-organized by the Centre for Economic Policy Research (CEPR)

10-12 September 2007
Geneva, Switzerland

09/09/2007

First Draft

Working Title:

***Rabbits Caught in the Headlights? Africa and the
“Multilateralizing Regionalism” Paradigm***

Peter Draper: Trade Research Fellow, South African Institute of International Affairs; and Senior Research Fellow, European Centre for International Political Economy

Mzukisi Qobo: Department of Political Science, Stellenbosch University; and Research Associate, South African Institute of International Affairs

TABLE OF CONTENTS

Introduction.....	2
Reflections on ‘Multilateralising Regionalism’	4
Political-Economy Realities of Sub-Saharan Africa.....	12
Case-Study: The Southern African Development Community	21
Concluding Remarks.....	29
Tables.....	31

Introduction

Regionalism emerged as a global policy concern during the Uruguay Round of multilateral trade negotiations, towards the end of the 1980s. Before then it had comfortably co-existed alongside the multilateral trading system. The stability of the system hinged strongly on the leadership that the US provided since the early days of the GATT until the late 1980s. It was only when the US turned to regionalism that the edifice of the multilateral system began to experience tremors, and regionalism started becoming a threat to the functioning and credibility of the multilateral trading system. The stumbling bloc/building bloc metaphor widely credited to the Columbia University scholar, Jagdish Bhagwati, reflected the anxiety that the rapid spread of regionalism caused.

In the Sutherland Commission report for the World Trade Organisation (WTO), the relationship between Regional Trade Agreements and the multilateral trading system is discussed extensively, although it has very little to say about those involving developing countries. The report is extremely cautionary about RTAs, suggesting that some of their agendas 'might lead the WTO to a wrong direction.'¹ It further argues that the administration of these schemes is complicated by their preferential rules of origin and with particularly onerous costs for small corporations and traders, and hence for developing countries.² Despite these misgivings, it is now widely accepted that RTAs are here to stay and will continue to exist alongside the multilateral trading system.

Of particular importance is how the two processes – regional and multilateral – coexist and in a manner that facilitates global trade liberalisation. In this respect

¹ World Trade Organisation, *Report by the Consultative Board to the Director-General Supachai Panitchpakadi: The future of the WTO*, Geneva, 2004, p.19

² Alec Erwin, quoted in *Ibid*, p.22.

“multilateralising regionalism” is proffered as a possible path by Baldwin in his recent paper on the subject³. But what are the prospects for and pitfalls of this path for developing countries?

The positioning of developing countries in the global economy has led them, generally, at a political level to resist the regulatory convergence imperative or “standards harmonization” agenda emanating from the industrialized world. Yet African countries in particular, with the notable exception of South Africa, are largely takers rather than shapers of international economic institutions, including regulations. This is also the case with respect to their relationship to changes in the structures of global production and services which increasingly shape the agenda of regional trade integration. This resultant sense of vulnerability is playing out in the Doha round and in Economic Partnership Agreement (EPA) negotiations with the European Union (EU). From this standpoint it is difficult to see how African countries can constructively contribute to the “multilateralising regionalism” agenda. In fact the reverse is likely to be the case.

The paper begins with an assessment of the key ideas underlying the “multilateralizing regionalism” concept. The focus then moves to the enormous development challenges confronting African countries, rooted in chronic institutional weaknesses best considered a generalised crisis of the state. We show how these deeply entrenched challenges require Africa to engage more deeply with the developed world by adopting its standards as far as possible, in the hope of plugging their economies better into the globalization mainstream. This points to the centrality of the north-south axis; but that runs counter to the political impulse to resist economic dependence on the developed world.

³ Richard Baldwin, ‘Multilateralising Regionalism: Spaghetti Bowls as Building Blocs on the Path to Global Free Trade’, *Centre for Economic Policy Research (CEPR)*, DP 5775. www.cepr.org/pubs/dps/dp5775.asp

We also show how regional economic integration in Africa is often poorly conceived and in some regions suffers from chronic duplication, whilst the economic and political bases for it often woefully lacking. Furthermore, regional economic integration on the continent is often externally driven and characterised by donor-dependence. These channels of western influence are reproduced in EPA negotiations. Hence if, as seems likely, the European Union successfully links its aid to implementation of EU standards and insists on convergence to its regulatory standards it is likely that African countries would, as Baldwin's domino theory predicts, ultimately fall into line.⁴ The key question then is whether an appropriate balance can be found between African countries' legitimate needs for policy space, the pressing need for them to upgrade their regulatory capacities, and the needs of the multilateral trading system. We conclude by illustrating these points via a brief case-study of the Southern African Development Community (SADC), and its fraught EPA negotiations with the EU.

Reflections on 'Multilateralising Regionalism'

There are varied reasons why countries join RTAs. Some of these are political and relate to factors such as geographic proximity, cultural affinity, shared political objectives, economic ties, and shared historical bonds.⁵ For some countries this is to do with collective action problems linked to security or economic development. In some cases building a collective bargaining capacity to negotiate effectively at the World Trade Organisation is an important

⁴ This is what Jagdish Bhagwati refers to as the 'outside of trade reciprocity' which, because of the quid-pro-quo arrangement may encourage liberalisation in return for financial assistance. See, Jagdish Bhagwati, 'Introduction: The Unilateral Freeing of Trade versus Reciprocity', In Jagdish Bhagwati (ed), *Going Alone: The Case for Relaxed Reciprocity in Freeing Trade*, (Cambridge, Massachusetts: MIT Press, 2001), pp.10-13.

⁵ Edward Mansfield and Helen Milner V, 'The New Wave of Regionalism', *International Organization*, Volume 53 (3), Summer 1999, p.592; Jeffrey Frankel also identifies some of these factors, especially cultural ties or language as having some importance in encouraging trading relations between different countries. See Jeffrey A. Frankel, *Regional Trading Blocs in the World Economic System*, Washington D.C: Institute for International Economics, 1997.

consideration for participating in regional integration mechanisms, although this can hardly be a stand-alone justification. More concretely, creating economies of scale and providing an opportunity for learning-by-doing to foster competitiveness is a common thread that runs through almost all RTA arrangements.

The scope of obligations in many developing country regional trade agreements is limited to a subset of tariffs and cover goods only, while in some it is broader and goes beyond border measures to cover regulatory issues.⁶ That there is no standard pattern followed by countries in pursuing regionalism is a function of a number of factors. Countries' priorities and expectations with regards to trade integration are different. There are also different standards that countries use to calculate costs and benefits of participating in regional and multilateral trade negotiations, as well as with regards to their judgements on their rights and obligations. Some of the difficulties that developing countries face, for example fiscal adjustments or poor institutional environments, are less of a challenge for developed economies that may find it fairly straightforward to create more outward-oriented regional initiatives.

