Economic Integration and Development in Africa

Henry Kyambalesa

and

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ECONOMIC INTEGRATION AND DEVELOPMENT IN AFRICA

To Payila Kyambalesa

Your having joined the family at a time when the basic needs of an unprecedented number of Africa's children are scarcely met, if at all, beckons us to reflect seriously on what we can possibly do—individually and collectively—to translate one of Comrade Nelson Mandela's ideals into concrete action:

'Young people are ... the valued possession of the nation, [and] the centre of reconstruction and development.'

Bill Clinton/Nelson Mandela, in speeches delivered at the Civil Society Conference in Johannesburg, RSA, April 2001.

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Glossary

Andean Community. The *Comunidad Andina* (abbreviated as 'CAN') in Spanish. It is an economic or trading bloc that comprises the South American countries of Bolivia, Colombia, Ecuador, Peru and Venezuela. Formerly referred to as the Andean Pact, and was started with the signing of the Cartagena Agreement in 1969.

Balance of payments. A summary of a country's business transactions with other countries with which it trades over a particular period of time; it essentially shows the payments made by a country to other countries and the payments made to it by the countries it trades with. It is composed of the following three accounts:

(a) the *current account*, which portrays trade in goods, trade in services (including tourism and income from foreign investments and banking), and interest payments;
(b) the *capital account*, which portrays the inflows and outflows of capital or long-term investments; and
(c) the *official reserves account*, which portrays gold imports and exports, changes in the stock of foreign exchange, and changes in liabilities to foreign central banks.

Balance of trade. The difference between the value of a country's exports (X) and the value of its imports (M), which may be said to be either favorable (meaning that $X - M \geq 0$) or unfavorable (implying that $X - M < 0$). [Note: $X - M \geq 0$ and $X - M < 0$ represent a *trade surplus* and *trade deficit*, respectively.]

Biodegradable product. Any item that is made in such a way that it can be naturally broken down into elements that are less harmful to the physical environment when it is disposed of.

Black marketeering. The practice of buying commodities or currencies and selling them at unauthorized locations and in violation of rationing or any other form of government regulatory measures, such as price control or foreign exchange controls.

Capital goods. Pieces of machinery and/or equipment used in the generation of consumer goods and/or services.

Cartel. A combination (usually voluntary) of any given number of business entities whose purposes include such monopolistic undertakings as price fixing, limiting output, and assigning markets.

Commodity. [1] Any valuable and useful thing created through human effort. [2] Any article of commerce or trade.

Common market. See the term *economic integration*.

Comparative advantage. The relative competitive edge which a country may possess in the local production of a particular commodity or group of commodities. This may be measured in terms of the relative price of the commodity or set of commodities involved, which reflects the relative abundance of the factor (labor, capital, and/or the like) that is employed in the production of the commodity or set of commodities.

Competition. A market situation that exists when there is a large number of independent individuals or business undertakings producing and supplying similar products. While this situation is embraced by free market societies as necessary in fostering pronounced socio-economic development, it is usually attacked by socialist nations as being responsible for the 'exploitation of man by man' in the world today.

Also, socialist nations have attacked business competition for duplication of economic activities, which is considered to be wasteful of society's resources. It is, however, universally acknowledged today that business competition fosters economic efficiency and discipline and generally leads to a higher quality of life for the greatest number of people.

Currency. [1] The money used in any given country, such as the Canadian dollar, the Zambian kwacha, the South African rand, the Indian rupee, the Japanese yen, and so forth. [2] Money that is in the form of bills and/or coins.

Currency devaluation. See the term *devaluation*.

Customs union. See the term *economic integration*.

Deep integration. Any form of economic integration that goes beyond border-related issues; among other things, it entails harmonization of member-countries' important economic institutions, as well as environmental, legal, technical, and product-safety standards.

Devaluation. The lowering, by a country's government, of the value of the country's currency relative to the currencies of other countries, and/or relative to the value of gold. Such lowering of the value of a country's currency is essentially intended to achieve the following goals:

(a) to make the country's exports cheaper and, therefore, more competitive in foreign markets; and/or
(b) to attract foreign investors (whose foreign funds will gain a relatively greater amount of a devalued currency) to invest in the commercial and industrial sectors

of the country's economy. Note: 'currency devaluation' differs from 'currency depreciation' in that the latter refers to a spontaneous decline in the value of a given country's national currency.

Developing countries. Countries which generally lack the following: (a) a high degree of industrialization; (b) infrastructure and other forms of capital investment; (c) advanced forms of technology; (d) widespread literacy; and (e) advanced living standards. They include countries of Africa (except the Republic of South Africa), Latin America, and Asia and Oceania (except Australia, Japan and New Zealand), as well as a few European countries like Malta, Cyprus, former Yugoslavia, and Turkey. May also be referred to as an *emerging economy*.

Digital divide. A dichotomy between societal members who have access to the Internet and those who do not have access to such a facility.

Economic integration. The formation of an inter-governmental organization (IGO) by three or more countries to create a larger and more open economy expected to benefit member-countries. Basically, the process of economic integration may take any of the following forms, each of which may represent a different stage of integration if member-countries have a desire to pursue integration to its logical conclusion:

(a) *preferential trade arrangements*, which represent the form of loose economic integration whereby participating countries scale down barriers to trade with each other;
(b) a *free trade area*, which entails essentially the complete removal of trade barriers among member-countries, while member-countries maintain separate trade policies with nonmembers;
(c) a *customs union*, whereby member-countries decide to go beyond the removal of trade barriers among them and adopt a common external trade policy with all nonmembers;
(d) a *common market*, whose nature involves the removal of any and all barriers to factor movements among member-countries in addition to the requirements of a customs union;
(e) an *economic union*, which essentially entails going beyond the requirements of a common market by unifying member-countries' economic institutions and coordinating their economic policies;
(f) a *monetary union*, whereby member-countries, in addition to the satisfaction of the requirements of an economic union, adopt a common currency and use a common, supranational central bank; or
(g) a *political union*, whereby cooperating countries in a monetary union eventually create a regional bloc that is akin to a nation-state by creating centralized political institutions, including a regional parliament.

Economic liberalization. The process of creating a free market economy, which is essentially accomplished by privatization of a country's state and parastatal companies and removal of both price controls and restrictions on local and foreign private investment.

Economic union. See the term *economic integration*.

Economies of scale. Reductions in the average cost of producing a particular class of products resulting from mass production of the products.

Economies of scope. Cost savings gained through the production or distribution of a wide variety of products.

Economy. [1] Thrifty application or utilization of material, financial, and other resources available to an organization. [2] A state's or country's system of production, distribution, and consumption of products. Note: A country's economy may be classified in several sectors as follows:

(a) the *primary sector*, consisting of extractive activities like mining, agriculture, fishing, and forestry;
(b) the *secondary sector*, composed of manufacturing, assembly, and processing firms; and
(c) the *tertiary sector*, comprising such service-oriented activities as banking, insurance, tourism, and transportation.

Ecosystem. A collection or community of various species of living things interacting both with each other and with non-living things.

Eurocurrency market. The market in which the lending and borrowing of *Eurocurrencies*—that is, commercial bank deposits which are made in a European bank that is not in the country of the deposits' origin—are undertaken.

Exchange rate. The official price at which the currency of one country can be exchanged either for gold or for the currency of another country; for example, two United States dollars to one British pound. Also alternately referred to as *rate of exchange*.

Note: A country may use a number of exchange rates concurrently, whereby one exchange rate is designated for purchases of capital goods, another exchange rate for procuring consumer goods, and so on; in this case, the country may be said to be using a 'multiple' exchange rate (MER) system. See the term *multiple exchange rates*.

Excise duty or tax. A form of sales tax levied by a country's government on selected types of luxury products which are produced, distributed, and used locally, such as cigarettes, beer, liquor, and so on.

Export processing zone (EPZ). A designated tariff-free area in a country furnished with facilities and services for manufacturing (that is, transformation of imported raw materials and partly processed goods into finished products) for export. Sometimes, manufactures from an EPZ may be sold in domestic markets, although in this case they have to be treated as imports and accordingly subject them to customs duties. In Central and South America, EPZs are often referred to as *maquiladoras*.

An EPZ is to be distinguished from a *free trade zone* (FTZ), which may be defined as a designated area in a country where trade between the country's institutions and the rest of the world can be conducted without any restrictions. [Adapted from Basile, A. and Germidis, D., *Investing in Free Export Processing Zones* (Paris, 1984), p. 20.]

Foreign exchange. The exchanging of local currency for any of the various forms of international money which may be required for settling accounts with parties in foreign countries. In some countries, the term is also used to refer to *foreign reserves*.

Free market economy. A socio-economic system that is generally characterized by the following: (a) private ownership of property; (b) multi-party politics; and (c) a pluralistic social system. It is founded upon the ideology of free enterprise, whose core elements are as follows: individualism, freedom to promote and protect one's personal interests, private property, profit, equal opportunity, competition, the work ethic, and limited government.

Free trade. A situation which obtains when there are no restrictions—that is, *tariffs* and *non-tariff trade barriers*—on the international exchange of goods and services between any two or more countries which have trade connections.

Free trade area. See the term *economic integration*.

Human resource planning. An element of the staffing function which involves the following activities: (a) forecasting an organization's future human resource needs, and (b) comparing the organization's current work force and its future personnel needs to determine the numbers and types of people who need to be hired or phased out so as to maintain an optimal number of personnel.

Import substitutes. [1] Commodities which a country simultaneously produces locally and imports from other countries due to incomplete specialization in the production of the commodities. [2] Commodities which are initially imported into a country until the country's government decides to create a local industry to produce them and imposes trade barriers to prevent the importation of the commodities.

Import substitution. [1] The local production or processing of products that are usually imported into a country in an effort to minimize the demand for foreign exchange to import such products. [2] The process of reducing a country's dependence on imported production inputs by imposing levies on imports and providing incentives for discovery and use of local inputs.

Import substitution policies. State or government policies aimed at encouraging or inducing the local manufacture or processing of products that are traditionally imported into a given country. Such policies are very common among developing countries and are designed to function as a safeguard against depletion of meager foreign exchange reserves.

Imports. The commodities or pieces of merchandise legally brought into a country from a foreign country by an individual, organization, the government, or a governmental agency or department.

Industry. [1] A group of independently owned business organizations involved either in similar operations or in the production or supply of similar goods or services, such as the following: the iron and steel industry, the textile industry, the trucking industry, the construction industry, the auto industry, the banking industry, the fishing industry, the chemical industry, the bottling industry, and the publishing industry. [2] All the productive activities in an economy which involve the actual creation of economic outputs as distinguished from activities which are in the nature of trade or commerce.

Infant industry. A new and/or undeveloped business enterprise or group of enterprises whose financial and competitive positions are weak, making it unable to compete effectively against strong foreign competition in the domestic market and, as such, requiring the protection of the home government until it develops a strong financial and competitive position.

Inflation. A trend of rapidly rising prices of products in any given country's economy. Inflationary trends have the effect of eroding the general purchasing power of buyers in an economy.

Infrastructure. A country's basic facilities upon which its commercial and industrial activities are dependent, such as public utilities (including water and electricity supply systems), sanitary facilities, transportation systems, and posts and telecommunications facilities.

Innovation. The act or process of conceiving and/or tapping new ideas, and then implementing the more feasible of the ideas in an effort to improve the quality of an organization's product offerings, minimize operational costs, and/or improve overall productivity.

Institutional Darwinism. An attempt by a business organization that is in a highly competitive market to drive its competitors out of the market by engaging in unscrupulous business practices like *dumping* and *predatory pricing*.

Intellectual property. Any idea, literary piece of work, invention, or design which legally belongs to the originator and is protected through a patent, copyright, or trademark.

International trade. The buying and selling of commodities conducted across national borders. Also referred to as *foreign trade*.

International trade theory. A set of theoretical models and paradigms which attempt to explain the basis for trade, the gains from trade, and the pattern of trade among countries; that is: (a) mercantilism; (b) classical theory (comprising the theory of absolute advantage and the law of comparative advantage); (c) neoclassical theory (including opportunity cost theory and the Heckscher-Ohlin model); and (d) several new theories of trade—including the Linder theory based on *overlapping demand*, models based on the *innovative capacities* of nation-states (namely, the product cycle and technological gaps hypotheses), the Kemp model based on increasing *returns to scale*; and intra-industry trade (IIT) theory based on *differentiated products*.

Internet. A communications network interconnecting the computer networks of countries worldwide by means of telephone lines, satellites, and other telecommunications systems. Sometimes referred to as the *information superhighway*.

Investment. [1] The commitment of one's money or property to the creation of goods and/or services with the ultimate objective of earning a return on the money or property. [2] The money or property employed by an individual or organization in the creation of goods and/or services so that it can yield a return.

Labor union. A voluntary and legally recognized association of employees which may act as a collective bargaining agent for a group of workers when so elected, and which is mainly concerned about such matters as job security, wages, hours of work, fringe benefits, and other kinds of conditions of employment. Labor unions may take any of the following forms:

(a) Craft union: This type of labor union limits its membership to specific categories of workers (such as mechanics, carpenters, plumbers, electricians, brick-layers, and the like) who are engaged in the same kind of trade, although membership is sometimes extended to workers in allied trades. Also commonly referred to as a *trade union*.
(b) Industrial union: This type is open to any and all workers from a particular industry regardless of the nature of their trades or crafts.
(c) Professional union: This kind of union is restricted to those who are in service-based occupations, such as teachers, civil service workers, and so on.

Liberalization. See the term *economic liberalization*.

Maquiladoras. See the term *export processing zone*.

Market. Any arrangement or mechanism for bringing sellers and buyers into contact with each other for the purpose of facilitating and expediting trade transactions. A market does not have to be a physical facility; buyers and sellers can get into contact with each other and get involved in commercial transactions by telephone, mail, or any other possible means. Unofficial markets are commonly referred to as *black markets*, or *parallel markets*.

Mercosur. See *Southern Common Market*.

Millennium Development Goals (MDGs). Development goals (generated by Heads of State and Government in September 2000) aimed at the attainment, by national governments worldwide, of the following by the year 2015:

(a) *poverty and hunger*: reduce by half the proportion of people living on less than US$1 per day, and the proportion of people who suffer from hunger;
(b) *primary education*: ensure that all boys and girls complete a full course of primary schooling;
(c) *gender equality*: eliminate gender disparity at all levels of education;
(d) *child mortality*: reduce by two-thirds the mortality rate among children who are under five years of age;
(e) *maternal health*: reduce by three quarters the maternal mortality ratio;
(f) *deadly diseases*: halt and reverse the spread of HIV/AIDS, and the incidence of malaria and other deadly diseases; and
(g) *the environment*: integrate the principles of sustainable development into country policies and programs, reverse the loss of environmental resources, reduce by half the proportion of people without sustainable access to safe drinking water, and achieve a significant improvement in the lives of slum dwellers by the year 2020.

Monetary union. See the term *economic integration*.

Money. Anything that is widely accepted as a *medium of exchange*, *unit of account*, *measure of value*, and/or *store of value* by creditors and sellers of products.

Monopoly. A situation that obtains when one or a few suppliers of a commodity control the supply of the commodity such that the price can be maintained at an arbitrarily high level without any recourse to the normal operation of the natural laws of supply and demand. A business undertaking or individual may gain monopolistic control over the supply of a good or service in several ways:

(a) by having exclusive possession of natural resources (such as geographical areas or natural talents);

(b) by privileges granted to it by a government through patents, copyrights, and the like; and/or
(c) by such artificial means as unfair, deceitful, or unlawful practices.

Multinational enterprise. Any business organization that conducts its operations through subsidiaries in two or more countries.

Multiple exchange rates, or MERs. Two or more exchange rates used simultaneously, each serving to meet the foreign exchange needs of well-defined categories of individuals and/or institutions in a country. For instance, a country may establish a distinct exchange rate for each of the following categories of applicants for, or users of, foreign exchange:

(a) casual travelers and importers of luxury goods;
(b) business travelers and importers of production inputs; and
(c) importers of industrial machinery and equipment. MER systems are often used by countries which have foreign exchange controls designed to ensure that scarce foreign exchange reserves are prudently and discriminately allocated to individuals, business entities, and non-business organizations which need them.

Natural resources. Any and all the elements that exist in nature which can be put to use by humans, such as plants, animals, minerals, air, water, and the soil.

NICs. An acronym for 'newly industrialized countries.' The term is used to refer to Taiwan, Hong Kong, Singapore, and South Korea (commonly referred to as the Four Tigers of Asia), as well as Thailand, the new 'tiger.'

Non-tariff trade barriers, or NTBs. Any restraints or restrictions on trade between countries which are not in the form of *customs duties*; they include exchange controls, quotas, highly bureaucratic import and export procedures, 'local content' requirements, and strict product standards.

Non-traditional exports, or NTEs. Commodities initially constituting only a small proportion of a country's export portfolio, if at all, which the country eventually decides to promote in its export drive.

Optimum currency area. A group of countries whose national currencies are linked through permanently fixed exchange rates and also float jointly against currencies of nonmember-countries.

Political union. See the term *economic integration*.

Pollution. Any form of contamination of the physical environment emanating from by-products and effects of industrial, commercial and other human activities.

Preferential trade arrangements. See the term *economic integration*.

Primary commodities. Non-processed and/or semi-processed commodities—which constitute the bulk of developing countries' exports—destined for use in the production of industrial or consumer goods; examples include coffee beans, tea, cotton, copper, tin, crude oil, hides, ivory, rubber, timber, sugar, and tobacco.

Privatization. The process of selling state-owned businesses, or the shares of such businesses, to the private sector.

'Privatraumatization'. Subjection of economically vulnerable people and economic units to the vagaries of a macro-economic (structural) adjustment program due to inadequate provision for safeguards, or the lack thereof, designed to cushion such people and economic units from the negative impacts of the program.

Recycling. The process by which metallic, paper, and/or other wastes are converted into raw materials or any other useful forms, mainly to reduce the potential burden or devastating impacts of the wastes on the quality of the physical environment.

Red tape. Excessive and/or rigid administrative routines and procedures in an institutional setting which are likely to cause delays and inaction in the dispensation of an institution's goods and/or services.

Research. Any human activity whose purpose is to investigate the nature of a particular aspect of society or the physical world. Typically, research is classified in two categories as follows:

(a) *basic research*, which is essentially directed at examining concepts, methods, theories, and the like, without any immediate practical purpose; and
(b) *applied research*, whose purpose is to discern the feasibility of utilizing concepts, theories, methods, and the like, in the real world.

Science. A systematized body of knowledge that provides facts and laws pertaining to the nature of any given elements of society and/or the physical universe.

Scientific discovery. An uncovering of a new aspect or element of either society or the natural universe.

S&T infrastructure. The composite of a country's R&D establishments, educational and training facilities, and the professional staff associated with both R&D activities and educational and training facilities.

Services. [1] Intangible industrial products (such as banking services, legal services, labor, and insurance) required by organizations to provide other products. [2]

Intangible consumer products such as shoe-shining, laundering services, and so forth. [3] Intangible products provided by municipal councils and the government, such as fire protection, police protection, sewerage services, health services, and other public services.

Shallow integration. Any form or stage of economic integration whose scope is limited to border-related issues—that is, tariffs and non-tariff trade barriers (NTBs).

Socio-economic system. The composite of social, economic and political institutions that are characteristic of any given country. Every human society has a socio-economic system. Generally, a country's government explicitly states the nature of its socio-economic system and clearly defines the approved or official organization of social, political, and economic life. There are three major alternative socio-economic systems in the world today, that is, the *free market economy*, the *mixed economy*, and the *centrally controlled socio-economic system*.

South American Community of Nations. A South American trading bloc whose member-countries are Argentina, Brazil, Paraguay, Uruguay, Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela. (Note: Mercosur and the Andean Community began negotiations in 1999 towards a merger of the two groupings, with the potential of creating a South American Free Trade Area. On December 8, 2004 it was announced the merger would be called the South American Community of Nations, patterned after the European Union.)

Southern Common Market. An inter-governmental organization (IGO) established in March 1991 by Argentina, Brazil, Paraguay, and Uruguay for the following purposes: to facilitate the free flow of goods and services among member-countries, to introduce a common external tariff, to adopt common commercial and industrial policies, and to coordinate their macro-economic policies. It is also commonly known as Mercosur or Mercosul, its Spanish and Portuguese names, respectively. The IGO's associate member-countries are Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela.

Structural Adjustment Program. A set of policy measures designed to permanently alter the relative prices of tradable to non-tradable goods in an economy, the basic purpose of which is to induce a shift of available resources (including labor and capital) to the production of tradable goods. [Adapted from Edwards, S. and Van Wijnbergen, S., 'Disequilibrium and Structural Adjustment,' in Chenery, H. and Srinivasan, T.N., editors, *Handbook of Development Economics*, vol. II (Amsterdam, 1988), p. 1482.]

Subsidy. Financial aid or support granted either to an industry or a single business organization by a given government, the purpose of which may be any or both of the following:

(a) to make it possible for the industry or organization to provide an essential good or service at a price that is affordable to the majority of citizens; and/or
(b) to enhance the industry's or organization's competitive advantage over foreign competitors in domestic and/or foreign markets.

Supply. The quantity or amount of a product that suppliers are willing and able to offer for sale at a given price per time period. The term is normally used to refer to the amount or quantity of any given product offered for sale by producers, not marketing intermediaries.

Sustainable development. The process of meeting the needs of the present generation without compromising the needs of future generations. [Note: Adapted from a definition of 'sustainable society' provided in WCED (World Council on Environment and Development), *Our Common Future* (Oxford, 1987), p. 102.]

System. Any set of interacting elements that share a common conceivable boundary separating the set of elements from other definable sets of elements. Examples of what may be regarded as a system include the human body, a clock, a car, a family, and a business organization.

Tariff. A tax or levy imposed by a country's government on goods entering or leaving the country—that is, on imports or exports. Normally used synonymously with the term *customs duty*. Tariffs, or customs duties, take several forms as follows:

(a) *ad valorem tariff*: This is based on the monetary value of the commodity involved and is normally expressed as a percentage of the price of the commodity.
(b) *specific tariff*: This type of tariff takes the form of a specified charge per unit, quantity or weight of a commodity.
(c) *compound tariff*: This is essentially a levy that consists of both an *ad valorem* and a specific tariff.

Technology. Any and all the ideas, skills, knowledge, methods, machinery, and equipment required to convert resources into useful goods and services.

Technology policy. A set of government programs and incentives designed to spur the creation, commercialization, and adoption of new technological inventions and innovations, as well as resolve the social issues and problems that may be evoked by new forms of technology.

Terms of trade (TOT), or commodity TOT. The ratio of the price index of a country's exports (P_x) to the price index of its imports (P_m) expressed as a percentage thus: $P_x/P_m \times 100$. A country's commodity TOT may be said to be favorable (unfavorable) when the price index of exports is relatively higher (lower) than the price index of imports.

Trade barriers. Artificial restrictions (imposed by national governments) on the exchange of goods and services between countries, which may be classified in two categories as follows: (a) *tariffs*, and (b) *non-tariff trade barriers*.

Trade deficit. See the term *balance of trade*.

Value-added. [1] The difference between a business organization's total sales or receipts and its total payments to suppliers of intermediate goods and services. [2] An increase in the value or worth of a product or group of products each time it moves from one firm to another until it eventually reaches the final user. In some countries, particularly in Western Europe, an indirect sales tax called *value-added tax* is normally levied on products as they move from one firm to another until they finally reach the consumer, who buys products at prices that include the original costs of products involved and the add-ons.

Vent for surplus. A concept popularized by Hla Myint, which regards the abundant unemployed resources in the typical developing economy as representing a potential production surplus that can find a larger market through international trade. In other words, the concept considers international trade as a potential outlet for a developing country's goods and services which cannot be produced with its idle resources due to a limited domestic market. [See Myint, H., *Economic Theory and the Underdeveloped Countries* (London, 1971), pp. 124–39.]

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He is the author of several books, including the following: *Business and Social Demands* (Lusaka, Zambia: Zambia Printing Company Publications, 1990); *Business Innovation and Competitiveness in the Developing World* (Aldershot, UK: Avebury, 1993); *Success in Managing a Small Business* (Brookfield, VT: Ashgate Publishing Limited, 1994/2005); *Quotations of Zambian Origin* (Lusaka, Zambia: Apple Books, 1994 and 1996); *The Keys to Success in Management* (Aldershot, UK: Ashgate Publishing Limited, 1998); *Tips for Entrepreneurs: How to Meet the Challenges of Starting and Managing Your Own Business* (Toronto, Canada: Productive Publications, 1998); *The Deadly Love Potion* (Gweru, Zimbabwe: Mambo Press, 1998); *Marketing in the Twenty-first Century: Concepts, Challenges and Imperatives* (Aldershot, UK: Ashgate Publishing Limited, 2000); *The Quest for Technological Development: Constraints, Caveats and Initiatives* (Lanham, MD: University Press of America, Inc., 2001); *Successful Marketing in the Twenty-first Century: The Imperatives, Concepts and Challenges*, 1st Indian edition (New Delhi, India: Infinity Books, 2003); *Socio-Economic Challenges: The African Context* (Trenton, NJ: Africa World Press, 2004); *International Business: Social Demands, Challenges and Imperatives* (Fremont, CA: Jain Publishing Company, 2004); and co-author of *Problems Facing Contemporary Africa and Viable Strategies for Redress* (Lewiston, NY: The Edwin Mellen Press, 2001).

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Preface

The extreme and persistent poverty, hunger, disease, and a host of other problems that have come to characterize life in much of contemporary Africa are certainly unprecedented in recent human history. And, to make things worse, there seem to be no easy solutions or quick fixes to the catalog of socio-economic ills facing the continent. Nevertheless, it would be irresponsible for the continent's esteemed sons and daughters not to seek and pursue viable development strategies and initiatives that are likely to contribute to the mitigation of its socio-economic problems—such as economic integration.

Clearly, both the generation and pursuit of development strategies and initiatives constitute an enormous obligation for each and every African who has a genuine desire to make a positive contribution to efforts aimed at improving the quality of life on the continent—an obligation that can be shunned only at the horrendous cost of Africa's bondage to perpetual misery and destitution!

Integration of the economies of sovereign states has been one of the leading aspirations of socio-economic policy over the last 50 years, such that the period may be appropriately described as having been an era of economic integration. In the industrialized world, for instance, the desire for economic integration by nationstates is reflected in the formation of such inter-governmental organizations (IGOs) as the European Free Trade Association (EFTA), the North American Free Trade Agreement (NAFTA) bloc of countries, and the European Union (EU), among many others.

In the developing world, an interest in economic integration has been even more widespread. In South America, for example, it has given rise to such IGOs as the Andean Common Market, the Southern Common Market (Mercosur), the Organization of American States, and the nascent South American Community of Nations—which is essentially an amalgamation of Mercosur and the Andean Common Market.

And in Asia, the desire for integration has resulted in the creation of the Arab Common Market and the Association of Southeast Asian Nations (ASEAN), while in Africa it is expressed in the formation of economic groupings like the Economic Community of West African States (ECOWAS), the Southern African Development Community (SADC), and the Common Market for Eastern and Southern Africa (COMESA).

The primary rationale for economic integration derives not only from economic considerations; rather, it emanates from social, security, technological, and political factors as well. At the political level, for example, the basic motivation for integration, or at least economic cooperation, springs from the assumption that the process of socio-economic development requires some form of international cooperation or inter-dependence.

At the technological level, a country may decide to engage in economic integration with other countries in order to gain unrestrained and protracted access to a larger market for any forms of advanced technology that may be conceived and/or developed in the country, as well as to benefit from joint scientific and technological development efforts and programs.

Apparently, African countries are not going to make any headway in socioeconomic development unless they integrate their economies. The enormity of development hurdles facing much of the continent—including limited domestic markets, inaccessible foreign markets, lack of investment capital, and unfavorable terms of trade with industrialized nations—certainly calls for what may be referred to as 'South-South' economic cooperation if the current socio-economic decay and backwardness on the continent are to be redressed.

Dr Kingsley Y. Amoako, ECA Executive Secretary and UN Undersecretary General, espoused this inescapable reality on February 17, 2000 during the opening session of the Conference on US–Africa Relations convened by the US National Summit on Africa at the Washington Convention Center in Washington, DC, in the following words: 'Regional integration is the key to Africa's success in the twenty-first century.'

This book is designed to discern what such an endeavor entails, why it is going to be inevitable in the twenty-first century, and, among a host of other things, how integration of national economies can be made more prolific in attaining the socio-economic goals and aspirations of member-countries. Specifically, the following constitute the corpus of the discourse:

- A review of the notions and basic elements of the theory upon which the integration of national economies is predicated—including the various forms of economic integration, the potential effects of integration, essential conditions for successful integration, and the theory of the second best (Chapter 1).
- Reasons why economic integration is an indispensable element in African countries' quest for pronounced and sustained socio-economic development in the twenty-first century—that is, the need to gain a competitive edge, circumvent the disadvantages associated with small size, and, among other worthwhile rationales, improve their commodity terms of trade (Chapter 2).
- The fundamental challenges and imperatives which government leaders in the African Union need to consider in order to enhance the viability of their economic groupings—including the following: the need for skilled human resources, competitive business systems, enforceable pieces of legislation relating to both consumer and labor issues, sustained peace and stability, and environmental stewardship (Chapter 3).
- A descriptive survey of the institutional frameworks and the goals and purposes of current regional groupings which, together, encompass the continent's 54 sovereign states—that is, the COMESA, the SADC, the ECOWAS, the Franc Zone, the Arab Maghreb, and the AEC (Chapter 4).

- Capital markets integration, with special reference to the Eastern and Southern African regions. The following themes are explored in the chapter: the stock-market situation in Africa, current regional integration schemes, the proposed COMESA stock market, impediments to the creation of a stock exchange, and the case for a regional stock exchange (Chapter 5).
- A survey of export-related challenges and problems facing sub-Saharan countries in the twenty-first century—including the following: the phenomenon of product origin, dependence on exports of primary commodities and the debt burden, transportation problems, inadequate information relating to foreign markets, disregard for the human capital, excessive dependence on industrialized nations, conflicts and natural disasters, and unfavorable conditionalities attaching to the implementation of structural adjustment programs (SAPs) under the tutelage of the International Monetary Fund (IMF) and the World Bank (Chapter 6).
- Pronouncements made by leaders of member-states of the former Organization of African Unity (OAU) concerning the planned operations and activities of the African Economic Community (AEC) are presented in Appendices A and B. Essentially, the pronouncements entail African leaders' apparent resolve to address the challenges and problems facing the continent through cooperative pursuits in all facets and spheres of human endeavor, with special emphasis on issues relating to peace, security, stability, and socio-economic development.
- A glossary of selected terms used in the text is provided in the preliminary pages of the book; it is mainly intended for readers who may not be conversant with some of the economic and other related concepts used in the book.

By and large, *Economic Integration and Development in Africa* is the culmination of a diversity of descriptive research studies undertaken in different settings as follows:

- while pursuing master's and/or doctoral degree programs at the universities we have concurrently or disparately attended—that is, Oklahoma City University, Colorado School of Mines, the University of Denver, the University of Paris VIII in France, and Tufts University (Fletcher School of Law and Diplomacy) in Massachusetts; and
- during our teaching engagements at the colleges and universities where we have disparately lectured—that is, the Copperbelt University in Zambia, the former Zambia Institute of Technology, the Metropolitan State College of Denver, the University of Denver, Regis University in Colorado, and Miami University of Ohio in Oxford, Ohio.

The book blends theory, application of the theory, and a prescription of imperatives and initiatives for government leaders in order to provide an ideal piece of work for educators and students in African development studies at tertiary institutions, and policy makers in African governments and inter-governmental organizations.

Profound thanks are due to all members of Dr Houngnikpo's family for their patience and encouragement, and to the Kyambalesas for their unreserved support and understanding. To both families, we say, 'merci beaucoup!'

Henry Kyambalesa and Mathurin C. Houngnikpo
Denver and Oxford, USA

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Chapter 1

Conceptual Underpinnings

This introductory chapter is devoted to a brief survey of important concepts upon which the integration of national economies worldwide is predicated. Specifically, the following themes are discussed in the chapter: the various forms of economic integration, the potential effects associated with the integration of national economies, pre-conditions for viable and beneficial integration of national economies, and the 'theory of the second best.'