The essence of Baldwin's domino theory is that forces of regionalism, initially working independently of each other, will at a certain point trigger a multiplier effect that would knock down protective barriers like a row of dominoes, and open a path to regional and possibly global trade liberalisation.⁷ Trade and investment diversion resulting from the formation or deepening of preferential trade arrangements trigger other countries to join existing regional integration arrangements or to form their own. As Baldwin argues, this happens through the emergence of new political economy forces in non-participating (or excluded) countries, which pressure governments to join integration schemes or form their

⁶ Jo-Ann Crawford and Roberto V. Fiorentino, 'Changing Landscape of Regional Trade Agreements', *World Trade Organisation Working Paper*, 2005, p.3. www.wto.org

⁷ Richard E. Baldwin, 'The Causes of Regionalism', Volume 20 No. 7, November 1997, pp.865-888.

own. The impulse for regional integration originates largely from exporters who are a powerful political voice for regional integration.

Being excluded is very costly: firms from excluded countries are slapped with high tariff imports whilst their home countries miss out from efficiency-seeking foreign direct investment. Avoiding losses incurred as a result of exclusion puts pressure on firms to lobby for their governments to conclude trade deals so as to create new market access opportunities. In Baldwin's formulation the key organizing principle for these trade agreements is reciprocity, which in turn unleashes a "juggernaut" effect once export interests outweigh import competing ones.⁸ Bhagwati makes a similar point when he argues that 'In a pluralistic system, it [reciprocity] may help a government mobilise export-oriented lobbies who would profit from expanding foreign markets to countervail the import-competing lobbies that profit instead from reducing trade.'⁹ Indeed, reciprocity creates new political economy forces where export interests become advocates for trade liberalisation; in the long run this is good for freer trade.

Regional trade agreements offer short-term gains for export interests, whereas the multilateral trading system can become a less useful instrument for exporters, especially if agreements are based on the lowest common denominator and far below their targeted commercial access. Baldwin suggests that regionalism, when viewed in this manner, that is, seeking to advance liberalisation in areas where multilateral trade negotiations may have reached a point of exhaustion, may well become a stepping stone for global trade liberalisation.¹⁰ Where does this leave unilateral liberalisation? This can play a powerful role in inducing what Bhagwati characterises as 'sequential reciprocity' where countries that have demonstrable success through unilateral liberalisation encourage other countries

⁸ Richard Baldwin, 'Multilateralizing Regionalism', op.cit.

⁹ Jagdish Bhagwati, 'Introduction: The Unilateral Freeing of Trade versus Reciprocity', In Jagdish Bhagwati (ed), *Going Alone: The Case for Relaxed Reciprocity in Freeing Trade*, p.6.

¹⁰ Richard E. Baldwin, 'The Causes of Regionalism', op.cit., pp.883-885.

to follow suit (the China effect).¹¹ Of course, this takes full effect where there is a pairing of mutual concessions.

Baldwin's domino view also fits neatly with the notion of WTO-plus credited to the former Treasury Under-Secretary in President Clinton's Administration, Lawrence Summers. He argued that whatever form trade liberalisation takes, be it unilateral, bilateral, plurilateral, or multilateral does not matter since all lead to the same objective.¹²

Import-competing sectors are predominantly a powerful political voice that resists liberalisation of labour-intensive sectors. In the face of these political voices, politicians often find it difficult to justify liberalisation, especially in the absence of strong and powerful export sectors that could immediately reap benefits in external markets and be a new coalition group for trade reform. Export firms in developed countries may view the current agenda of the WTO as representing partial multilateral trade liberalisation which, as Robert Lawrence points out, is second-best to a complete preferential trade liberalisation.¹³

The attraction of intra-regional liberalisation is that, politically, it may be more palatable for governments to liberalise with respect to their neighbours than to do so multilaterally.¹⁴ Because unilateral import liberalisation is generally difficult for reasons mainly to do with politics or policy concerns, a piecemeal approach undertaken via regional agreements could serve multilateral trade liberalisation

¹¹ *ibid.*, p.7.

¹² See Bhagwati J, 'U.S. Trade Policy: The Infatuation with Free Trade Areas', In Bhagwati J and Krueger AO (eds.), *The Dangerous Drift to Preferential Trade Agreements*. Washington D.C: America Enterprise Institute for Public Policy Research, 1995, p.8; see also, Jeffrey A. Frankel, *op.cit.*, pp.5-6. Frankel points out that the US views all the "lateralisms" as having an equal and benign weight; and this is a strategy that defines the US approach to global trade engagements. Frankel attributes this strategy to US concern with its declining political and economic hegemony, a point which Baldwin disputes and instead places emphasis on the impulse of export-oriented sectors.

¹³ Robert Z. Lawrence, 'Regionalism, Multilateralism, and Deeper Integration: Changing Paradigms for Developing Countries', In C. Roe Goddard, Patrick Cronin and Kishore C. Dash (eds.), *International Political Economy: State-Market Relations in a Changing Global Order*, (Basingstoke: Palgrave Macmillan, 2003).

¹⁴ *Ibid.*, p.403.

better. This is especially so given the fact that there are many players, all with different expectations, needs, agendas and capacities, who are part of the multilateral trading system, making decisions difficult to arrive at.

Baldwin's arguments are forcefully restated in his recent work.¹⁵ In tracing the history of the juggernaut effect and domino theory to the Kennedy Round, a force that continued through the successive Rounds until the Uruguay Round, he suggests a strong linkage between reciprocal concessions on industrial tariffs and the pro-liberalisation forces that took shape in developed countries that made commitments during these Rounds.

To align political economy forces to support liberalization (coalition for trade reform) in developed economies, there had to be market access opportunities for export interests, especially in the area of services, technical barriers to trade and investment guarantees.¹⁶ According to Subramanian, '...industrial countries have less need and hence enthusiasm for the multilateral trade system as a means of achieving market access objectives.'¹⁷ He concludes that there is a lack of serious private sector interest in the Round because it does not offer prospects for expanded commercial opportunities.

As Krugman suggests, the bargaining process in trade negotiations reflects 'linkage both across industries and between the trade policies of different nations.'¹⁸ In other words, there have to be a pairing of mutual concessions and complementarity of interest for trade liberalisation to gain political credibility. In a context where there does not seem to be much of trade policy shift in areas such as services in developing countries, there will hardly be any interest for

¹⁵ Richard Baldwin, 'Multilateralising Regionalism: Spaghetti Bowls as Building Blocs on the Path to Global Free Trade', *Centre for Economic Policy Research (CEPR)*, DP 5775. www.cepr.org/pubs/dps/dp5775.asp

¹⁶ *ibid.*, p.1481.

¹⁷ Arvind Subramanian, 'Doha, RIP', *Business Standard*, July 10, 2007.