1.1 Forms of Integration

Essentially, the term 'economic integration' is used in this book to refer to the formation of an inter-governmental organization (IGO) by three or more countries to create a larger and more open economy expected to benefit member-countries. Theoretically, the process of economic integration may take any of the following forms, each of which may represent a different stage of integration if member-countries have a desire to pursue the integration of their national economies to its logical conclusion:

(a) *preferential trade arrangements*, which represent the form of loose economic integration whereby participating countries scale down barriers to the movement of goods in their trade with each other;
(b) a *free trade area*, which basically entails the complete removal of trade barriers among member-countries, while each member-country maintains separate trade policies with nonmembers;
(c) a *customs union*, whereby member-countries venture beyond the removal of trade barriers among them and adopt a common external trade policy with all nonmembers;
(d) a *common market*, whose nature involves the removal of all barriers to the movement of factors of production (particularly labor and capital) among member-countries in addition to the requirements of a customs union cited above;
(e) an *economic union*, which essentially requires member-countries to go beyond the requirements of a common market by unifying the economic institutions of the member-countries, and the coordination of their economic policies;
(f) a *monetary union*, whereby the member-countries, in addition to satisfying the requirements of an economic union, adopt a common currency, as well as create and use a common, supranational central bank; and

(g) a *political union*, whereby cooperating countries in a monetary union eventually create a regional bloc that is akin to a nation-state or federal government by creating centralized political institutions, including a regional parliament.[1]

The first four stages or forms of integration represent what Gerber has referred to as 'shallow integration,' while the last three represent what he has designated as 'deep integration.'[2] Essentially, the term 'shallow integration' refers to any form or stage of economic integration whose scope is limited to border-related issues—that is, tariffs and non-tariff trade barriers (NTBs).

'Deep integration,' on the other hand, goes beyond border-related issues; among other things, it entails harmonization of member-countries' important economic institutions, as well as legal, product-safety, labeling, environmental, and technical standards.

1.2 Effects of Integration

There are generally four potential effects associated with economic integration; they are as follows: *static effects*, *dynamic effects*, *trade deflection*, and *counterfeit labeling*. A brief survey of these four effects constitutes the subject matter of the remainder of this section.[3]

The Static Effects[4]

Essentially, the 'static effects' that are associated with the process of economic integration emanate from shifts (induced by the integration of any three or more national economies) in the production of certain export products from one member-country to another member-country, or from a nonmember-country to one of the member-countries. More specifically, static effects can result either in a shift in product origin from a high-cost member-country producer to a low-cost member-country producer (*trade creation*) or in a shift in product origin from a low-cost nonmember-country producer to a high-cost member-country producer (*trade diversion*).

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1 For a useful analysis relating to the stages of integration of African IGOs, see Mshomba, R.E., *Africa in the Global Economy* (Boulder, CO, 2000), pp. 175–78.

2 See Gerber, J., *International Economics* (Reading, MA, 1999), pp. 210–211, and 223–31.

3 For alternative analyses of the potential static effects of economic integration, see Appleyard, D.R. and Field, A.J., *International Economics*, (Chicago, 1995), pp. 324–32; Salvatore, D., *International Economics*, 3rd edition (New York, 1990), pp. 288–96; and Gerber, J., *International Economics* (Reading, MA, 1999), pp. 221–22.

4 Much of this sub-section is adapted from a theoretical analysis of the effects of economic integration presented in Kyambalesa, Henry, 'Theme 7: Economic Integration and Development,' in Kyambalesa, Henry, ed., *Fostering Development in the African Union: Governance, Economics, Technology, and Ecology*, manuscript (2005).

While the first form of static effects—that is, *trade creation*—can improve member-countries' welfare (since such a shift would represent a movement in the direction of the free-trade allocation of a country's resources), *trade diversion*—the second effect—can generally reduce member-countries' welfare because it represents a movement away from the free-trade allocation of resources.[5]

Accordingly, economic integration, as Sunny, Babikanyisa, Forcheh, and Akinboade have espoused, can enhance the socio-economic welfare of people in an integrated region, 'provided that trade creation exceeds trade diversion.'[6] However, countries in an economically integrated region 'must not expect benefits to begin to accrue almost overnight … [because welfare gains] from such experiments are long term in nature.'[7]

In addition to the positive welfare effects of *trade creation*, there are other beneficial static effects of economic integration; they include the following:

(a) *administrative savings* which member-countries may realize from doing away with some of the functions of the customs departments of their national governments;[8]
(b) greater *bargaining power*, which countries collectively gain by being constituents of a viable economic bloc; and
(c) an improvement in member-countries' collective *terms of trade* (TOT), which may occur when member-countries' demand for imports from nonmember-countries plummets in the case of trade-diverting integration due to a reduction in their aggregate welfare.[9]

Before we turn to a survey of what are commonly referred to as the 'dynamic effects' of economic integration, it is perhaps essential to provide theoretical illustrations of both *trade creation* and *trade diversion*. In this endeavor, let us assume that the Zambian government is considering the prospect of engaging in economic

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5 See Appleyard, D.R. and Field, A.J., *International Economics*, p. 324.

6 Sunny, G. et al., *A Common Market for Eastern and Southern Africa: Costs and Benefits*, http://www.comesa.int/finance/sunny.htm, p. 2.

7 Sunny, G. et al., ibid., p. 18.

8 It is important to note here that a country cannot completely eliminate its customs department when it becomes a member of an economic bloc as such a department would still be needed to perform the following functions, among others: (a) assessment of customs duties on goods imported from nonmember-countries; (b) verification of adherence of imported goods to the economic bloc's rules of origin; (c) keeping track of import and export volumes; and/or (d) assessment of value-added tax on imports (for countries which have a VAT system of taxation).

9 In the case of *trade-creating integration*, the improved welfare associated with it can induce greater demand for imports from nonmember-countries and, other things being equal (*ceteris paribus*), lead to a deterioration of the collective terms of trade (TOT) of member-countries.

integration with either Malawi or the Democratic Republic of Congo (DRC). Also, let us assume that each of the three countries produces mattresses, and that Zambia is a medium-cost producer of mattresses, while Malawi and DRC are low-cost and high-cost producers, respectively.

In the remainder of this sub-section, let us briefly consider the nature of trade that would obtain under *trade-creating* and *trade-diverting* economic integration.

(a) *Trade-creating integration*: To reiterate, 'trade creation' occurs when there is a shift in product origin from a high-cost member-country producer to a low-cost member-country producer. Let us assume that Zambia—a medium-cost producer of mattresses—has decided to integrate its economy with that of Malawi—a low-cost producer of mattresses. Figure 1.1 portrays the nature of trade in mattresses that would obtain between the two countries prior to integration.

In Figure 1.1, D_M and S_M represent Zambia's domestic demand and supply curves for mattresses, respectively, while curve S_T represents Malawi's *perfectly elastic supply*[10] of mattresses to Zambia at a price of P_2 per unit—a price which reflects a 100 per cent *ad valorem* tariff levied by the Zambian government on imported mattresses. The 'W' shown in the Figure represents the point at which mattresses—that is, Q_3 units—are demanded and supplied within Zambia at a price of P_3 per unit.

At the pre-integration price of P_2 per unit, Zambians buy a total of EG (or Q_5) mattresses; EF (or Q_2) of the mattresses are produced locally in Zambia, while FG (or Q_5 minus Q_2) of them are imported from Malawi.

Figure 1.2 portrays the likely situation that would obtain if the Zambian and Malawian governments decided or agreed to integrate their countries' economies. As before, D_M and S_M in the Figure represent Zambia's domestic demand and supply curves, respectively, while curve S_T represents Malawi's perfectly elastic supply of mattresses to Zambia at the pre-integration and tariff-inclusive price of P_2 per mattress.

Curve S represents Malawi's perfectly elastic supply of mattresses to Zambia at the post-integration (or free-trade) price of P_1 per unit—that is, the price of an imported mattress in Zambia after the removal of the 100 per cent *ad valorem* tariff initially imposed on imported mattresses.

We can interpret the nature of trade between the two countries after integration as follows: Zambia's removal of the 100 per cent *ad valorem* tariff on imported mattresses results in a price reduction from P_2 to P_1 per unit, and leads to an increase in demand for mattresses by Zambians from EG (or Q_5) to KH (or Q_7) units; only KJ (or Q_1) of the Q_7 mattresses are produced locally in Zambia, and the remaining JH (or Q_7 minus Q_1) are imported from Malawi.

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10 Supply is said to be 'perfectly elastic' if buyers of the product involved can procure any amounts of the product without affecting its price—in other words, if changes in the quantities of the product supplied cannot affect the price at which the product is sold.

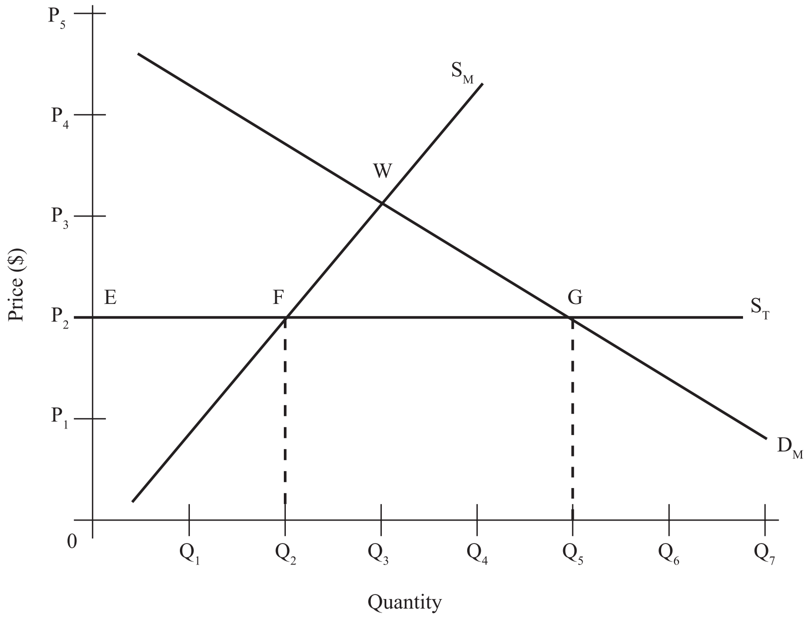

Figure 1.1 Before integration

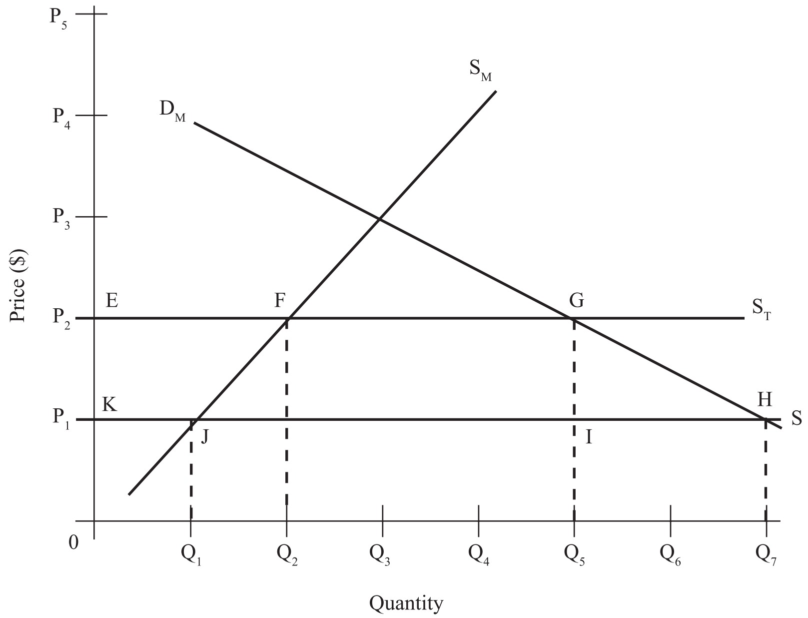

Figure 1.2 After integration

By integrating its economy with that of Malawi, a low-cost producer of mattresses, Zambia has clearly increased its welfare by IH (or Q_7 minus Q_5) mattresses—that is, from EG (or Q_5) to KH (or Q_7) units. This increase represents what may be referred to as the 'welfare effect' associated with the integration of national economies.

Production of mattresses by Zambian manufacturers, however, declines from Q_2 to Q_1 units due to the availability of low-cost imports in the country. The decline represents what may be designated as the 'production effect' resulting from economic integration.

(b) *Trade-diverting integration*: As stated earlier, integration of national economies is said to be 'trade-diverting' if it leads to a shift in product origin from a low-cost nonmember-country producer to a high-cost member-country producer. To illustrate the effects of *trade-diverting integration*, let us assume that Zambia has decided to integrate its economy with that of the Democratic Republic of Congo (DRC)—a high-cost producer of mattresses—rather than with Malawi (a low-cost producer), and that the price of imported mattresses is now P_C per unit.

This situation is depicted in Figure 1.3, where curve S_1 represents DRC's perfectly elastic supply of mattresses to Zambia at the post-integration price of P_C per unit. The D_M, S_M, S, and S_T which are shown in the Figure are defined in the preceding paragraphs.

We can interpret the nature of trade between Zambia and the DRC as follows: at the price of P_C per unit, the demand for mattresses in Zambia falls from KH (or Q_7) to NP (or Q_6) units; NO (or Q_C) of these mattresses are produced locally in Zambia, while OP (or Q_6 minus Q_C) of them are imported from the DRC.

By integrating its economy with a high-cost producer of mattresses, therefore, Zambia's welfare has deteriorated by RH (or Q_7 minus Q_6)—that is, KH minus NP.

The Dynamic Effects

Basically, the 'dynamic effects' of economic integration come about as a result of changes in member-countries' economic performance and/or structures occasioned by a country's membership in an inter-governmental organization (IGO). There are several dynamic effects associated with economic integration that are worthwhile for member-countries, one of which pertains to *economies of scale*.

Economic integration is, among other things, a means of doing away with the disadvantages of small size, and of making possible the attainment of member-countries' desired levels of socio-economic development; it can enable member-countries to exploit both economies of scale and economies of scope, and to capitalize on differences in comparative advantage in the production of commodities.

Also, there are important gains from economic integration that are associated with the opportunities for specialization made possible by the integration of markets; for example, economies of scale may be realized not only from the manufacturing industry, but also from the potential large-scale dispensation of public services and utilities.

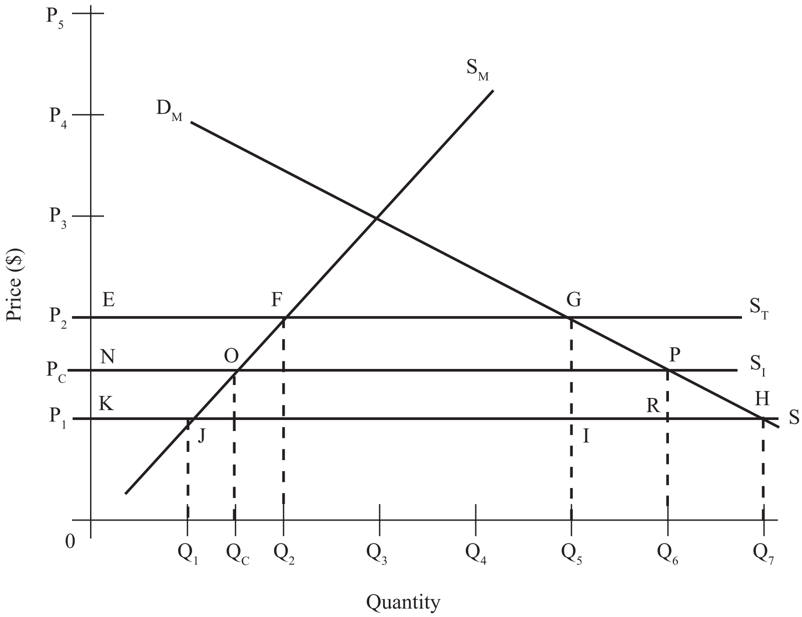

Figure 1.3 Before and after integration

For certain public services, there may also be economies to be derived from operation over a wider geographical area. In the case of air and rail transport, for instance, there is a very strong case for operating on a large enough scale to make full use of both specialized abilities and any available machines of large capacity.

Another of the dynamic effects of integration relates to the emergence of *competition*. The reduction or removal of trade barriers brings about a more competitive market environment and eventually reduces the degree of monopoly power that might have been present prior to integration. The third effect concerns *foreign investment*. The larger consumer and industrial markets created through integration of national economies can make it possible for member-countries to attract the foreign capital they need for boosting business activity and, among other things, increasing the level of employment.

Other equally important dynamic effects include those that may culminate from the eventual creation of a monetary union and/or an optimum currency area. As some pundits have observed,[11] a monetary union can facilitate the creation of a larger, more *stable financial market* since it can, among a host of other things, eliminate exchange-rate variability in an economically integrated region. Also, the attainment of greater exchange-rate stability and certainty facilitated by a common currency can result in more stable and soundly based economic growth for an integrated region as a whole.

11 For example, Grauwe, P. et al., 'In Reply to Feldstein,' *The Economist*, July 4, 1992, p. 67.

Moreover, it can be reasoned that elimination of currency fluctuations within an integrated region can increase trade among member-countries, since such fluctuations inhibit business enterprises from expanding their operations in other member-countries. This seems all too obvious considering the fact that fluctuations in exchange rates can more than wipe out the normal profits from any given business organization's sales.

Further, it may be assumed that a monetary union can eliminate the need for member-countries that may experience a decline in the aggregate demand for their export products to consider currency devaluations—which are now proved to be both ineffective in correcting a country's economic shocks and more likely to generate high levels of inflation—as a means of making their products competitive in other member-countries.

Besides, economic integration can lead to intra-industry specialization so that all member-countries produce and sell similar products, making them more alike and eventually reducing the chances of any one member-country becoming a victim of an economic shock.

The Euroland context

With respect to the creation of a *monetary union*—such as the 'Euroland,'[12] or any other single-currency zone or region as a matter of fact—there are enormous benefits that can accrue to cross-border travelers, buyers and business operators in such an economic bloc. Apart from creating a larger and readily accessible market for goods and services, the Euroland, for example, is advantageous to cross-border business operators in the region in the following ways, among others:[13]

(a) it has greatly facilitated and expedited cross-border transactions in financial assets—such as bonds, shares of stock and treasury bills—within the European Union;
(b) it has increased competition in the banking industry, and has generally resulted in lower interest rates—thereby making it less costly for business entities in the region to finance their operations through borrowed funds;
(c) the use of a single currency in the region has eliminated the exchange-rate risk to which cross-border business operators and consumers were hitherto subjected;

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12 Currently, the 'Euroland' includes the following European Union (EU) countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands (Holland), Portugal, and Spain. Three EU members—that is, Denmark, Sweden and the United Kingdom—are still considering the prospect of adopting the *euro*. Adoption of the single currency, the *euro*, was formalized on January 1, 1999. *Euro* notes and coins were introduced in the *Euroland* on January 1, 2002; by March of the same year, members of the monetary union ceased to recognize their national currencies as legal tender.

13 Excerpted from Kyambalesa, Henry, *Small Business Management in the Twenty-First Century*, manuscript (2005), Chapter 7.

(d) the absence of barriers to the movement of people across the region has made cross-border traveling by consumers and business operators easier;
(e) time and money which would otherwise be spent on currency exchanges across national borders are no longer a source of concern for cross-border travelers, buyers and business operators; and
(f) monetary union has made it much easier for consumers and business operators to compare costs and prices of goods and services across the region, since the costs and prices are now quoted in the same currency—the *euro*.

Trade Deflection

The third potential effect of the process of economic integration is 'trade deflection'—that is, the entry of imports from the rest of the world into a low-tariff member-country of a *free trade area* in a deliberate effort by either importers or exporters to avoid higher tariffs that may be levied by other member-countries.

In a free trade area, therefore, high-tariff member-countries can lose much of their potential revenue from import duties to low-tariff member-countries through trade deflection. The only rational way in which this problem can be circumvented is for member-countries to consider the prospect of creating a customs union, or any of the other higher forms of economic integration cited earlier.

Counterfeit Labeling

Traders involved in *trade deflection* may attempt to dupe authorities in a low-tariff member-country of any given economic bloc by designating the imports involved as local manufactures in order to obtain the bloc's certificates of origin, which they can use to freely export the foreign goods from the low-tariff country to other member-countries. For lack of an orthodox concept designed to function as a designation of this phenomenon, let us refer to it as 'counterfeit labeling.'[14] Box 1.1 provides a good example of the manifestation of such a problem.[15]

1.3 Conditions for Success

As Viner, Leistner, Lipsey, Rooyen, and Salvatore, among numerous other notable economists, have maintained,[16] several conditions need to be met in order for any

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14 This concept was first introduced in Kyambalesa, H., *Socio-Economic Challenges: The African Context* (Trenton, NJ, 2004), pp. 33–4.

15 The content of the table is adapted from an article entitled 'Zambian Exports Doomed—ZAM,' which appeared in *Zamnet*: http://www.zamnet.zm/, May 2, 2001. A version of the article is also provided in Kyambalesa, H., ibid.

16 See Viner, J., *The Customs Union Issue* (New York, 1950), pp. 51–2; Leistner, E., 'Regional Cooperation in Sub-Saharan Africa,' *Africa Insight*, Vol. 27, No. 2, 1997, p. 122;

Box 1.1 Counterfeit Labeling

The Zambia Association of Manufacturers (ZAM) has warned that Zambian exports are headed for a complete disaster following reports that COMESA (Common Market for Eastern and Southern Africa) Certificates of Origin are being issued to foreign traders falsely purporting to have goods manufactured in Zambia.

The goods are actually imported into Zambia from non-COMESA countries, and are generally of poor quality; they are unpacked, their original identification destroyed and then wrapped in Zambian labels for submission to government authorities in the country in order to obtain COMESA Certificates of Origin. Upon receipt of the Certificates of Origin, the unscrupulous traders export the goods involved to other COMESA countries without being charged customs duties by recipient countries.

According to … Mr Mark O'Donnell, the scandal will jeopardize Zambia's exports 'because the country will lose all the credibility as a result of this trend of selling sub-standard products illegally in the COMESA region by [fraudulently] using its name.'

form of integration among the national economies of cooperating countries to be viable; they include the following:

(a) *peace and stability*: sustained peace and stability in all cooperating countries,[17] and transparency and popular participation in the generation of important IGO-related decisions, protocols and treaties in each of the cooperating countries;
(b) *sustained political will*: a genuine desire among leaders of each and every cooperating country to create a successful economic bloc,[18] and willingness to compromise on sensitive issues and matters relating to national sovereignty;

Lipsey, R.G., *The Theory of Customs Unions: A General Equilibrium Analysis* (London, 1970), p. 56; Rooyen, C. van, 'Regional Integration as a Regional Strategy: The Case of the SADC,' *Africa Insight*, Vol. 28, Nos 3/4, 1998, p. 130; and Salvatore, Dominic, *International Economics*, pp. 293–94.

17 The need for sustained peace and stability in a country's and/or region's quest for pronounced socio-economic development is discussed in a nutshell elsewhere in this book.

18 In this regard, leaders of cooperating countries need to 'close the gap between political rhetoric in making treaty commitments' and efforts aimed at fulfilling such commitments—see Mistry, P.S., 'Africa's Record of Regional Cooperation and Integration,' *African Affairs*, Vol. 99, No. 397, October 2000, p. 565.

(c) *competitive economies*: the economies of cooperating countries need to be initially competitive rather than complementary[19] in order to provide for a competitive business environment in the regional economy which may eventually be created;
(d) *similar stage of development*: the national economies of cooperating countries also need to be generally at similar stages of industrial development in order to circumvent problems pertaining to the following: (i) mass-emigration of people from low-income to high-income member-countries, (ii) dominance by one or a few member-countries in the supply of manufactured goods or industrial inputs, and/or (iii) differences in labor, environmental and product safety standards;
(e) *geographical proximity*: there is a need for geographical proximity among cooperating countries to make it possible for them to create a well-developed and efficient transportation system for distributing industrial inputs and finished products within their regional economy;
(f) *pre-integration trade ties*: strong pre-integration trade ties (which would reflect the existence of specialization by cooperating countries in the production of divergent commodities), harmonious and protracted political relations, and similarity of economic systems between and among cooperating countries;
(g) *high pre-integration trade barriers*: high pre-integration tariffs and non-tariff trade barriers between and among cooperating countries, so that the eventual scaling down or complete removal of trade barriers can result in very low prices of tradable products in the regional economy that is to be created and ultimately lead to trade creation;
(h) *low post-integration trade barriers*: low tariffs and non-tariff trade barriers on the integrated region's imports from nonmember-countries so that trade with such countries is sustained in order to promote the generation of tariff revenues by member-countries;
(i) *large number of countries*: Involvement of a large number of countries in the creation of an IGO in order to broaden the potential for inclusion of many countries which have low-cost industries in the IGO, as well as create a larger economic region in terms of both market size and investment opportunities;
(j) *preferential treatment*: an inclination by each and every member-country to import relatively more commodities from cooperating countries than from nonmembers;
(k) *sharing of gains and losses*: presence of an acceptable mechanism for assessing both qualitative and quantitative costs associated with cooperating countries' membership in an IGO, and ensuring that the benefits of integration—including revenues generated from tariffs that are levied on imports from nonmember-countries—are distributed both fairly and efficiently among member-countries; and

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[19] In other words, each member-country's economy should initially have the capacity to compete in cross-border trade by itself with little or no dependence on other countries' economies to complement its competitive position.

(l) *fair distribution of IGO institutions*: evenly and fairly dispersed commercial, industrial, administrative, educational, training, health, and other essential and communal facilities and institutions in the economic bloc.

The unceremonious disintegration of the East African Community (EAC)[20] in June 1977 (barely a decade after its inception by Kenya, Tanzania and Uganda in December 1967), for example, can be directly attributed to the non-fulfillment of some of these conditions. The specific conditions which were not met are cited below.[21]

Peace and Stability

Idi Amin's ousting of Prime Minister Milton Obote in January 1971 triggered off a chain of destabilizing events in the EAC; among other things, it caused a great deal of turmoil and political instability within Uganda, and strained the country's political and economic relations with the other two member-countries—particularly with Tanzania, whose president, the late Julius Nyerere, was not willing to work with General Idi Amin. Mr Nyerere's decision to grant political asylum to Mr Obote also contributed to the severing of the hitherto sound relations between Uganda and Tanzania.

Industrial Development

Comparatively, Kenya was more industrialized than Uganda and Tanzania. This difference in the level of industrialization caused Tanzania and Uganda to incur large trade deficits with Kenya due to their huge import bills mainly resulting from importation of industrial inputs and manufactures from the country. The relatively more developed industrial sector in Kenya also made the country more preferable as a location for new business enterprises.

Pre-Integration Trade

Prior to the creation of the EAC, both Uganda and Tanzania were highly dependent on trade with industrialized countries or, according to Melanin C. Karoi, 'the club of

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20 The *East African Community (EAC)* was founded in 1967 by Kenya, Tanzania and Uganda through the Treaty for East African Cooperation, which created the East African Common Market (EACM). Among other things, the Treaty provided for coordination of development planning, a common tariff with nonmembers, free trade among the three member-countries, harmonization of monetary and fiscal policies, and fixed exchange rates.

21 For detailed analyses of the disintegration of the EAC, see Feld, W.J. and Jordan, R.S., *International Organizations: A Comparative Approach* (New York, 1988), pp. 153–57; and Appleyard, D.R. and Field, A.J., *International Economics*, p. 331.

leisure-intensive nations'[22]—which involved the exportation of primary commodities to such countries and importation of manufactured goods from them.

This apparent lack of pre-integration trade ties, which generally emanated from the similarity of the two countries' export products—that is, primary (or semi-processed) commodities—rather than from high trade barriers, could not be overcome easily during the post-integration era. Eventual membership in the EAC by Uganda and Tanzania, therefore, could not create meaningful trade between the two countries.

Economic Systems

Using the 'Uhuru na Ujamaa' (that is, 'Freedom and Independence') philosophy, Tanzania's Julius Nyerere was in the process of creating a socialist state. Thus, Tanzania despised Kenya's free-enterprise orientation. Besides, Kenya's free-enterprise orientation made the country a more preferred destination for foreign direct investment (FDI)—which contributed greatly to the country's relatively more developed industrial sector.

Ideological differences and the divergent socio-economic systems which such differences occasioned, therefore, did not augur well for the long-term success and survival of the EAC, as Ching'ambo has noted:

> The impact of ideological differences greatly affected trade relations and the general programs on investment and industrial policies … [and] their individual foreign policies towards other countries, ultimately affecting their relations with each other.[23]

Number of Countries

Since it was constituted by only three countries (that is, Kenya, Tanzania and Uganda), the EAC could not benefit fully from the greater potential for trade creation associated with inclusion of as many countries with low-cost industries in an IGO as possible.

Costs and Gains

There were perceptions of uneven distribution of the costs and benefits emanating from membership in the EAC. Such perceptions culminated from the following, among a host of other things:

(a) huge trade deficits incurred by Uganda and Tanzania in their trade with Kenya;
(b) a greater number of foreign investors and new private companies were located in Kenya;

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22 Karoi, M.C., 'Anatomy of Power and Politics in Africa,' *The Monitor* (Zambia): http://afronet.org.za/monitor146/report.html, February 16–22, 2001.

23 Ching'ambo, L., 'SADC: The Rebirth of SADCC,' *Southern Africa Political and Economic Monthly*, Vol. 5, No. 11, August 1992, p. 25.

(c) the Kenyan economy grew more rapidly than the Ugandan and Tanzanian economies; and
(d) there was disproportionate distribution of funds by the East African Development Bank in favor of Kenya.

Prospects for the long-term viability of a revived East African Common Market by the three neighboring countries[24] may be determined in a similar manner. Although the three countries' economic systems are more alike today than they were during the life span of the defunct EAC, and given the remoteness of political instability in any of the three countries, some of the other conditions are likely to be inimical to the long-term success and survival of a new EAC if they are not fulfilled. Examples of such conditions include the need for:

(a) the economies of cooperating countries to be initially competitive rather than complementary;
(b) high pre-integration tariffs and non-tariff trade barriers between and among cooperating countries; and
(c) a large number of cooperating sovereign states in order to broaden the potential for inclusion of as many countries which have low-cost industries as possible in the integrated region, as well as create a larger economic bloc or region in terms of both market size and investment opportunities.

1.4 Theory of the Second Best

Free trade among all nations of the world would, according to international trade theory, optimize the allocation of the world's resources, and ultimately maximize global output, as well as improve welfare worldwide. Creation of regional trading blocs would, therefore, not lead to such a scenario, since it would not precipitate into complete liberalization of global trade. In other words, a global economy that is composed of regional trading blocs would still have tariffs and non-tariff trade barriers and would, therefore, not generate maximum welfare gains.

The complete removal of trade barriers among cooperating countries would, of course, represent a movement toward freer trade and would, therefore, make a positive contribution to the maximization of socio-economic welfare worldwide—particularly if cooperating countries maintain low trade barriers against nonmembers.

With respect to member-countries, their collective and general welfare would be enhanced in the case of *trade-creating integration* regardless of whether they impose low or high trade barriers on imports from nonmember-countries. In Meade's words,

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24 See 'Tanzania Plans to Quit COMESA,' *The Post*, http://www.zamnet.zm/za-mnet/post/news/story6.html, July 23, 1999; and 'Museveni Hails Rebirth of East African Community,' *The Post*, http://www.zamnet.zm/zamnet/post/news/story2.html, December 2, 1999.

'any move towards economic union covering a large number of countries would undoubtedly serve to raise standards of living.'[25]

However, not even an unprecedented proliferation of regional trading blocs can, according to the 'theory of the second best,' yield welfare gains that are 'second best' in comparison to those which would accrue from free trade among all nations of the world. Salvatore has paraphrased the general theory of the second best, of which the theory pertaining to economic integration is a special case, as follows:

> If all the conditions required to maximize welfare … cannot be satisfied, trying to satisfy as many of these conditions as possible does not necessarily or usually lead to the second-best position.[26]

1.5 A Summing-Up

In this chapter, we have explored the following themes:

(a) The various forms and stages of economic integration—that is, preferential trade arrangements, a free trade area, a customs union, a common market, an economic union, a monetary union, and a political union.

(b) The potential effects associated with the integration of national economies, including the following:

- *the static effects*: shifts in the production of certain export products from one member-country to another member-country, or from a nonmember-country to one of the member-countries;
- *the dynamic effects*: effects culminating from changes in the economic performance and structures of members of an economic bloc;
- *trade deflection*: the entry of imports from the rest of the world into a low-tariff member-country of a *free trade area* in a deliberate effort by either importers or exporters to avoid higher tariffs that may be levied by other member-countries; and
- *counterfeit labeling*: a deliberate attempt by traders involved in 'trade deflection' to dupe authorities in a low-tariff member-country of any given economic bloc by designating the imports involved as local manufactures in order to obtain the bloc's certificates of origin, the ultimate intention of which is to use the certificates to freely export the foreign goods from the low-tariff country to other member-countries.