¹⁸ Paul Krugman, 'Regionalism versus multilateralism: Analytical Notes', In Jaime de Melo and Arvind Panagariya (eds.), *New Dimensions in Regional Integration*, (Cambridge: Cambridge University Press, 1993), p.69.

developed economies to make further liberalisation concessions in key areas where developing countries could reap benefits. In this schema, the orthodox logic becomes inverted: multilateral trade setting becomes 'second best' for pursuance of market access opportunities, and regional trade agreements naturally emerge as a 'first best option'.

This is also observed by Baldwin as he suggests, for example, that wide-ranging FTAs could harvest real liberalisation outcomes – more than could be achieved through unilateral or multilateral trade processes.¹⁹ He argues that in the earlier period of Europe's internal liberalisation, the political economy logic was manifest in the teaming up of the spaghetti bowl syndrome with the unbundling of manufacturing processes, in part responding to competitive pressures (cost structure and productivity factors) and new market opportunities off-shore (mainly in former Eastern European countries), and this repositioned the formerly import-competing sectors to become new advocates for liberalisation.

The unbundling (or offshoring) process pulled the plug on protective cover offered under the regional trade mechanism, making the EU firms victims of the spaghetti bowl rules (for example complex rules of origin), and this acted as a stepping stone to creating a coherent EU free-trade zone. The demand for ROO/cumulation protection was weakened by manufacturing unbundling as the size of import-competing industries shrunk (unbundled), and labour-intensive processes got off-shored to cheaper locations to seek new market opportunities.²⁰ Production unbundling has a natural propensity to increase trade, with intermediate inputs crossing borders several times during the manufacturing process.²¹

¹⁹ *Ibid.*, p.1485.

²⁰ Richard Baldwin, 'Multilateralising Regionalism', p.1500-1501.

²¹ Robert C. Feenstra, 'Integration of Trade and Disintegration of Production in the Global Economy', *Journal of Economic Perspective*, Volume 12 No.4, Fall 1998, pp.31 – 50.

The environment in which industrialised countries trade is already largely duty-free, especially because much of their trade was liberalised in successive GATT Rounds until the Uruguay Round. Intra-OECD trade is fairly open and tariffs of lesser value compared to services and regulatory issues. This is nothing unique to the current Round. As Baldwin has pointed out, in order to get developed economies behind the Uruguay Round, new issues that reflected structural changes in the economies of these countries had to be agreed upon.²² Hence, without agreeing measures on Services, TRIPS and TRIMS it would have been impossible for the Round to conclude. Similarly, a limited agenda on industrial products and services in the current round, will not be sufficient to appeal to political economy forces in the developed economies. They would have to look elsewhere – regional trade deals – for new commercial opportunities.

But as Baldwin suggests, ‘Special and Differential Treatment’ that is sought by developing countries in both regional and multilateral trade negotiations is incompatible with a liberalising agenda. It places limits on the extent to which countries can be expected to liberalise their trade, and frees countries of the obligation to fully reciprocate, something which is a cardinal principle of the multilateral trading system and trade negotiations more broadly. Indeed, even in the current Doha negotiations, developing countries have objected to more substantive requirements that emphasise quantitative (statistical) benchmarks as well as measures to broaden the coverage of regional trading arrangements to fulfil the ‘Substantially all Trade’ criterion. This tendency could significantly blunt the juggernaut, especially where it manifests in systemically significant developing countries such as Brazil, India, and China.

The basis for objection is that this may inhibit the use of regional trade arrangements as a developmental device and could be burdensome for countries that have limited institutional capacity. Maintaining Special and Differential Treatment provisions in regional trade agreements figure quite prominently in

²²Richard Baldwin, ‘Multilateralising Regionalism’, *op.cit.*

developing countries' positions. Most of the regional trade arrangements established by developing countries were notified under the Article V Enabling Clause, and this exempts them from the more rigorous tests associated with Article XXIV's 'Substantially all Trade' requirement.

Baldwin views this as "disabling" rather than "enabling" for developing countries as they miss out on deep tariff cuts and the allocative efficiencies that this could generate in their economies. Such efficiencies would be generated as import-competing firms are rolled over by the withering force of external competition. "Free riding" has been the hallmark of the participation of developing countries in the multilateral trading system until the Uruguay Round (1986-1993), and as a result their economies are still characterised by substantial protective barriers.²³ This, and the continued misgivings about the benefits of the multilateral trade negotiations, has left domestic political economy forces relatively intact in many developing countries.²⁴

For different reasons, Sub-Saharan countries' reluctance to engage in far-reaching reforms is also evident in the current Doha round of multilateral trade negotiations. They view the round as about rebalancing the global trading system in their favour – or to support development objectives. Developing countries in general, and those in sub-Saharan Africa in particular believed that the concessions made at the Uruguay Round in new areas such as intellectual property, TRIMS, and services were not matched by significant concessions by developed countries in agriculture and textiles trade.²⁵ Indeed, as Baldwin has suggested, the gains made by developing countries in these two sectors were

²³ Bernard Hoekman, 'Developing Countries and the Political Economy of the Trading System', *World Institute for Development Economic Research (WIDER) Publication*, Discussion Paper No. 2002/126, December 2002, p.1. United Nations University.

²⁴ Of course there is a track record of unilateral trade reforms; plus in the case of LDCs structural adjustment, in developing countries. These processes must have impacted on domestic political economy forces – perhaps strengthening the hand of import-replacement interests?

²⁵ Michael J. Finger and Julio J. Nogues, 'Unbalanced Uruguay Outcome: The New Areas in Future WTO Negotiations', *The World Economy*, Volume 25 (3) March 2002, p.322.

not comparable to those made by developed countries in trade in services and the TRIPs agreements.²⁶

In this respect, the current round is viewed in some developing countries less through commercial lenses than through “development” imperatives. In this perspective if multilateral trade negotiations and regional trade agreements with Northern countries (especially in the context of Economic Partnership Agreements with the European Union) are to be politically marketable in sub-Saharan Africa, then they should be seen to support interests identified by developing countries. This probably entails addressing a host of trade-related capacity building issues, including supporting infrastructure development, helping in the upgrading of standards bodies, offering assistance towards trade policy and regulatory institutions, as well as provide clear market access advantages. This could also help to improve the investment climate and induce the activity of export interests who could be able to respond to new incentives and act as a voice for liberalisation. We explore this assertion with respect to the African case in the following section.

Political-Economy Realities of Sub-Saharan Africa

The political-economy dynamics in Sub-Saharan Africa are different to those sketched out by Baldwin. First and foremost, governance incapacities in sub-Saharan Africa are central to the sub-continent's underdevelopment. Herbst²⁷ argues persuasively that Africa's crisis is best understood as a generalized crisis of the state. This arises from a context where African states are geographically large whilst populations are predominantly rural and dispersed, and institutions

²⁶ Richard E. Baldwin, ‘Key Challenges facing the WTO’, In Mike Moore (ed.), *Doha and Beyond: The Future of the Multilateral Trading System*, (Cambridge: Cambridge University Press, 2004), p.50.