(c) Pre-conditions for viable and beneficial integration of national economies, including the following: sustained peace and stability in member-countries,

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25 Meade, James E., *The Theory of Customs Unions* (Westport, CT, 1980), p. 115.

26 Salvatore, D., *International Economics*, p. 293.

sustained political will, competitive national economies, similar stage of development, geographical proximity, sound pre-integration trade ties, high pre-integration trade barriers, low post-integration trade barriers, a large number of countries, existence of preferential treatment accorded to potential cooperating countries prior to integration, a viable mechanism for ensuring equitable sharing of gains and losses among members, and a mutually acceptable mechanism for ensuring fair distribution of essential IGO institutions.

(d) The 'theory of the second best,' which portrays free trade among all nations of the world as the only way in which an optimization in the allocation of the world's resources, the maximization of global output, and improved global welfare can be attained. Creation of regional trading blocs, according to the theory, would not lead to such a scenario since tariffs and non-tariff trade barriers would still be present in the global economy.

Chapter 2

Necessity of Integration

In this chapter, let us consider the reasons why economic integration is an indispensable element in African countries' quest for pronounced and sustained socio-economic development in the twenty-first century—that is, the need to gain a competitive edge, circumvent the disadvantages associated with small size, and, among other rationales, improve their collective terms of trade (TOT). A bird's-eye view of the debt burden and North–South (N–S) relations will serve as a backdrop to the themes explored in the chapter.

2.1 Debt and N–S Relations

African leaders need to realize that their countries' real future does not hinge on seeking the compassion of, or excessive and protracted reliance on, industrialized nations in matters of socio-economic development, such as by calling for a new international economic order (NIEO), or by overly relying on efforts to 'spread the wealth' worldwide spawned at the summit of G-7 leaders and Mr Boris Yeltsin, former Russian president, held in Denver in June 1997; they need to take full responsibility for finding viable solutions to their countries' socio-economic ills.

The NIEO was called for in June 1974 by the United Nations (UN) General Assembly as a means of redressing the persistent poverty in less-developing countries (LDCs), the current unfavorable terms of trade (TOT), and what is generally perceived as the unfair working of the global economy. Essentially, the NIEO is a set of several demands on industrialized nations by LDCs, most of which had been made prior to 1974 through various UNCTAD—that is, United Nations Conference on Trade and Development—meetings.

These demands include the following: (a) greater access to markets for manufactured goods in industrialized nations; (b) expediting the transfer of advanced forms of technology to the developing world; (c) scaling down trade barriers on agricultural products from LDCs; (d) greater relief on outstanding bilateral debt and interest payments; (e) negotiation of commodity agreements aimed at improving and stabilizing the prices of LDCs' exports; (f) greater and sustained flows of foreign aid to the developing world; and (g) greater role by LDCs in decision making concerning global issues.

Unfortunately, most of these demands have not been readily embraced and/or seriously addressed by industrialized countries[1] for several apparent reasons; first, developing countries' manufactures do not generally meet industrialized nations' quality and safety standards. Second, industrialized countries' governments are generally reluctant to encourage the transfer of new and advanced forms of technology to LDCs in order to enable their own local inventors and innovators to recover the costs initially incurred in generating forms of technology which eventually become obsolete by selling the obsolete technologies to the LDCs and, in the process, foster innovation and creativity locally.

Third, the issue concerning agricultural products has been a contentious one for a number of reasons, including serious concerns regarding such products' potential to transmit diseases from one country to another,[2] and overwhelming agricultural interests in industrialized countries. Fourth, industrialized countries' interference in the determination of commodity prices through international commodity agreements is unpopular because its potential to suppress the market forces of supply and demand can culminate in gross inefficiency in cross-border trade in primary commodities.

It is, however, important to acknowledge the evolving and seemingly favorable developments pertaining to LDCs' external debt problems and the nature of bilateral relations between industrialized and developing countries. A brief discourse on these developments follows.[3]

External Debt Relief

During the second half of the 1990s, huge amounts of the debts owed to creditor banks were reduced through such traditional debt relief approaches as debt buybacks, debt-equity swaps, and debt-for-development swaps. Besides, debt rescheduling agreements designed to convert short-term debts to long-term debts at interest rates ranging from 2 to 4 per cent provided some degree of relief to many financially distressed debtor nations.[4]

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1 According to Amin, 'the NIEO project was more or less unanimously rejected by the North.' See Amin, S., 'Fifty Years Is Enough,' Part II, *Southern Africa Political and Economic Monthly* [SAPEM], Vol. 8, Nos 3 and 4, December/January 1994/95, p. 34.

2 Kyambalesa, H., 'Socio-Economic Challenges: The African Context,' manuscript (2000), pp. 59–60; and Kyambalesa, H., *Socio-Economic Challenges: The African Context* (Trenton, NJ, 2004).

3 The material presented henceforth is excerpted from Kyambalesa, H., ibid., pp. 91 and 142–43.

4 See World Bank, *Global Development Finance: Analysis and Summary Tables*, vol. 1 (Washington, DC, 1997), pp. 79–86; World Bank, *Global Development Finance: Analysis and Summary Tables*, vol. 1 (Washington, DC, 1998), pp. 83–90; and World Bank, The, *Global Development Finance: Analysis and Summary Tables*, vol. 1 (Washington, DC, 1999), pp. 113–15.

In late 1995, the World Bank and the International Monetary Fund (IMF) conceded that the excessive debts owed to them by some poor countries needed to be written off in order to save the economies of such countries from further decay and backwardness. The following year, they initiated what is referred to as the HIPC (Heavily or Highly Indebted Poor Countries) Debt Initiative. Essentially, the HIPC Debt Initiative is designed to provide 'a framework for international support to adjustment and reform efforts in the world's poorest and most … indebted countries to ensure that their debt is reduced to sustainable levels.'[5]

All multilateral creditors are expected to participate in the HIPC Debt Initiative. The IMF, for example, is expected to participate through its ESAF (Enhanced Structural Adjustment Facility) operations. The World Bank has, in this endeavor, already established an HIPC Trust Fund and allocated an initial contribution of US$500 million for the purpose. Creditor nations, which constitute the Paris Club of official creditors, have also agreed to participate fully in the initiative. They have pledged to exceed debt relief levels provided for in Naples terms by offering debt reductions of up to 80 per cent.[6]

North–South Relations

In the 1990s, a host of national and local governments in industrialized nations tended to be more responsive to the needs of the South. The following summits convened by local and national governments in industrialized countries reflect the North's greater enthusiasm to participate more actively in redressing the socio-economic ills facing much of contemporary Africa:

(a) The first Tokyo International Conference on African Development, or TICAD I, held in October 1993 and its runner-up (TICAD II) held in October 1998.[7]
(b) The summit of leaders of G-7 countries and Russia's Boris Yeltsin held in Denver in June 1997 to discuss the prospect of 'spreading the wealth' worldwide, among other things.
(c) The G-8 countries' annual summit (including Russia) held in Cologne, Germany, in June 1999 to initiate a plan for providing greater and swifter debt relief to poor countries, among a host of other things.
(d) Summits convened in several cities in the United States of America during 1999 by the US National Summit on Africa organization to generate strategies for

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5 World Bank, The, *Global Development Finance: Analysis and Summary Tables*, vol. 1 (Washington, DC, 1997), p. 41.

6 For details concerning Naples terms, see World Bank, The, *World Debt Tables: External Finance for Developing Countries*, vol. 1 (Washington, DC, 1996), pp. 33 and 59–62.

7 See a summary of the two conferences in Nwagboso, M., 'Africa in the Twenty-first Century,' *West Africa*, No. 4199, December 7–20, 1998, pp. 842–48.

working with African governments in their quest to improve the quality of life on the economically beleaguered continent.[8]

(e) The United Nations Millennium Summit (which was attended by leaders of over 150 countries) held in September 2000 in New York to discuss ways and means of reducing poverty, facilitating democratic governance, and forestalling conflicts worldwide.[9]

(f) The British-sponsored 'Commission for Africa,' whose first meeting (chaired by Prime Minister Tony Blair) outside the United Kingdom was held in October 2004 in Addis Ababa, Ethiopia. The Commission was set up to reverse the chronic misfortunes of a continent that 'has grown poorer in the last 40 years.'[10]

There are a few other positive developments in N–S relations which are worth mentioning at this juncture; first, a UNIDO (United Nations Industrial Development Organization) conference—organized in collaboration with the Alliance for Africa's Industrialization, the African Development Bank, the Economic Commission for Africa, and the former Organization of African Unity (OAU)—held in Dakar, Senegal, in October 1999 to deliberate on such issues as EU-Africa cooperation, private sector capacity-building, and promotion of entrepreneurship, is certainly one of the important harbingers of mutually beneficial N–S relations in the twenty-first century.

Second, the African Growth and Opportunity Act (AGOA)—an initiative recently mandated by the United States government, whose purpose is to foster mutually beneficial trade between the United States and countries in sub-Saharan Africa, among other things—augurs well for favorable N–S relations.

And, between March 23 and April 2, 1998, Mr Bill Clinton went on record as having been the first incumbent American president to have visited Africa on a noble mission in two decades. Although he visited only six of Africa's 54 countries—that is, Ghana, Uganda, Rwanda, Republic of South Africa, Botswana, and Senegal—his message cast a gleam of hope over the entire continent:

> My dream for this trip is that together we might [accomplish great] … things so that a hundred years from now, your grandchildren and mine will look back and say this was the beginning of a new African renaissance.[11]

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8 Many different themes were explored at these summits. The Mountain/Southwest Regional Summit on Africa held in Denver, for example, included the following themes: (a) economic development, trade, investment, and job creation; (b) democracy and human rights; (c) sustainable development, the quality of life and the environment; (d) peace and security; and (e) education and culture.

9 With respect to poverty, the leaders in attendance pledged to 'spare no effort' in freeing humanity 'from the abject and dehumanizing conditions of extreme poverty.' Annan, Koffi, 'A Chance for the World's Poorest,' *The Post*, Columns, http://www.zamnet.zm/zamnet/post/columns.html, March 13, 2001.

10 'Ethiopia: Time for Excuses on Africa Over—Blair,' UN (United Nations) Office for the Coordination of Humanitarian Affairs, January 16, 2005.

11 Ankomah, B., 'Clinton's African Odyssey,' *New African*, No. 363, May 1998, p. 8.

Clearly, African leaders and governments will do well to take advantage of the current altruism among industrialized nations and foster mutually beneficial North–South (N–S) relations in the twenty-first century. Let us now turn to a survey of rationales for African countries to create, or seek strong and permanent membership in, regional economic groupings—that is, the need to enhance their national economies' competitive edge, gain greater access to cooperating countries' markets, and, among other rationales, improve their collective terms of trade (TOT).

2.2 A Competitive Edge

There is a pressing need for African countries to create, or seek strong and permanent membership in, inter-governmental organizations (IGOs) in order to become more competitive and be in a better position to venture in the modern global economic system that is characterized by such powerful regional economic blocs as the European Free Trade Association (EFTA), the European Union (EU), and the North American Free Trade Agreement (NAFTA) bloc of countries.

The successful conclusion of the Uruguay Round in December 1993 should particularly prompt African governments to move briskly in seeking membership in, and/or creating, viable regional groupings. If they dilly-dally in taking up this challenge, they should not expect economic units in their countries to gain the necessary technological and industrial competence they need to be able to become sturdy participants in the potentially competitive global economy of the twenty-first century.

In the longer run, the continent's leaders should not be surprised when their national economies turn into permanent retail outlets for commodities produced in various economic blocs around the world.

The trade negotiations of the former General Agreement on Tariffs and Trade (GATT) which fell under the 'Uruguay Round' rubric were started in September 1986 in Punta del Este, Uruguay, and concluded in December 1993. Important elements of the Uruguay Round pact include the following: the GATT protocol, rules of origin, agreement on export subsidies, agreement on technical barriers to trade, the anti-dumping code, import-licensing procedures, agreement on trade-related aspects of investment measures (TRIMS), agreement on agriculture, agreement on trade-related aspects of intellectual property (TRIP), and agreement on trade in services.

The GATT protocol re-affirmed the original and general objective of the GATT (hereinafter referred to as the World Trade Organization, or WTO, the new name it assumed on January 1, 1995), that is, to create an open, liberal and competitive international trading system and thereby contribute to global economic growth and development, as well as enhance prosperity and welfare worldwide.[12] A

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12 See Golt, S., *The GATT Negotiations 1986–90: Origins, Issues and Prospects* (London, 1988), p. 2.

cursory description of each of the other elements cited in the foregoing paragraph follows.[13]

(a) Harmonization of *rules of origin* so that WTO member-countries cannot use them either to promote their national trade objectives or to deliberately imperil international trade.
(b) Removal of any and all *export subsidies* which are intended, or are by design likely, to disadvantage other trading nations.
(c) Redressing *technical trade barriers* (including health and safety regulations, labeling requirements, government procurement policies, international agreements which are likely to lead to the emergence of international cartels, multiple exchange rates, and border taxes), taking into account the special needs of developing nations.
(d) Preclusion of the use of *dumping* as a trade strategy by any of the WTO member-countries.
(e) Streamlining of *import-licensing procedures* that are likely to have a negative effect on the flow of commodities into a country due to their being cumbersome and time-consuming to importers.
(f) Elimination of measures aimed at promoting *investments* that restrict or distort international trade (such as domestic purchase requirements, limits on imports and multiple exchange rates (MERs), and promotion of unrestrained cross-border movement of investment capital.
(g) Progressive reduction of governmental support for, and protection of, *agricultural activities* in order to enhance market access as well as competitiveness internationally, having regard for member-countries' quest for enhanced food security and environmental protection.
(h) Effective and adequate protection of *intellectual property rights*, while ensuring that measures and procedures designed to protect such rights do not themselves become barriers to trade.
(i) Enhancement of transparency in, and progressive liberalization of, *trade in services* (including financial services, telecommunications, air transport services, and the like), not excepting the free movement of service providers, but with regard for measures designed to maintain national security, public safety, public order, and public morals.[14]

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13 The summary provided draws heavily from Mhone, G.C., 'GATT: Implications of the Uruguay Round for Developing Countries,' *Southern African Political and Economic Monthly*, Vol. 7, No. 5, February 1994, pp. 34–40.

14 It is also important to note that the WTO requires countries which are signatories to the Uruguay Round accord to ensure that foreign companies are not subjected to any covert trade rules, regulations and practices which are likely to place them at a competitive disadvantage against domestic firms.

In passing, it is perhaps important to note that integration schemes are much more likely to lead to greater competitiveness among economic units in cooperating countries if they are used as means of promoting the production of tradable goods (that is, export products) to compete in world markets rather than as 'means of developing import-substituting industries behind tariff walls.'[15]

2.3 Market Limitations

A large population is an important element in a country's quest for enhanced socio-economic development. Many development economists have recognized this fact, arguing that a large overall population can, among other things, increase the potential size of a country's domestic market to a level that is economically favorable to an expansion in both local and foreign investment. A good example is pundit Todaro; in his contention, a large overall population can increase the potential size of a country's domestic market.[16] And, as Kasun has maintained,[17] population growth can encourage producers to specialize and use more efficient, large-scale modes of production.

For the typical developing country, this should be obvious considering the fact that ready access to foreign markets is thwarted by the numerous and insurmountable export problems pinpointed elsewhere in this piece of work. After all, it should be common sense that growing markets generally stimulate invention, rather than invention coming first and creating a market, as a university study of 900 key inventions in the twentieth century cited by Davis and Blomstrom has revealed.[18] And, besides, larger markets in developing countries would make such countries more worthy trading partners to the rest of the world in an era of freer global trade invoked by the passage of the Uruguay Round pact.

The issue concerning the size of a country's market may also be discerned in terms of 'population density.' In Timberlake's contention,[19] low population density can make the nationwide provision of health care, educational facilities and training in a country difficult, as well as inhibit agricultural development by complicating the distribution of essential tools, fertilizers and pesticides. And Retel-Laurentin, quoted by Timberlake, could not have asked a more apt question in this regard:

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15 See Lyakurwa, W. et al., 'Regional Integration in Sub-Saharan Africa: A Review of Experiences and Issues,' in Oyejide, A. et al., eds, *Regional Integration and Trade Liberalization in Sub-Saharan Africa*, vol. 1 (New York, 1997), p. 172.

16 See Todaro, M., *Economic Development*, 5th edition (New York, 1994), pp. 100–103.

17 Kasun, J., *The War against Population: The Economics and Ideology of World Population Control* (San Francisco, 1988), p. 56.

18 Davis, Keith and Blomstrom, R.L., *Business and Society: Environment and Responsibility* (New York, 1975), pp. 115–16.

19 See Timberlake, L., *Africa in Crisis: The Causes, the Cures of Environmental Bankruptcy* (Philadelphia, 1986), p. 39.

> How can the soil be cultivated with … [very few] inhabitants per square kilometer … [h]ow can roads be maintained, how can the economy and trading be properly developed?[20]

The Malthusian view that population growth needs to be stemmed in order to prevent the misery, hunger and pestilence that can follow if the population exceeds the carrying capacity of a given physical environment[21] does not, therefore, apply to sparsely populated, resource-rich African countries. As such, global population control efforts need to be appropriately directed at countries whose population densities are well in excess of 100 persons per square mile, particularly the following: Belgium, Germany, India, Japan, the Netherlands, the Philippines, Singapore, and the United Kingdom.

In this regard, advocates of population control need to acknowledge the fact that African countries cannot benefit from economies of scale that are usually associated with large-scale production mainly due to the limited potential markets for their outputs. There are basically two market-related problems attributable to this state of affairs; these are: (a) inadequate domestic markets, and (b) the generally inaccessible external markets. A brief survey of each of these problems follows in the next two sub-sections.

Domestic Markets

As Sibanda has maintained,[22] most African countries—and generally all less-developed countries, as a matter of fact—cannot achieve economies of scale in production due to their small populations and can, as such, benefit from large-scale production only through openness and regional integration. Katz has demonstrated further that the typical developing nation has a small potential domestic market which cannot support the introduction of advanced production techniques and their outputs.[23] The population sizes and densities of a sample of 10 sub-Saharan countries provided in Box 2.1[24] should corroborate the point made here.

Commercial and industrial organizations in sparsely populated African countries have, thus, generally found it uneconomic to develop and/or acquire new, mass-

20 Timberlake, L., ibid.

21 See Malthus, T.R., *An Essay on Population* (London, 1914 [first published in 1798]).

22 Sibanda, A.E., 'The Need for a Developmentalist State,' *Southern Africa Political and Economic Monthly*, Vol. 6, No. 10, July 1993, pp. 46 and 48.

23 Katz, J.M., 'Domestic Technology Generation in LDCs: A Review of Research Findings,' in Katz, J.M., ed., *Technology Generation in Latin American Manufacturing Industries* (New York, 1987), pp. 24–25.

24 The content of the Box is excerpted from *World Almanac and Book of Facts 2005* (New York, 2005), pp. 747–847; Brunner, Borgna, Editor-in-Chief, *Time Almanac 2005 with Information Please* (Needham, MA, 2004), pp. 721–904;.*World Almanac and Book of Facts 2000* (Mahwah, NJ, 1999), pp. 768–877; and Brunner, B., ed., *The Time Almanac 2000* (Boston, MA, 1999), pp. 166–339.

Box 2.1 Population Sizes and Densities

Angola	11m [23/sq mile]
Botswana	1.6m [7/sq mile]
Cameroon	16m [89/sq mile]
Cape Verde	0.42m [267/sq mile]
C. African Rep.	3.8m [16/sq mile]
Chad	9.5m [20/sq mile]
Equatorial Guinea	0.52m [48/sq mile]
Eritrea	4.4m [95/sq mile]
Guinea-Bissau	1.4m [128/sq mile]
Malawi	12m [328/sq mile]
Mauritania	3m [8/sq mile]
Mozambique	19m [62/sq mile]
Namibia	2m [6/sq mile]
Seychelles	0.081m [460/sq mile]
Tanzania	37m [107/sq mile]
Uganda	26m [342/sq mile]
Zambia	10.5m [37/sq mile]
Zimbabwe	13m [85/sq mile]

production technologies whose excess output cannot find a ready market locally. In this regard, Rodney has summed up the problem facing African countries in particular, and the developing world in general, in the following words:

> It has now become common knowledge that one of the principal reasons why genuine industrialization cannot easily be realized in Africa today is that the market for manufactured goods in any single African country is too small, and there is no integration of the markets across large areas of … [the continent].[25]

In short, Africa's most urgent need, as Ndongko has maintained, is an internal market that is large enough to absorb African economies' outputs of both agriculture and industrialization[26]—and economic integration seems to be the most, if not the only, feasible way in which such an internal market can be created within a few years or so if African leaders are keen on pursuing the endeavor!

One would, therefore, lament over Seychelles' decision to pull out of the SADC in July 2004, and the exit of Namibia and Tanzania from COMESA in May 2004 and

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25 Rodney, W., *How Europe Underdeveloped Africa* (Washington, DC, 1982), p. 109.

26 Ndongko, W.A., 'Trade Liberalization within the Setting of Multimembership in African Regional Groupings: Problems and Prospects,' *Development and Peace*, Vol. 6, No. 2, Autumn 1985, p. 50.

October 2000, respectively. Such an apparent lack of foresight, and disregard for the potential long-term benefits of membership in economic blocs, will, unfortunately, impose costs on COMESA and the SADC when future government leaders in these three countries decide to re-establish their membership.

Foreign Markets

In general, developing countries with small domestic markets cannot depend on foreign markets as a 'vent for surplus' due to the inaccessibility of such markets. As Muuka has pointed out,[27] such countries face a host of very serious hurdles in their export drive; besides excessive red tape in governments and inadequate export financing and insurance schemes, there are a host of other serious export problems facing them.

For sub-Saharan countries, these problems include the following: (a) unfavorable country-of-origin image; (b) dependence on exportation of primary products; (c) the excessive external debt burden; (d) inadequate transport infrastructure; and (e) lack of knowledge and information about export markets.[28] (A cursory look at the nature of each of these problems is provided in Chapter 6.)

With respect to the inaccessibility of foreign markets, Patrick Bond has advised African leaders to be mindful of what he believes are industrialized countries' machinations:

> Nepad's authors present Nepad [the New Partnership for Africa's Development] as Africa's 'partnership' with world leaders … leaders who preach to Africa about the virtues of free trade while preserving the enormous protections they give to their industrial and agricultural corporations, in open contempt of the WTO [the World Trade Organization], which is supposed to regulate and enforce fair play.[29]

2.4 Terms of Trade

Essentially, the term 'terms of trade' (TOT), alternately referred to as 'commodity TOT,' refers to the ratio of the price index of any given country's exports (P_x) to the price index of the country's imports (P_m) expressed as a percentage as follows:

$$\frac{P_x}{P_m} \times 100.$$

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[27] Muuka, G.N., *Exporting Their Way out of Poverty: Twenty-first Century Challenges for Countries in Sub-Saharan Africa*, unpublished seminar paper, October 1996.

[28] Muuka, G.N., ibid.

[29] Bond, P., ed., *Fanon's Warning: A Civil Society Reader on the New Partnership for Africa's Development* (Trenton, NJ, 2002).

A country's commodity TOT may be said to be favorable when the price index of its exports is higher than the price index of its imports, and it is assumed to be unfavorable when the price index of its exports is lower than the price index of its imports. If a country's price index of its exports is equal to the price index of its imports, it may, for lack of an esoteric or orthodox term, be said to have an 'even TOT.'

By and large, African countries face unfavorable TOT in their trade with industrialized nations; the price indices of their export products—that is, primary commodities—are generally lower than the price indices of the manufactured goods which they import from industrialized nations. The greater trade among African countries which is likely to culminate from economic integration can, on the other hand, lead to 'even TOT,' since their economies are generally at similar stages of industrialization.

2.5 Other Rationales

As stated in the first chapter, economic integration can greatly benefit member-countries if it results in trade creation; also, it can benefit them in terms of administrative savings which they may realize from a reduction in the functions of the customs units of their governments, and, among other things, greater bargaining power which they can collectively gain by being constituent members of an economic bloc. Other benefits discussed in the first chapter include greater economies of scale, a more competitive business environment, and larger financial as well as goods markets.

Besides, African countries which are reluctant to engage seriously in economic integration because they currently have beneficial trade relations with industrialized nations are likely to regret sooner or later when such relations get disrupted by a change in the priorities of trading partners. In October 2000, for example, Mr George W. Bush signaled a potential change in the strong US-Africa relations developed during the Clinton-Gore administration when he openly portrayed his indifference to Africa's plight; when asked the question 'why not Africa?' by Mr Jim Lehrer, he responded tersely as follows:

> There's got to be priorities. And the Middle East is a priority for a lot of reasons. And so is Europe, and the Far East, and our own hemisphere. Those are my four priorities should I become president.[30]

His predecessor, Mr Bill (William J.) Clinton, had a different and perhaps more encompassing disposition, particularly with respect to humanity's socio-economic welfare: 'The expansion of trade hasn't fully closed the gap between those of us who live on the cutting edge of the global economy and billions around the world who

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[30] Bush, George W., Jr, in a televised presidential debate moderated by Jim Lehrer in Winston-Salem, North Carolina, October 11, 2000.

live on a knife edge for survival. This global gap requires more than compassion; it requires action.'[31]

Regular changes in industrialized countries' trade policies and economic aid programs are perhaps to be expected considering the fact that the different political parties which, and/or the presidents who, assume power every four or five years in such countries often have dissimilar foreign policy agendas. African countries whose leaders are incapable of discerning the potential implications of such a state of affairs, therefore, face the prospect of finding themselves abandoned at a time when they are least prepared to cope with a sudden disruption in economic aid and/or their imports and exports.

To digress somewhat, one would expect the African continent to be among regions which genuinely and invariably deserve a great deal of compassion, generosity and attention from the United States for the following reasons, among others:

(a) it is the ancestral home of at least 13 per cent of the country's population—the African Americans, if not the entire human race;
(b) it is a region that is least developed and most debt-burdened, poverty-stricken and conflict-festered;
(c) it is a valuable source of industrial inputs, and a potential market for manufactures; and
(d) it is the next great investment frontier.

In all fairness, though, it is important to note that Mr Bush has shown that his government can seriously get involved in African affairs; the marathon visit to Africa in May 2001 by his former Secretary of State, General Colin Powell, and his own belated public proclamations about the need for his country's involvement in Africa, can testify to this possibility. In this connection, one may also cite an agreement by him and Britain's Tony Blair to push for 100 per cent relief of poor countries' external debts (by G-8 nations, the World Bank, the International Monetary Bank, and the African Development Bank) at a G-8 meeting in Scotland in July 2005.[32]

However, Mr Bush's apparent change of heart should not cause Africans and their leaders to celebrate until the compassion (by him and/or his successor) is ultimately translated into concrete action. Meanwhile, 'the continent [that] is barely hanging on to the fringe of the global economy'[33] would do well not to celebrate as the commitment

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31 Clinton, Bill, 42nd President of the United States, 'Farewell Address,' January 17, 2001.

32 Thurow, Roger, 'Africa's Problems Move to top of Global Agenda,' *The Wall Street Journal*, June 9, 2005, p. A1; and Becker, Elizabeth and Stevenson, Richard W., 'US and Britain Agree on Relief to Poor Nations,' *The New York Times*, June 10, 2005, p. A1. Apart from debt cancellation, Messrs Bush and Blair also agreed to push for greater flows of economic aid at the G-8 summit.

33 Thurow, Roger, ibid.

proclaimed by Messrs Bush and Blair may eventually turn out to be mere 'drive-by diplomacy' at best.

In retrospect, African countries need to create, or seek strong and permanent membership in, regional economic groupings in order to enhance their national economies' competitive edge, gain greater access to other member-countries' markets, as well as reap the economic benefits associated with the 'static' and 'dynamic' effects of integration discussed earlier in the first chapter. If they relentlessly pursue this endeavor, they will greatly enhance the attainment of their national goals and aspirations.

The heart-throbbing African tunes—churned out by the likes of Koffi Olomidé (who nicknamed himself 'Benedict XVI' upon the election of Cardinal Joseph Ratzinger to the Papacy as Pope Benedict XVI in 2005), Miriam Makeba, the Mulemena Boys, the Masasu Band, Stella Chiweshe, King Sunny Ade, Emeneya, Cesaria Evora, and numerous other maestros—will be available to spice and liven up the celebration of their accomplishments, and the enjoyment of the fruits of their labor.[34]

2.6 A Summing-Up

In this chapter, we have surveyed the following themes: the debt burden and north-south (N–S) relations. Also, we have considered the reasons why economic integration is an indispensable element in African countries' quest for pronounced and sustained socio-economic development in the twenty-first century—that is, the need to gain a competitive edge, circumvent the disadvantages associated with small size, and, among other rationales, improve their collective terms of trade (TT).

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34 Adopted from Kyambalesa, Henry, *Government Size and Functions: Imperatives for Facilitating Development in the African Union*, manuscript (2005), pp. 170–71; and Kyambalesa, H., 'Government Size and Functions: The Political Economy of Small and Popular Governments in Africa,' paper presented at the 27th Global Strategic Studies Conference (formerly referred to as the Third World Studies Conference) held in Omaha, Nebraska, October 14–16, 2004 at the W.H. Thompson Alumni Center at the University of Nebraska.

Chapter 3

Challenges and Imperatives

The fate of African countries has become one of modern civilization's major sources of concern. The extreme and persistent poverty, hunger, disease, and ignorance which have come to characterize life in much of Africa today have, no doubt, overwhelmed the continent. And, very unfortunately, there are clearly no easy answers or quick fixes to the seemingly self-perpetuating socio-economic problems the continent is facing.

In the preceding chapter, we have discerned why it has become inevitable for African leaders to create viable economic blocs in their quest to improve the socio-economic welfare of people in their respective countries. In this chapter, let us turn to a survey of challenges and imperatives which need to be considered in order to enhance an economic bloc's ability to meet the goals and aspirations of member-countries—that is, the educational challenge, creation of competitive business systems, sustained peace and stability, and environmental stewardship.

As we proceed to explore these challenges and imperatives, it is perhaps important to keep in mind Mr F.W. de Klerk's caveat regarding the pursuit of socio-economic development:

> The reality is that the economy does not grow from political slogans … [b]asic requirements for economic growth are peace and stability, free enterprise, imaginative entrepreneurship, efficient and frugal government, innovative and caring management, a well-educated and motivated work force, and a lot of hard work.[1]

3.1 Education—The Linchpin

Quality education is vital to the molding of polished leaders in science, technology, business, and other aspects and spheres of any given country's socio-economic system—that is, leaders who have unlimited potential to contribute meaningfully toward their countries' quest for more affluent, democratic and tranquil societies. In Martha Mpande's considered view, 'education is cardinal to [the development of] both the individual who receives it and the society to which the individual belongs.'[2]

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1 F. W. de Klerk, former South African president, quoted in Yalemana, S., 'Chiluba Looking for Security in South Africa,' *Southern Africa Political and Economic Monthly*, September 1993, p. 16.

2 *Times of Zambia*, 'Journalists, Teachers Want "Freedom" Extended,' March 6, 1992, p. 5.

Government leaders worldwide, as Scardino has observed, recognize this pervasive role of education in modern society:

> Public officials—in both the developed and the developing world—are convinced that education holds the key to personal and national prosperity.[3]

Savant Schumacher has succinctly described the significance of education to human societies: 'In a very real sense, … we can say that education is the most vital of all resources.'[4] In the twenty-first century, therefore, African countries should not expect to make any headway in socio-economic development in the absence of quality education. As Moonga and Manda have advised, African leaders should learn to value the human capital; it is not in the best interest of their countries to count on uneducated labor in the knowledge global economy of our time.[5]

The remainder of this section is devoted to a descriptive analysis of the state of education in Africa from the pre-colonial era to date, and a prescription of viable ways and means by which national governments and non-governmental institutions can bolster the provision of quality education and training in their respective countries.

The State of Education

An account of the state of education in contemporary Africa cannot be said to be complete unless it is placed in a historical context. In this sub-section, therefore, an attempt is made to examine the state of education on the continent during the pre-colonial, colonial, and post-colonial eras.