²⁷ Herbst, J (2000), *States and Power in Africa: Comparative Lessons in Authority and Control*. Princeton: Princeton University Press.

are characterized by pervasive weakness. This confluence renders internal political control tenuous; hence rulers are primarily concerned with maintaining that control. This naturally limits the extent to which they are prepared to cede control to others, internal or external; whilst in some cases old-fashioned authoritarian instincts compound this dynamic. So the state apparatus barely controls national borders, never mind a concerted development process. These incapacities result in chronic problems in managing trade flows, as reflected for example in deficient border administrations.

Secondly, African states' relationship to the global economy is fundamentally different to their developed country peers. The sub-continent is by and large incorporated into the global economy as an exporter of commodities based substantially on preferential access to developed country markets, primarily the European Union via the Cotonou Partnership Agreement (CPA), and importer of manufactures and services.²⁸ This reflects both colonial histories and comparative advantages. Domestic markets remain small, dispersed, primarily subsistence-based, and this will likely change relatively slowly over time.

Whilst preferences in principle ensure market access for Sub-Saharan African products, frequently better than their developing country competitors, they are probably not sustainable in the long-term. In the specific case of trade with Europe, which accounts for the bulk of African exports (see Table 1 for a breakdown of Southern and Eastern African export destinations), this most certainly is a problem given that the CPA's commodity protocols expire at the end of 2007.²⁹

²⁸ Of course this aggregate picture requires some nuancing. For example, Kenya is emerging as a regional manufacturing hub for East Africa, exporting increasingly substantial quantities of manufactures to its neighbours. South Africa does not readily fit this bill either.

²⁹ For an extended discussion of the political economy of economic partnership agreement negotiations between the EU and sub-Saharan African groupings, see Draper P "EU-Africa Trade Relations: The Political Economy of Economic Partnership Agreements", *Jan Tumlir Policy Essay 2*, European Centre for International Political economy, 2007, available at www.ecipe.org.

Sub-Saharan Africa, even concerning the so-called “big-states”³⁰, but with the significant South African exception, is cursed with small markets. This renders domestic market diversification strategies, notably through import-substitution, difficult if not impossible – assuming it was desirable. Conventional wisdom, and much of “progressive civil society”, avers that building regional markets through regional economic communities (RECs) offers a solution. Partly this seems to be rooted in the notion that regional economic integration will promote economies of scale amongst tiny markets and as such could be considered an extension of the infant industry argument. The notion of building institutional strength in negotiations with external actors is also important. And this resonates with deep-seated notions of African solidarity, lending integration processes political support that is often not supported in substance.

More theoretically, proponents of the “New Economic Geography” advance strong arguments against promoting south-south economic integration schemes amongst poor developing countries.³¹ The theory predicts that whilst all countries in such schemes have a comparative disadvantage in manufacturing relative to the global economy, there will be one with less of a disadvantage than the others. In this sense, industrial activity will tend to relocate to the relatively advantaged country at the expense of the others. This effect will be aggravated by agglomeration economics, which promote industrial concentration in the relatively advantaged country (consider South Africa and Kenya in Southern and Eastern Africa respectively).

Furthermore, as tariff levels decline overall within the REC so those countries suffering from industrial relocation will also experience trade diversion effects -

³⁰ For an interesting political perspective on why big African states tend towards failure, see Ottaway M, Herbst, J & Mills, G (2004), “Africa’s Big States: Toward a New Realism”, *Policy Outlook*, Carnegie Endowment for International Peace, February.

³¹ For an exposition of this logic see World Bank (2000), *Trade Blocs*, Policy Research Report, Oxford University Press, PP 51-61.

importing relatively expensive goods from the growing industrial centre rather than more efficient global producers, thereby lowering their overall welfare. Meanwhile, the favoured country will gain as regional industry relocates to its soil and real wages rise as a result. Clearly these effects would generate substantial political tensions over time³² which in turn would undermine integration processes. These are serious considerations.

Considerable benefits may be derived from economic integration in as far as it promotes the building or upgrading of trade-supporting infrastructure across the region. Thus, on the trade facilitation front, deepened regional integration is critical for a highly fragmented continent like Africa which has more landlocked countries than any other continent. This points to a more limited agenda, tailored to regional capacities. External actors have a critical role to play in supporting development of institutions such as customs authorities and infrastructure systems through an aid for trade agenda. These initiatives may have the added benefit of promoting regional value-chains and integrated production, thereby developing economies of scale to compete globally. The downside, however, will be the agglomeration forces noted above.

Yet the economic logic of north-south integration is much more compelling: it reinforces comparative advantages, promotes income convergence, and over time should also promote knowledge transfers from developed to developing countries.³³ Whilst it does not directly promote economic diversification in its own right, provided receipts from increased resource exports are appropriately reinvested – particularly in building Africa’s productive capacities – in time this will support diversification. This is a strong theoretical argument in support of

³² This process was a substantial factor behind the unravelling of the original East African Community, as Kenya attracted manufacturing investment and relocation at the expense of Uganda and Tanzania. It also partly explains why South Africa continues to “compensate” its customs union partners for their membership of SACU.

³³ The accession of relatively poor countries into the European Union in various waves provides strong evidence of such convergence effects.

EPAs, but more broadly integration into the global economy via the WTO plus unilateral measures. Unfortunately it is not a popular political position.

For example, it is questionable whether vulnerable economies could cope with the competition from efficient northern producers if the agreements are not sensitive to development needs. Furthermore, if they do not have appropriate institutions in place to manage ensuing liberalization the ultimate effect could be further dislocation. And if liberalization is only partial, as seems probable in the case of EPAs, then it is unlikely that production shifts will actually occur. The end result therefore may be to increase profit margins for the more powerful actors in supply-chains – most likely foreign companies – without the efficiency enhancing effects associated with meaningful liberalization.

Even though a number of African countries undertook structural reforms in the 1980s and 1990s when the ideological climate in Africa shifted in favour of neo-classical policies,³⁴ their record is mixed. This was mainly intended at improving the investment climate. Externally imposed stabilisation programmes have a far smaller chance of success – however excellent these may be - than those that are endogenously driven.

Moreover, the transmission mechanisms (institutions) for such reforms were too weak to sustain them into the future. This is confirmed by the recent World Bank Independent Evaluation Group Report. Of critical importance in this Report is emphasis on the importance of institutions and complementary policies to support trade reform measures, and especially to focus on poverty reduction and distributional outcomes.³⁵ In essence the international financial institutions overestimated the impact of reforms in countries that had weak institutional mechanisms for their implementation. This, coupled with weak political

³⁴ These policy positions were reflected in various World Bank reports, principally the Elliot Berg Report in 1981, as well as the subsequent stabilisation programmes. Africa's Priority Programme for Economic Reform, implemented between 1986 and 1990, signalled the end of the Lagos Plan era.

³⁵ World Bank Independent Evaluation Group, p.6.

administration, poor design of structural adjustment programmes, intolerant political cultures in recipient countries, and poor timing of the reforms, are some of the reasons cited for the lack of positive results. Issues related to geography (notably the landlocked nature of some of the countries) and institutions were not given proper attention during this phase of reform. Yet, along with political governance issues, these are important determinants of success.

Furthermore this attested to the importance of domestically driven reform processes rather than that imposed by external agents. It is also on the basis of domestic successes that regional integration schemes can sustain. In Oyejide's, view 'regional integration schemes should constitute an extension of the domestic reforms of member countries rather than act as a force to engineer them'.³⁶ This would require that countries have in place a strong governance culture and financial infrastructure that includes viable public service institutions, that there is macro-economic stability and that they develop the capacity for competitive domestic economy through the development of the private sector.

Concerning the politics of building African RECs, the most important issue to confront is that of deepening political commitment to regional economic integration. In light of the relative "youth" of states in the region it is perhaps not surprising to find that leaders in many countries are reluctant to yield their prerogatives. After all, regional integration involves pooling sovereignty – in Africa's case it is newly acquired.³⁷ Part of this political commitment should involve rationalizing the RECs given the well-known problem of overlapping memberships (see Table 2) and conflicting integration processes.³⁸ These are

³⁶ Oyejide, T Ademola 2000. 'Regional Economic Integration in Africa' Economic Research Papers No 2. Abidjan: African Development Bank.

³⁷ For an exposition of this argument see Mbeki M (2004), "Regionalisation and the Search for Africa's Economic Renewal", *eAfrica*, vol 2, October, available at www.saiia.wits.org.za.

³⁸ See Draper P, Halleson D and Alves P (2007), "SACU, Regional Integration, and the Overlap Issue in Southern Africa: From Spaghetti to Cannelloni?", *SIIA Trade Policy Report* 15, February.

problems home-brewed in Africa, requiring Africans to resolve them. Unfortunately the necessary leadership seems to be in short supply.

Confusingly, EPA negotiations configurations, at least in Southern and Eastern Africa, are not coterminous with existing RECs (see Table 2). This places further stress on a delicate situation in which institutional capacities are already overstretched, and consequently threatens to divide the region even further. It also makes it difficult for constituent countries to agree on common negotiating positions, given that their tariff schedules and domestic regulations are generally not harmonized.³⁹ And it raises substantial legal uncertainties as the negotiating groupings do not have formal legal status, unlike the RECs that constitute them. So it is not clear who exactly the EC will sign (an) agreement(s) with and how it/they would be administered. All of this highlights the fragile nature of African RECs.

Aggravating this situation is that European Development Funds (EDF 10 specifically) will apparently not be allocated to RECs in the next five year tranche (2008-2013) but rather to groupings negotiating EPAs. In the case of Southern and Eastern Africa, as Table 2 shows, this places considerable pressure on countries to consolidate their memberships if they are to access those regional resources; it also places pressure on the Secretariats to justify their existence given that it may not be they which will allocate funding. Whilst it is always a good thing for organizations to justify their existence, especially in a region as confused as Southern and Eastern Africa, this nonetheless raises questions about who exactly is driving the regional agenda. In this light there are persistent concerns that the EU, in promoting the regional economic integration agenda, has its own model in mind for Africa.⁴⁰ Whilst this may be a useful long-term

³⁹ Although COMESA does seem to be converging with the EAC in respect of common tariff bands.

⁴⁰ The EC's Director General for Development, Mr Manservisi stated at a roundtable hosted by SAIIA that the EU is "consciously projecting" its model, but not exporting it. It is not clear to us what the difference may be.

aspiration, its current practical utility to a continent facing so many development challenges and a generalized crisis of the state is, at the very least, questionable.

As indigenous export interests are very weak they are not well-placed to respond to new supply incentives in international markets. Unsurprisingly, the majority of producers in the region are predominantly import-competing and may mobilise against outward-oriented regionalism which could expose them to the vagaries of international competition. The preoccupation is replacing imported inputs into the production of exports by domestic inputs. Hence, import-substitution industrialisation has a strong appeal and takes on a nuanced shape in intra-regional trade agreements. While it may be possible to construct a region-wide import-substitution industrialisation as a short-term measure, as some regional integration schemes seek to do in Sub-Saharan Africa, these would remain inefficient and uncompetitive in international markets.

So it will be hard for Sub-Saharan Africa to evolve export trajectory on the back of import-substitution industrialisation in the mould of Asia in the 1960s due to lack of requisite infrastructure, skills, cost-effectiveness and productivity of factors of production. The continent is capital and skills deficient, which makes manufacturing difficult to take-off despite several attempts in the past to kick-start manufacturing via import-substitution industrialisation.

With no efficient producers in, for example components, and with levels of education and skilled labour force very low, the Foreign Direct Investment (FDI) likely to be attracted is either of the tariff-jumping type to take advantage of high-tariffs, or resource-seeking, rather than market-seeking or efficiency-seeking. Sub-Saharan Africa does not provide an attractive export-base for foreign capital, which inhibits development of indigenous capital that could benefit from supply-chain linkages.

The combined effect of spaghetti bowl and production unbundling in propelling liberalization is thus unlikely to have resonance for Sub-Saharan Africa, except in the long run via intra-regional cross-border investment emanating from regional poles such as South Africa, Mauritius and Kenya, and stimulated by joint ventures and strategic alliances with private sector agents of these countries. Furthermore, with the anticipated growth in manufacturing productivity of China in the long run, Africa may potentially become the next wave of manufactured off-shoring base (see below).

Although Sub-Saharan Africa possesses some advantages *vis-à-vis* Asia, for example with respect to lower income levels, there are serious problems with institutional capacity, policy environment, infrastructure, and lack of competitive real exchange rates, which strongly militate against attraction of productive investment.⁴¹ Furthermore, as Paul Collier notes, ‘the wage in African manufacturing may be higher relative to the returns to labour in the economy as a whole than in Asia. This might reflect labour market policies, such as minimum wages, or the greater power of African labour to extract rent-sharing wage levels.’ With lower total factor productivity, attracting manufacturers would not be possible. However, Collier is more optimistic about Africa’s manufacturing potential, especially if it can address the policy environment, as well as correct its institutional and infrastructural bottlenecks.⁴²

Indeed, breaking into manufacturing is not all-together impossible, but in the short-run the continent would be well-served by exploiting its comparative advantages in commodities to earn foreign exchange that could in the long-run be utilised for importing intermediate inputs and diversifying into manufacturing. Horizontal diversification into services may hold greater prospects for countries in Sub-Saharan Africa in the short- to medium-term than manufacturing. This

⁴¹ Paul Collier, ‘Africa’s Comparative Advantage’, In Hossein Jalilian, Michael Tribe and John Weiss (eds), *Industrial Development and Policy in Africa*, (Cheltenham: Edward Elgar, 2000), p.13.