The pre-colonial era

There is general consensus that trade in both humans and goods (including yarn, glass, metallic products, and synthetic dyes) between the fifteenth and the early part of the nineteenth centuries seriously undermined Africa's potential for skill-acquisition and indigenous-based technological advancement. With respect to trade in goods, Rodney[6] and Emeagwali and Abubakar[7] have echoed the general view that European industries contributed to the weakening of the indigenous skills, expertise and know-how of communities in Africa—and in much of Asia, as a matter of fact—by swamping the communities with inexpensive manufactures. It is widely held that, over time,

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3 Scardino, M., 'The Bottom Line and a Public Trust,' *Newsweek Special Issue*, December 1999–February 2000, p. 72.

4 Schumacher, E.F., *Small Is Beautiful: Economics As If People Mattered* (New York, 1973), p. 79.

5 Moonga, C. and Manda, G., 'COMESA FTA: A Lifeline for Sub-Saharan Africa,' *Times of Zambia*, http://www.times.co.zm/features/feat01120700.html, December 7, 2000, p. 3.

6 Rodney, W., *How Europe Underdeveloped Africa*, passim.

7 See Emeagwali, G.T. and Abubakar, N., 'Colonialism and African Indigenous Technology,' *African Technology Forum*, Vol. 7, No. 2, 1994.

the inexpensive manufactures partly led to the creation of conditions for persistent technological stagnation, retrogression and dependence.

Trade in slaves, apart from depriving affected African communities of potential educators, inventors and innovators, as pointed out elsewhere in this work, 'made it impossible for other forms of trade to develop' in the following ways:

(a) the social tensions, political conflicts, and warfare associated with it were not conducive to the development of commodity production for export;
(b) human, material and other important resources were diverted from the production and distribution of commodities to the capture and distribution of slaves, particularly due to the fact that the exportation of slaves was generally regarded to be more lucrative than trade in commodities; and
(c) the under-population and population dispersion culminating from the capture and exportation of humans prevented the operation of population pressures that would have functioned as an incentive for a rapid and profound transformation of economic institutions, infrastructure and production technologies.[8]

In savant Burke's contention, commodity production in sub-Saharan Africa was partly undermined by the enslavement of 'men and women who possessed talents highly … [revered by their kith and kin],'[9] most of whom were craftsmen, artists and community leaders who would have made an important and lasting contribution to the development of the necessary educational and training institutions, economic structures, and improved forms of production technology in the region.

With respect to the scant population occasioned by forced migration and its dour effects on the economies of sub-Saharan Africa, it is important to contrast this with the negligible or non-destructive effects of large-scale migration of people from Western Europe in the nineteenth century on the economies of the region. Inikori has pinpointed the major differences between the two patterns of migration:[10] first, the migration from Western Europe to Australia, Canada and the United States took place after the region's economies had already taken off into self-sustained and irreversible economic expansion.

In other words, the many centuries of steady population growth and pronounced trade with the outside world had already facilitated the evolvement of the necessary educational and training facilities, economic institutions, technological base, and other foundations of socio-economic development by the time of the exodus in the nineteenth century. For Africa, on the other hand, the depopulation occurred before take-off into self-sustained economic growth had taken place.

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8 Adapted from Inikori, J.E., 'Introduction,' in Inikori, J.E., ed., *Forced Migration: The Impact of the Export Slave Trade on African Societies* (New York, 1982), pp. 52–60.

9 Burke, F., *Africa*, revised edition (Boston, 1974), p. 188.

10 See Inikori, J.E., 'Introduction,' in Inikori, J.E., ed., *Forced Migration: The Impact of the Export Slave Trade on African Societies*, pp. 57–60.

Second, the emigration of natives from the African continent, in sharp contrast to the voluntary and peaceful migration of people from Western Europe, was characterized by coercion and violence and, as such, was disruptive to the existing, as well as the potential transformation of the, political, economic and technological facets of African life. With the onset of colonial rule between the late nineteenth and early twentieth centuries, the situation gradually became firmly entrenched and self-perpetuating, since there were no sovereign African governments to redress it.

In general, therefore, trade in slaves could not, by its nature, stimulate the transformation of the existing educational facilities, socio-economic institutions and modes of production in Africa. In other words, it disrupted the normal evolvement of political, educational, training, economic, and many other systems which are vital to the advancement of a human society. In fact, as Rodney has concluded, the slave trade only served to suppress creativity, innovation and self-sustaining socio-economic development in sub-Saharan Africa.[11] According to Inikori and Engerman,[12] the structural and demographic impacts of over 300 years of such trade left long-lasting and serious effects on communities affected.

The contribution of the slave trade to the present poor state of education and the technological backwardness of African countries which were affected by it cannot, therefore, be regarded as a matter that should belong to the archives. The fact that such countries were robbed of millions of their mentally and physically active citizens between the fifteenth and nineteenth centuries partly accounts for their continued failure to generate an indigenous-based stock of scientific discoveries and technological inventions and innovations.

The colonial era

It is generally alleged that colonial governments deliberately neglected the development of the human capital in technical, scientific, managerial, and other forms of knowledge and skills in their colonies and/or pursued educational policies whose priorities were not congenial to the intellectual development of natives. The British colonial government, for instance, is often cited as having generated a formal educational policy designed to restrict the education and training of Africa's natives in its colonies to the acquisition of knowledge and skills that would make them economical and efficient laborers.[13]

In Tanzania, for example, the only type and level of education alleged to have been provided during the colonial period was that based on preparing natives for clerical and other routine office jobs, resulting in a serious lack of qualified local personnel

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11 See Rodney, W., *How Europe Underdeveloped Africa*, p. 105.

12 Inikori, J.E. and Engerman, S.L., 'Introduction: Gainers and Losers in the Atlantic Slave Trade,' in Inikori, J.E. and Engerman, S.L., *The Atlantic Slave Trade: Effects on Economies, Societies, and Peoples in Africa, the Americas, and Europe* (London, 1992), p. 7.

13 See Mungazi, D.A., *Colonial Education for Africans: George Stark's Policy in Zimbabwe* (New York, 1991), p. xvii.

to engage in R&D activities, improve indigenous technologies, and/or develop new technologies in the country.[14]

In Zimbabwe, British colonial rule between 1890 and 1979 was characterized by a deliberate neglect of technical and professional education and training for indigenous folk. The following statement made in parliament by Mr Godfrey Huggins, Southern Rhodesia's prime minister between 1933 and 1952, is a clear reflection of the colonial government's obnoxious policy on education and training that was deliberately designed to ensure that natives were effectively prevented from acquiring the knowledge and skills which could have enabled them 'to invade the shores of civilization':

> The Europeans in this country can be likened to an island in a sea of blacks, with the artisan and tradesman forming the shore and the professional class the highland in the center. Is the native to be allowed to invade the shores and gradually attack the highland?[15]

The situation in Zambia was not at all different; educational services and facilities, among a host of other things, were completely segregated and those available to natives, as Anglin has reported,[16] were minimally financed, equipped and staffed. At independence in October 1964, a United Nations report characterized the country as the least educated in the least-educated continent, having fewer than 100 university graduates and barely over a thousand high school certificate holders.[17] Worse still, there were no natives apprenticed in any trade; as was the case in other former British colonies, the only jobs which were open to indigenous folk in the country were those which were either manual or clerical in nature.

In West Africa, both British and French educational policies placed a heavy emphasis on vocational and agricultural subjects; there was a deliberate effort, as Clignet and Foster have noted, to design educational programs suited 'to the requirements of both rural life and the demands of the occupational structure created by European economic penetration and exploitation of overseas territories.'[18] As could be expected, the formulation of curricula and an educational structure specifically oriented to the perceived realities of African life was generally regarded by natives as a deliberate attempt to relegate the African to a permanently inferior status.

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14 See Masanja, E., 'Technology Transfer or Technology Development?: Third World Engineer's Dilemma,' in Huq, M. et al., eds, *Science, Technology and Development: North-South Cooperation* (London, 1991), p. 59.

15 See Mungazi, D.A., *Colonial Education for Africans: George Stark's Policy in Zimbabwe*, pp. 56–59 and 61–62.

16 Anglin, D.G., *Zambian Crisis Behavior: Confronting Rhodesia's Unilateral Declaration of Independence, 1965–1966* (Montreal, 1994), p. 33.

17 See Mudenda, G., 'Zambia: Not Enough Indigenization through Education,' *Southern Africa Political and Economic Monthly*, Vol. 7, No. 11, August 1994, p. 15.

18 Clignet, R. and Foster, P., *The Fortunate Few: A Study of Secondary Schools and Students in the Ivory Coast* (Evanston, IL, 1966), p. 8.

The Portuguese colonial regime is faulted with having initiated and implemented an educational policy whose primary aim 'was to make the Portuguese language the [dominant] … vehicle of communication' in all Portuguese colonies.[19] This ill-conceived priority in the dispensation of education in the country's colonies and the discrimination in education occasioned by both social and financial barriers must have concurrently played a major part in creating an environment in which, according to Ferreira, 'there was practically no … participation'[20] by natives in the research and scientific endeavors of the colonies.

Besides, European colonialism in the late nineteenth and early twentieth centuries suppressed creativity and innovation among indigenous Africans through systematic taxation of adult male natives and, thus, prompting local dyers, blacksmiths, whitesmiths, and butchers to abandon their trades and seek wage employment for the purpose of earning the money needed to pay the poll tax. This, as Emeagwali and Abubakar have reasoned,[21] effectively precluded the potential for further improvements in existing indigenous technologies and the generation of new forms of technology.

European colonial regimes' general lack of concern for the intellectual development of natives in colonized countries should not be surprising at all; after all, colonization of African, Asian and South American countries was, as Osborne has insinuated, motivated by self-serving interests, such as the need to:

- create markets for both consumer and industrial products manufactured by European industries;
- gain protracted access to, and control of, important sources of raw materials needed by expanding local industries;
- secure areas of settlement for European emigrants; and/or
- divert the attention of citizens from domestic social, political, and other problems.[22]

There is, of course, the possibility that traditional societies that existed prior to colonial occupation could have hardly done any better, if at all, at harnessing the intellectual potential of natives and/or creating a more meaningful S&T infrastructure; but these subjects are clearly beyond the realm of this particular book.

The post-colonial era

The provision of accessible and quality education has continued to be an elusive endeavor in much of Africa during the post-colonial era; the following excerpt, by

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19 See Ferreira, E.S., *Portuguese Colonialism in Africa: The End of An Era* (Paris, 1974), p. 106.

20 Ferreira, E.S., ibid., p. 105.

21 See Emeagwali, G.T. and Abubakar, N., 'Colonialism and African Indigenous Technology,' p. 27.

22 See Osborne, M.A., *Nature, the Exotic, and the Science of French Colonialism* (Bloomington, IN, 1994), pp. xii–xiii.

and large, accurately portrays the current state of both formal and tertiary education on the continent:

> Education in Africa has literally collapsed everywhere. Academic standards are low; children learn in ramshackle classrooms; school teachers and college lecturers corrupt and are corrupted; university students are … violent and all too ready to give up their studies for a day out in the streets. Dropouts have given up tutorials for an early place on the lengthening unemployment queues.[23]

This state of affairs can be attributed largely to several factors, including the following: disregard for education, human resource misplacement, misdirected effort by tertiary educational institutions, and the brain drain. A cursory look at each of these factors follows.

Disregard for education In spite of the intrinsic value of formal education to the proper functioning of a modern society, national and local government leaders in much of Africa today do not strive to improve the quality of education in their respective countries. The following excerpt from a Zambian newspaper article highlights the problem facing formal education which may be said to be generally common in African countries today:

> Northern Province acting assistant secretary … has called on schools to be resourceful and embark on self-help projects to provide for some of their basic needs. Closing a two-day Junior Engineers, Technicians and Scientists [JETS] fair … [he] said nearly all schools in the country were facing problems of lack of funds, equipment, materials, and science teachers.[24]

In tertiary education, the country's problems, as portrayed by Muzeya[25] and ZAL Holdings,[26] are perhaps also representative of the problems being experienced at all levels of education on the continent today: members of staff are inadequate and underpaid, textbooks and other educational materials are in short supply, and some essential courses are not offered on a regular basis. The following excerpt speaks to the seriousness of the situation in terms of both tertiary and formal education:

> [Annual] … government spending on primary education declined from US$46 … to US$9 per student between 1981 and 1991, with comparable declines in secondary and tertiary education.[27]

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23 Excerpted from 'Education in Crisis,' *West Africa*, No. 4206, December 13–19, 1999, p. 11.

24 *Times of Zambia*, 'Be Resourceful, Schools Told,' July 3, 1987.

25 Muzeya, E., 'Fall of Zambia's University,' *New African*, February 1993, p. 18.

26 ZAL Holdings Limited, *News from Zambia* (London, 1992).

27 Chiluba, Frederick J.T., *Democracy: The Challenge of Change* (Lusaka, 1995), p. 122.

Clearly, such a state of affairs does not at all augur well for successful schooling or nurturing of well-drilled educationists, scientists and technologists. But society, very unfortunately, stands still, or even retrogresses, in the absence of adequately educated people with the necessary aptitudes to introduce viable ideas, methods, and equipment that are fundamental to the efficient inculcation of general knowledge, creativity, and vocational skills, among other things.

Very often, government leaders find it fashionable to cite the lack of financial and material resources culminating from repayments of external debts and escalating expenditures on costly imported oil, among other things, as the culprits for the poor state of education in their countries. But why has the lack of funds not equally affected expenditures which are, for example, incurred on 'financing government leaders' superfluous perquisites'[28] and a diversity of other unproductive schemes?

In the Republic of Zambia, for example, Dr Frederick T. Chiluba created 'District Administrator' or 'DA'[29] sinecures in 1999 for the country's administrative districts at a time when the educational system in the country was, at best, in a wretched and anachronistic state. Each of the 72 District Administrators (DAs) appointed by Dr. Chiluba was entitled to a personal-to-holder car and free gasoline, among a host of other perquisites.[30] In Mr Anderson Mazoka's view, the sinecures need to be abolished so that the estimated ZK20 billion annual expenditure on DAs could be 're-directed towards national development, which includes the provision of education and health services.'[31]

There really seems to be a problem of muddled priorities, or the lack thereof, because if the 'protracted decline in African economies is [truly] a major contributor to the crisis in education'[32] on the continent, government leaders would have streamlined and restructured their national governments in order to make them less costly to run, as well as enhance their ability to effectively cater to the needs and expectations of the citizenry.[33]

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28 Kyambalesa, H., *Socio-Economic Challenges and Imperatives: The African Context*, manuscript (1999), p. 82.

29 The 'District Administrator' or 'DA' designation was later changed to 'District Commissioner' or 'DC' by Dr Chiluba's successor, Mr Patrick L. Mwanawasa.

30 Hampande, D., 'RDA Accuses Government Leaders of Hypocrisy,' *The Post*, http://www.google.com/, August 1, 2000; and 'DAs Demand More Perks,' *Times of Zambia*, http://www.google.com/, April 18, 2000.

31 Saluseki, B., 'UPND Defends Clause on Free Education,' *The Post*, http://www.google.com/, April 28, 2000.

32 'Education in Crisis,' *West Africa*, Issue Number 4206, December 13–19, 1999, p. 11.

33 For a useful discourse regarding the size and functions of government, restructuring and streamlining of a country's government machinery, and the benefits that are likely to accrue from re-organizing and cutting excess fat from a government, see Kyambalesa, Henry, *Marketing in the Twenty-First Century: Concepts, Challenges and Imperatives* (Burlington,VT, 2000), pp. 194–98.

Personnel misplacement By and large, African countries have large numbers of both technically trained and professionally competent citizens who are capable of making a positive contribution to the provision of education and training, the generation of new forms of technology (as well as in the application of such technologies), and other noble endeavors. However, some of these people are misplaced and cannot, therefore, make a meaningful contribution in addressing the development needs of their countries.

In the majority of cases, misplacement of human resources is a result of tribal, political, familial, and other forms of favoritism. But regardless of its source, human resource misplacement generally leads to frustration and limits the contribution of those individuals who are misplaced. Besides, misplacement of human resources has contributed to the brain drain (discussed elsewhere in this section), which Logan has preferred to refer to as the 'reverse transfer of technology.'[34]

Many technical and professional people have decided to emigrate to industrialized countries upon finding that the rewards of their labor are measured on the basis of political patronage rather than excellence,[35] and that corruption, nepotism, tribalism, and other similar forms of behavior have permeated every level of organizational life.[36] Valentine Kayope has perhaps portrayed this unfortunate state of affairs more succinctly:

> It is not uncommon to observe that only those civil servants who can count on the strong backing of powerful ethnic politicians have the chance of upward mobility in the public service.[37]

Therefore, unsavory employment practices—besides other unfavorable conditions like poor remuneration and civil rights abuses—have had the effect of depriving African countries of some of the most competent people who could have contributed to the elevation of educational standards and the technological advancement of their native countries. An example of the potentially unproductive nature of personnel misplacement is perhaps in order at this juncture.