⁴² *ibid.*

would require breaking the stranglehold of monopolies in key network service sectors such as utilities, transport and telecommunications.

Up to now we have sketched out some general features of African development challenges. Next we consider a specific case of regional economic integration in Africa, SADC. The purpose is to demonstrate how many of the political economy features pertaining to African economic development and regional economic integration are to be found in SADC, not least in its evolving EPA negotiations with the EU. Specifically, we demonstrate the fragility of the integration project in the face of concerted EU trade diplomacy/pressure, which in turn has generated major intra-bloc tensions arising from the different countries' needs to consolidate their trade and aid relations with the EU.

Case-Study: The Southern African Development Community

There are more regional integration initiatives in East and Southern Africa than anywhere else in Sub-Saharan Africa, hence the focus for this part of the discussion. The structure of regional integration schemes is complicated by overlapping memberships with different tariff schedules. The sub-region comprises of Common Market of East and Southern African (COMESA), the South Africa Development Community (SADC), the East African Community (EAC), the Southern African Customs Union (SACU), the Inter-governmental Authority on Development (IGAD).

SADC, made up of 14 members⁴³, has a very broad agenda that encompasses political, socio-economic, environment, infrastructure, trade integration, and

⁴³ Angola, Botswana, the DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

security cooperation. Its members are also members of other regional integration schemes from East and Southern Africa. One of SADC's members (Tanzania) is a member of the East African Community which has recently launched a customs union; 5 of its members make up the Southern African Customs Union; and 9 of its members are participants in the Common Market for Eastern and Southern Africa (COMESA – see Table 2 for an illustration of the extent of overlapping memberships).

SADC signed a protocol on trade in 1996, which came into force in September 2000. While this was a positive step towards greater integration in the Southern African region, it was motivated more by politics than by economic logic: the structure of the tariff-phase down arrangement is cumbersome, complicated by product-specific rules of origin and with a number of products coded as sensitive products. The complex rules of origin have served to constrain the trade liberalisation progress.⁴⁴

The structure of production within SADC, like most countries in Sub-Saharan Africa, reflects primary-sector dependence, with agriculture and mining constituting over 50 % of total GDP. The rest is made up of services. The exceptions to the norm are South Africa (resource-based and relatively diversified) and Mauritius (textiles, clothing and sugar) which have diversified economic structures. South Africa dominates the region economically as it accounts for 70 percent of its GDP and is by far the most structurally diversified economy.

Zimbabwe has a potentially diversified production structure, which is stunted by its political difficulties and declining confidence in its economy. This is an

⁴⁴ Flatters F, SADC Rules of Origin: Undermining Regional Free Trade, A paper prepared for Trade and Industry Policy Secretariat (TIPS) Forum, South Africa, 9-11 September 2002. www.tips.org.za

example of how unstable governance can imperil economic progress in a country in sub-Saharan Africa with implications for neighbouring regions.⁴⁵

The regional actors place emphasis on the need to diversify production structures into manufacturing, something that will prove difficult if not impossible in the current climate of global competitiveness of other developing countries in Asia. Better prospects for diversification could be harvested in services. As pointed out by Dirk Hansohm and Rehabeam Shilimela, 'For a number of countries in the region, service sectors may have higher growth and employment potential than manufacturers.'⁴⁶

Apart from South Africa and Mauritius, there is a lack of dynamic and active private sector agents in the majority of SADC countries. While the region accounts for more than half of all the Foreign Direct Investment (FDI) flowing into the Sub-Saharan Africa region, much of this goes to the more advanced countries such as South Africa, Mauritius and Angola – the major oil producer.⁴⁷ Hence agglomeration is a real concern for those economies – the bulk of SADC's membership – that do not attract such FDI.

With respect to intra-regional cross-border investment, South Africa, Mauritius and Zimbabwe are the main sources – with the former two showing a robust activity.⁴⁸ In terms of general FDI flows, market and efficiency-seeking FDI are smaller compared to resource-seeking FDI. This form of FDI does not in itself

⁴⁵ See Peter Draper, Mmatlou Kalaba and Phil Alves, 'Deepening Integration in SADC: South Africa's International Trade Diplomacy: Implications for Regional Integration', In Tony Bosl, Willie Breytenbach, Trudi Hartzenberg, Colin McCarthy, and Klaus Schade (eds), *Monitoring Regional Integration in Southern Africa*, (Stellenbosch: Trade Law Centre for Southern Africa, 2006), p.85.

⁴⁶ Dirk Hansohm and Rehabeam Shilimela, 'Progress in Economic Integration in SADC', In Tony Bosl, et al, *Ibid*, p.16.

⁴⁷ Southern African Development Community, *Regional Indicative Strategic Development Plan*, (Gaborone: SADC, 2004), p.12. South Africa, Angola, Zambia, Lesotho, Tanzania and Namibia are in the top 10 recipients of FDI in Sub-Saharan Africa.

⁴⁸ See Southern African Development Community, *op.cit.*, p.12. Sectors where intra-regional trade is concentrated: Mining, Tourism, Transport, Finance, Manufacturing, Retail, Telecommunications, Agriculture and Fisheries.

help to diversify production structures, although if the proceeds from commodity exports are wisely invested in building network services infrastructure then over time diversification should follow.

SADC's trade protocol entered into force on 25 January 2000, with a view to creating a free trade area by 2008 through a differentiated tariff schedule – with more advanced countries such as South Africa front-loading their implementation, and least developed members back-loading their implementation of tariff liberalisation. SADC aspires to establish a customs union by 2010, in accordance with its Regional Indicative Strategic Development Plan (RISDP), but given the slow pace of tariff phase-down in the region it is unlikely that this target will be met. Indeed, many observers of SADC wonder whether this is a desirable goal in the first place, in addition to doubting whether SADC could actually achieve it. Nevertheless, SADC also seeks to complete negotiations for a monetary union by 2015.

It is doubtful that this linear model to integration which follows the EU template will serve the regional grouping best. There is widespread scepticism in member countries, especially within SACU, regarding SADC's ability to meet its targets for deeper integration. Most of these economies lack complementarities in trade as their production structures are similar and exports are destined for extra-regional markets, primarily the EU (see table 1).

Yet there is much more that the group can achieve beyond preoccupation with integration in a narrow sense. While, indeed, the group is making important progress elsewhere, for example, on issues of security and cross-border infrastructure development, there is little focus and impetus towards deepened intra-trade liberalisation within the group. This is in part explained by fears of South Africa's competitiveness and defensive concerns around protecting local ('infant') firms.

Yet there are plans to liberalise six services sectors and all modes of supply within them: transport, energy, communications, finance, tourism and construction. The principle of non-discrimination will underpin services trade in SADC. The negotiations on services are scheduled to begin in 2007 and conclude around 2015, but owing to a general lack of understanding of services trade in the region and an almost complete absence of export interests to drive them, they are likely to move slowly. More promisingly, 10 member countries have ratified the Finance and Investment Protocol which is aimed at harmonising policies on taxation, investment, development finance, stock exchanges, insurance, exchange control payments, clearing systems and macro-economic convergence. As with most things in SADC, however, implementation remains patchy.

In keeping with the theme of this paper, what are the prospects for an EU-generated domino effect to propel further liberalization in the region and with respect to external partners? A closer look at the SADC EPA negotiations unveils the plethora of challenges in the path of this possibility.

The SADC EPA group currently consists of 8 countries: those of the Southern African Customs Union (SACU) – Botswana, Lesotho, Namibia, Swaziland (BLNS), and South Africa⁴⁹; plus Mozambique, Angola, and Tanzania (MAT). A number of problems arise from this configuration.

First, South Africa has its own trade arrangement with the EU, called the Trade, Development, and Cooperation Agreement (TDCA). This de jure excludes its customs union partners, although de facto they are subject to it owing to the fact that most of their trade transits South Africa. This bizarre circumstance arose because the EU, in its mandate to negotiate the TDCA with South Africa, excluded South Africa's SACU partners. They apparently did so because the BLNS are full ACP members whereas South Africa, owing to its apartheid past

⁴⁹ Until recently South Africa was an observer.

and comparably higher level of development⁵⁰, is not. Hence the EU treats South Africa as a powerful regional hub, on a par with EU member states.⁵¹

Second, SACU – being a customs union – shares an external tariff. This means it is obliged to negotiate all external goods arrangements as a group and to make a common tariff offer. Obviously the TDCA predicament undermines this legal requirement and drives a wedge through the heart of the customs union. It also raises the troubling political issue why South Africa, a new country on the global stage and one deserving of every consideration given its Apartheid past, major development challenges, and central role in the region, is being singled out for differential treatment. Furthermore, as the BLNS were excluded from TDCA negotiations, they understandably want to place their own defensive concerns with respect to goods imports on the table. But the EU officially does not want to countenance tariff increases in the EPA.

Consequently formulating tariff offers and the associated rules of origin - given the potential for trade deflection – is complex. Logically SACU, under the SADC EPA group umbrella, sought to remedy this problem by requesting the EU to accord South Africa the same market access conditions as the BLNS. That would build SACU as a regional integration arrangement, simultaneously correcting an historic EU blunder and meeting a key stated EC EPA goal. Sadly that was formally ruled out by the EU Council and confirmed in the April 4th announcement.⁵² Yet if the EU's logic is strictly applied European countries should be accorded differential access to the SACU market based on their level

⁵⁰ It appears that in the 133 committee South Africa is regarded as a major competitive threat, on a par with the BRICs. This is a strange view, not in accordance with economic reality.

⁵¹ This is affirmed by the EU's offer to establish a strategic partnership with South Africa, similar to what it has extended to Brazil and India for example. South Africa's regional partners need not apply.

⁵² According to a senior EC official involved in the recent Gaborone meet the EU may be prepared to consider according South Africa EBA access provided it signs up to the regulatory agenda. South African negotiators regard this as an inappropriate exchange of concessions.

of development.⁵³ Notwithstanding the absurdity of their position EU member states are unmoved.

Furthermore, SACU contains a revenue-sharing component whereby South Africa effectively massively subsidises its partners (Botswana being the least dependent), and the revenue pool is based on tariff collections. This gives the BLNS an incentive to avoid tariff reductions. Together with South Africa's newfound reluctance to undergo tariff liberalization, the result is a strong defensive constituency.⁵⁴

Worse, the MAT countries are not SACU members and their tariff regimes differ substantially between them, never mind SACU. Furthermore, they are LDCs and hence not obliged to reciprocate, unless they wish to conclude an EPA. And in Tanzania's case, it is a member of a different customs union: the East African Community (EAC).⁵⁵ This bizarre situation is reminiscent of Mercosur in which members have a plethora of their own trade deals independent of their customs union partners. One can only wonder about the EAC's future.

Thirdly, the SADC group is reluctant to negotiate regulatory issues for four apparent reasons: fear of conceding market access; possible closure of "policy space"; in South Africa's case an in-principle objection to extending regulatory commitments beyond those pertaining in the WTO; and stated lack of common policies or regulations amongst them.

Yet as noted above SADC (the original one with 14 members) has a longstanding if inconclusive process in place to conclude a services liberalization package, and through various protocols there is a substantial degree of regulatory harmonization on paper. Furthermore, some SADC EPA members,

⁵³ Less for Spain, more for Lithuania, for example?

⁵⁴ P Draper and R Sally, *Business Day*: February 8th, 2006, "SA needs to get the basics right".

⁵⁵ The other founder members are Kenya and Uganda; Rwanda and Burundi acceded in 2006.

notably South Africa, would prefer to harmonize regulations within SACU prior to doing so with respect to an external partner as a matter of principle. But some observers worry that according primacy to regional regulatory harmonization would lock the region into South Africa's high-cost growth model. Others have concluded that South Africa is exploiting the impasse to its advantage. And South African negotiators argue that the EC's desire to conclude a regulatory package with South Africa first will entrench regional divisions; whilst the EC's suggestion that development assistance be linked to adoption of the regulatory agenda is a further complication.⁵⁶

In short, suspicions abound and the SADC EPA group will struggle to negotiate regulatory issues with the EC unless the latter is prepared to sign separate deals with each member state. Yet the regulatory agenda should be pursued, albeit cautiously in some areas, with a view to deepening and locking in domestic and regional reforms. Commitment to negotiate may also unlock the market access puzzle. Furthermore, given the parlous state of the Doha round and hence questionable future of the WTO as an instrument of rule-making, we are also skeptical of the position that these issues should only be negotiated in the WTO. First prize would be for regional governments' to unilaterally reform and upgrade their regulations, but given weak capacities and a poor track-record this is unlikely. Hence EPAs are a good second-best alternative albeit the details need to be closely monitored.⁵⁷

So where will this end up? Most likely the MAT countries will part company from SACU and, most likely in the case of Angola, not sign an EPA at all. There has been longstanding speculation that Mozambique will join SACU, but that doesn't

⁵⁶ Discussions with officials involved in the March 2007 Gaborone meeting, subsequently confirmed by DG (Development) Manservesi at a SAIIA roundtable, March 27th. He draws a distinction between "conditionality" and a "factual" linkage between negotiated outcomes and development support, arguing that only once the package is in place can funds to support implementation be allocated.

⁵⁷ Some also argue that if the EU's primary concern is African development, then it should not link regulatory reforms to market access for its companies. As discussed above we think market access is a mutually beneficial objective.

seem imminent, whereas Tanzania logically should join its EAC partners in the ESA EPA group. That would leave SACU, and South Africa, to slug it out with the EU.

Concluding Remarks

Clearly the politics of negotiations do not lend themselves (currently) to an easy extension of the domino effect to Southern Africa and sub-Saharan Africa more broadly. Similar dynamics are at play in the Doha round, where the Africa group has actively resisted the developed world's regulatory agenda, whilst pushing for continued carve-outs in the form of preference erosion mitigation and aid for trade. And as outlined in the discussion of African political-economy dynamics the continent is primarily a recipient, not shaper, of globalization. Taken together it is not surprising that the continent's trade diplomacy is basically defensive; actively resisting falling dominos where possible. The absence of a domestic juggernaut effect in sub-Saharan Africa reinforces this perspective and also substantially explains why regional integration arrangements do not work optimally.

Notwithstanding this situation, however, it is probably the case that at the level of technical or regulatory detail the situation is quite different. For example several key South African government agencies, notably customs and standards administration, take their cue from relevant multilateral institutions (the World Customs and International Standards Organizations respectively) within which developed countries play dominant roles. Furthermore, across Africa regulatory and legislative frameworks have been inherited from an assortment of colonial powers, to which African states frequently turn for aid to assist in building their institutional and regulatory capacities, thereby entrenching their status as recipients of imported frameworks. By and large, despite the political economy of

trade negotiations and the emergence of new competitors on the African scene (especially China), SADC and more broadly sub-Saharan Africa, remains locked into the European orbit.

Thus the politics of dependency rooted in colonial inheritances clashes with the need for African states to leverage their economic and political relations with the west, and Europe in particular, for their own development. In the end, whilst many African elites find the domino effect politically unpalatable they nonetheless are subject to its inexorable force.

Tables

Table 1: Eastern and Southern Africa's world trade by major market (2003-2005 average)⁵⁸

Reporting country	Imports by "world"	Share attributable to...					Country total
		EU	NAFTA	China	Japan	SA	
1 Lesotho	496,371	5.1%	94.4%	0.0%	0.1%	0.0%*	99.7%
2 Congo, Dem. Rep.	1,268,471	71.8%	16.1%	8.4%	0.7%	0.4%	97.4%
3 Mauritius	1,735,850	74.0%	16.3%	0.3%	0.6%	1.1%	92.3%
4 Madagascar	1,179,459	52.1%	36.1%	1.0%	2.7%	0.2%	92.0%
5 Namibia	1,432,826	65.6%	16.2%	4.2%	1.7%	3.4%*	91.2%
6 Botswana	3,215,510	83.1%	3.5%	0.1%	0.9%	3.6%*	91.2%
7 Angola	16,043,695	11.9%	43.6%	32.6%	0.3%	1.4%	89.7%
8 Sudan	4,296,273	4.5%	1.3%	51.4%	32.4%	0.0%	89.6%
9 Libya	22,022,940	83.2%	3.5%	2.4%	0.0%	0.0%	89.2%
10 Seychelles	362,333	72.8%	3.2%	0.0%	8.7%	0.9%	85.7%
11 Mozambique	1,503,422	76.4%	0.8%	3.6%	1.2%	2.4%	84.5%
12 Comoros	29,926	51.2%	24.0%	0.0%	6.0%	0.4%	81.6%
13 Ethiopia	544,484	49.7%	10.4%	6.9%	12.6%	0.4%	80.0%
14 Burundi	51,653	66.1%	9.9%	1.6%	0.6%	0.7%	78.9%
15 Uganda	431,907	62.3%	7.8%	2.6%	2.0%	1.2%	75.9%
16 Zimbabwe	1,657,471	28.0%	4.8%	9.1%	7.8%	24.7%	74.4%
17 Malawi	479,018	37.3%	18.7%	0.1%	4.9%	12.6%	73.7%
18 South Africa	44,986,439	40.0%	14.6%	6.4%	10.7%	n/a	71.7%
19 Egypt, Arab Rep.	9,587,412	48.8%	19.2%	2.0%	0.9%	0.3%	71.2%
20 Tanzania	992,929	36.2%	8.3%	9.4%	9.0%	3.1%	66.0%

⁵⁸ Generating an accurate figure for the whole world's imports from the countries in Table 2, in a way that is *consistent* across all of them (i.e. from the same reporting data source), is difficult. The following caveats must therefore be borne in mind when interpreting the figures. First, the aggregate figure for "world" imports from these countries is almost certainly lower than the real figure. Cross checking with alternative sources for South Africa's total *exports* to the world, for example, confirms this. The principle reason for this under-reporting is poorly recorded imports by many other developing countries, including those in Africa. Yet the data for these African countries' exports is no more reliable, but imports recorded by the EU, NAFTA, China, and Japan, are. As such, their shares in total world imports from these African countries are overstated, implying higher geographic concentration than is actually the case. However, this problem applies to all countries in the table, as the same source and methods were used for all of them. Thus the overall pattern or profile is broadly representative.

21	Eritrea	12,508	50.6%	6.3%	4.1%	2.9%	0.7%	64.6%
22	Kenya	2,351,014	39.2%	14.5%	0.6%	1.3%	1.4%	57.0%
23	Swaziland	753,298	20.1%	30.2%	2.5%	0.9%	0.0%*	53.8%
24	Zambia	1,289,278	16.5%	2.4%	14.2%	6.8%	13.1%	52.9%
25	Rwanda	212,291	16.1%	2.9%	6.5%	0.1%	0.2%	25.8%
26	Djibouti	25,754	12.0%	2.4%	0.9%	0.2%	0.2%	15.7%
	Group total	116,962,532	46.1%	16.1%	9.8%	6.0%	1.3%	79.2%

Table 2: Membership of Regional Organizations in Southern and Eastern Africa

	ESA-EU EPA	SADC-EU EPA	SADC	COMESA	IOC	EAC	IGAD	SACU
Angola		X	X					
Botswana		X	X					X
Burundi	X			X FTA		X		
Comoros	X			X	X			
Djibouti	X			X FTA			X	
DRC	X		X	X				
Egypt				X FTA				
Eritrea	X			X			X	
Ethiopia	X			X			X	
Kenya	X			X FTA		X	X	
Lesotho		X	X					X
Madagascar	X		X	X FTA	X			
Malawi	X		X	X FTA				
Mauritius	X		X	X FTA	X			
Mozambique		X	X					
Namibia		X	X					X
Rwanda	X			X FTA		X		
Seychelles	X			X	X			
South Africa			X					X
Sudan	X			X FTA			X	
Swaziland		X	X	X				X
Tanzania		X	X			X		
Uganda	X			X		X	X	
Zambia	X		X	X FTA				
Zimbabwe	X		X	X FTA				
Aim	EPA 2008	EPA 2008	CU 2010	CU 2008		CU 2004		