If a mechanical engineer is appointed as general manager for a government-owned pharmaceutical company, he or she is likely to be frustrated by the demands of a totally new field of specialization. Besides, the misplacement is likely to subject his or her specialized training to decay, consequently limiting the opportunities for

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34 See Logan, B.I., 'The Reverse Transfer of Technology from Sub-Saharan Africa to the United States,' *The Journal of Modern African Studies*, Vol. 25, No. 4, December 1987, pp. 597–612.

35 *Zambia Daily Mail*, 'Zambia's Economic Malaise: Workers Lack Incentives,' June 4, 1988, p. 4.

36 See Woldring, K., ed., *Beyond Political Independence: Zambia's Development Predicament in the 1980s* (Berlin, 1984), p. 187.

37 Kayope, V., quoted in Ollawa, P.E., *Participatory Democracy in Zambia: The Political Economy of National Development* (Elm Court, UK, 1979), p. 388.

invention and innovation in the field of mechanical engineering. And, in the process, individuals within the firm who have the relevant professional training and experience in pharmaceutics may find it depressing to have a novice—that is, the misplaced mechanical engineer—for a superior.

In West Africa, for instance, nepotic considerations in the recruitment and hiring of academic staff at the University of Sierra Leone, as Amin has reported, is said to have given rise to 'an assembly of misfits in lecture halls of the University … [resulting in an output] of graduates with a handicapped ability to deliver.'[38]

Misdirected effort Educational and training institutions have sometimes contributed to the poor state of education and technological backwardness in their respective countries by not being able to censor research and study programs that are not consistent with the current and/or future needs of commerce, industry, and government. They have generally tended to garnish their programs of study with courses and research projects that are designed to suit the academic interests and competencies of faculty members rather than the needs of business and other institutions in society.

In May 1994, this unfortunate tendency prompted administrative authorities at the University of Sierra Leone in West Africa to organize a seminar intended to examine the University's role in national development; participants in deliberations at the seminar unanimously concurred that courses offered at the University were not generally tailored to meet Sierra Leone's social, political, economic, and cultural needs.[39]

The brain drain African countries continually lose a significant number of their trained nationals, who decide to stay abroad upon completion of studies, or emigrate and live abroad in search of higher incomes and a higher quality of life, among a host of other reasons. Between 1974 and 1985, for example, an average of 12,146 technical and professional personnel per year—computed from the figures presented in Table 3.1 below, which is constructed from data collected by Logan[40]—were admitted to the United States of America from various countries in Africa.

In 1993, 1994 and 1995, the United States government admitted 27,783, 26,712 and 42,456 of the continent's skilled human resources, respectively.[41] Clearly, this is a significant loss for a continent that is in dire need of trained personnel to support educational and training programs in particular, and to facilitate the process of socio-economic development in general. Sardar has provided a good example of the seriousness of the impact of the brain drain on a scientifically and technologically backward country, the Sudan:

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38 Amin, N., 'Sierra Leone: Education in Crisis,' *West Africa*, No. 4003, June 20—26, 1994, pp. 1091–92.

39 See Amin, N., ibid., p. 1091.

40 Logan, B.I., 'The Reverse Transfer of Technology from Sub-Saharan Africa to the United States,' p. 604.

41 *US Immigration and Naturalization Service Fact Book: Summary of Recent Immigration Data*, August 1995 and January 1997, p. 14.

Table 3.1 African immigrants to the US

Year	No. of immigrants
1974	6,182
1975	6,729
1976	7,723
1977	10,155
1978	11,524
1979	12,383
1980	13,981
1981	15,029
1982	14,314
1983	15,084
1984	15,540
1985	17,117
Total	**145,759**

> The migration [by the end of 1979] of about 29 percent of the academic staff of the University of Khartoum, about 50 percent of engineers of the country's major institutions, and 60 percent of medical doctors … have had very serious consequences on the growth of science and technology in … [the country].[42]

In the Republic of Zambia, the Council at the Copperbelt University (CBU) has expressed fear that the institution risked losing international recognition because of deteriorating academic standards caused by a marked shortage of both academic and senior administrative staff; according to the minutes of a meeting convened by the Council in December 1998, the institution has been adversely affected by the brain drain resulting mainly from poor conditions of service over the previous four years.[43]

It should, however, be noted in passing that the professional and skilled personnel who decide to emigrate to industrialized nations and economically vibrant developing countries do not necessarily find jobs in host countries that are consistent with their training, educational levels, and/or work experience; for various reasons, they tend to take up jobs that are of lower status to, and/or are markedly different from, those they held in their home countries. Nevertheless, the jobs in more affluent economies tend to afford the migrants a relatively higher quality of life.

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42 Sardar, Z., *Science and Technology in the Middle East: A Guide to Issues, Organizations and Institutions* (London, 1982), p. 12.

43 *Times of Zambia, The,* 'Staff Crisis Haunts CBU [Copperbelt University],' http://www.zamnet.zm/zamnet/times/, January 12, 1999.

Harnessing the Human Capital

In this sub-section, let us consider the roles which African governments, educational institutions and business organizations can play in addressing the needs of formal and tertiary education, providing educational and training programs that are consistent with the needs of a country, and stemming the exodus of technical and professional personnel to more affluent countries.

Investment in education

By and large, educational institutions that are funded by national governments in Africa today lack the necessary financial resources to provide adequate educational facilities, sound programs of study, and relevant vocational training. This is particularly true for African countries where national governments have, for various reasons, assumed the entire burden of financing all levels of education and vocational training. The result of this state of affairs has been an unprecedented retrogression in the quality of education in such countries.

There is a need for local and national governments to pick a leaf from countries where this state of affairs has been redressed. In Nigeria, for example, private colleges, polytechnics, and universities can now be established by individuals and organizations wishing to go into such ventures; initially, only the federal and state governments could set up and run such higher institutions of learning in the country.[44] Other local and national governments need to emulate this if they are to introduce competition and increase alternatives in the provision of higher education, improve the quality of education in their countries, as well as abate 'the potential for political meddling'[45] in the provision of education.

It may also be worthwhile to call for a reduction in the number of qualifying examinations in formal education. Particularly, examinations which are commonly administered in, say, Grade IX (or Form 2) and/or Grade X (or Form 3) in some African countries seem to serve no useful purpose at all; the resources committed to the preparation and administration of such examinations yearly would, therefore, be more rationally used to supplement financial resources earmarked for improving teachers' and school administrators' remuneration and housing, purveying educational materials, redressing what has been referred to as the 'digital divide,'[46] and, among a host of other things, expanding educational and training facilities and programs in order to make it possible for greater numbers of the citizenry to be 'enriched culturally, intellectually and technically.'[47]

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44 *West Africa*, 'Private Varsities,' June 1–7, 1992, p. 927.

45 *Zambia Daily Mail*, 'Copperbelt Varsity Students Still Starving,' October 13, 1989, p. 5.

46 The term 'digital divide' has been used to refer to the gap between people who have access to the Internet and those who do not have access to such a facility.

47 'Editorial Comment: Abolition of School Fees [in Zambia],' *The Post*, http://www.zamnet.zm/zamnet/post/, December 15, 2000.

After all, a student who passes Grade VII examinations and gains a place at a secondary school would generally be deemed to have great intellectual potential and should, therefore, deserve to be afforded the opportunity to develop his or her potential over the entire duration of secondary education without having to be needlessly and prematurely subjected to an 'elimination' examination mid-way through secondary school.

Alternatively, it may be prudent for a country's government to consider the prospect of allowing Grade VII pupils to proceed to high school and subject them to an 'elimination' examination in Grade IX and/or Grade XII. This would forestall the rampant juvenile delinquency apparently occasioned by dislodging youngsters from the educational system at a time when they are not yet mature enough to face the social, economic, and other facets and challenges of modern society.

Business organizations and other capable institutions also need to rise to the educational challenge by making financial and material contributions to cater for some of the needs of formal education and, in the process, complement the efforts of both national and local governments. As Ms. Clare Short has suggested, they need to play a more active role 'in the provision of … quality education.'[48] After all, business organizations and other major institutions are among society's principal employers of skilled persons and should, therefore, take part in the process of educating and/or training such persons.

Further, there is a need for a concerted mass-education campaign designed to educate the masses about civic responsibilities, democratic ideals, civility, the work ethic, and so forth. This can be accomplished through regular symposia, seminars, and radio and television programs—which can be jointly sponsored by business organizations, the government, and society's other major institutions.

The prospect of launching a periodical on such matters needs to be considered, too; such a periodical should be designed for a broad spectrum of readers if it is to serve the intended purposes satisfactorily. The news media can also play a significant role in the mass-education drive by adequately covering issues pertaining to education, training and the overall development and well-being of society.

Need-oriented institutions

As Lameck Goma has advised, it is essential for leaders in schools, colleges, and universities in a country to recognize the need to develop 'men and women of broad vision and wide culture … men and women of integrity, men and women who are dedicated to the serious purposes of life, men and women who are capable of hard objective thinking and courageous enough to engage in it.'[49] This would require each and every educational and training institution in a country to tailor all their

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48 Short, C., quoted in 'Zambia Has Deteriorated in Human Development, Observes UK Minister,' *The Post*, http://www.zamnet.zm/zamnet/post/, November 16, 2000.

49 Goma, Lameck, *Re-Organization of University Education*, a ministerial statement delivered in Zambia's National Assembly, July 28, 1987, p. 10.

research and study programs to the needs of commerce, industry, and government; they should, as such, guard against offering courses or introducing either research or training programs that are essentially designed to suit the competencies and/or personal interests of teaching or research staff.

Stemming the brain drain

African governments, in collaboration with institutions like the International Organization for Migration (IOM), need to seriously consider the prospect of stemming the exodus of trained nationals to more affluent foreign countries through such measures as the following, which are adapted from measures suggested by Logan:[50]

(a) proper human resource planning so that suitable jobs can be reserved for professional and technical indigenous personnel undergoing training both locally and abroad;
(b) initiation of employment procedures designed to ensure that trained nationals have a fair chance of competing with expatriates for high-level positions;
(c) engaging in more active recruitment of qualified nationals living abroad, whose decision not to return home might have been partly precipitated by the cost of transportation and/or the uncertainties associated with finding a worthwhile job in the home country;
(d) seeking international collaboration in research funding as a means of improving the remuneration of local researchers and academicians; and
(e) requiring nationals sponsored by local institutions to sign an enforceable contract obliging them to pay back the costs of their education and/or training if they decide not to work for their respective sponsors for a prescribed number of years upon completion of studies involved.

3.2 Competitive Business Systems

In practically all affluent nations of the world today, business undertakings are among major institutions that are in the forefront searching for efficient and effective ways and means for application in the creation and delivery of goods and services. In these nations, business entities, as Davis and Frederick have noted,[51] are greatly depended upon to keep the stream of discoveries flowing in the form of consumer goods and services.

This certainly calls for competitive business systems, which are generally and conspicuously lacking in much of Africa today due, in part, to monopolistic

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50 Logan, B.I., 'The Reverse Transfer of Technology from Sub-Saharan Africa to the United States,' pp. 611–12.

51 Davis, K. and Frederick, F.C., *Business and Society: Management, Public Policy, Ethics* (New York, 1984), pp. 454–455.

government policies and regulations. In Zambia, for example, socialist state policies barred both local and foreign private investors from certain commercial and industrial sectors of the country's economy and recommended the creation of state and parastatal companies to operate in such sectors of the economy from the late 1960s to 1991. The former president, Dr Kenneth D. Kaunda, made the policy pronouncements which ushered in an era of both parastatal and state enterprises in his April 1968, August 1969, and November 1970 addresses to the National Council of his political party—the United National Independence Party (UNIP).[52]

Naturally, the monopolistic position enjoyed by both state and parastatal companies in the country's economy culminated in complacence and gross inefficiency because, in the absence of competition, they apparently found it unnecessary to seek or use technological inventions and innovations that would have improved the quality and quantity of their outputs;[53] this, in part, prompted the next government of President Frederick Chiluba to embark on an ambitious privatization program upon his inauguration in October 1991 in an attempt to boost competition in commerce and industry.[54]

In this endeavor, Dr Chiluba declared that 'there would be no sacred cows'[55] as far as privatization was concerned. In making the transition, he summed up his thinking about the role his administration was going to play in the creation of an economic system in which commercial and industrial activities are the preponderance of the private sector in the following words:[56]

> Never shall the Government allow the selling of soap and foodstuffs to be its business.[57]

And

> We will privatize everything … from a toothbrush to a car assembly plant.[58]

In short, there is a need for a re-definition of the role of African local, national and regional governments away from direct involvement in the generation and distribution of economic outputs toward the provision of essential public services and facilities

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52 See Beveridge, A.A. and Oberschall, A.R., *African Businessmen and Development in Zambia* (Princeton, NJ, 1979), pp. 46–53.

53 *Times of Zambia*, 'Expert Calls for Free Investment,' March 20, 1989, p. 2.

54 Ham, M., 'Luring Investment,' *Africa Report*, September/October 1992, p. 40; and Nyakutemba, E., 'Chiluba Plunges into the Market,' *New African*, May 1992, p. 32.

55 Kuluneta, J., 'Political Watch: Wind of Change,' *The Post*, http://www.zamnet.zm/zamnet/post/, January 23, 2001.

56 In January 2001, however, Dr. Chiluba announced his government's intention to halt the privatization of at least 30 of the initial 280 parastatal companies which had not yet been privatized. Thole, G., 'No More Parastatal Privatization, Declares Chiluba,' *Information Dispatch Online*, http:///www.dispatch.co.zm/, January 19, 2001.

57 Excerpted from Nyakutemba, E., 'Chiluba Plunges into the Market,' p. 32.

58 Excerpted from Ham, M., 'Luring Investment,' *Africa Report*, September/October 1992, p. 41.

cited elsewhere in this section.[59] Thus, African leaders should not expect their countries to attain meaningful socio-economic development if they cannot strive to make the private sector 'the engine of growth.'[60]

In October 2001, Zimbabwean president, Mr Robert Mugabe, stunned the world by abandoning his country's economic liberalization efforts. News headlines in this regard were self-explanatory: 'Mugabe Returns Zimbabwe to Socialism,'[61] and 'Zimbabwe a Step Closer to Marxist-Style Economy.'[62]

Let us now turn to a survey of important measures which governments need to take in order to facilitate the emergence of vibrant and competitive business systems; these are: privatization of state companies, fostering research and development (R&D) activities, providing attractive business inducements, sub-contracting non-strategic functions, and curbing industrial strife.

Privatization Program

The term 'privatization' refers to the process of selling state-owned business entities, or the shares of such entities, to the private sector. As Chilipamushi has insinuated,[63] privatization can stimulate private investment, promote competition and consequently elicit innovation and creativity in commerce and industry, give economic power to a greater number of people through stock ownership, beef up government coffers through the sale of government holdings in state enterprises, as well as ease the financial burden of state companies on the public treasury.

And, according to Pitelis and Clarke,[64] the reduction of government involvement in commerce and industry which follows the privatization of state enterprises results in reduced public-sector borrowing and government spending. The following excerpts will provide some of the other worthwhile benefits associated with privatization:

> Privatization of state enterprises is an extension of democracy because it removes political interference from the running of businesses.[65]

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59 See Ouattara, A.D., 'Africa: An Agenda for the Twenty-First Century,' *Finance and Development*, Vol. 36, No. 1, March 1999, p. 4.

60 Moussa, A., quoted in Chomba, G. and Chonya, M., 'New Economic Era Dawns,' *Zambia Daily Mail*, http://www.daily-mail.co.zm/daily/Daily-Mail/, November 1, 2000.

61 'Mugabe Returns Zimbabwe to Socialism,' *Independent Online*, http://www.iol.co.za, October 15, 2001.

62 'Zimbabwe a Step Closer to Marxist-Style Economy,' *Independent Online*, http://www.iol.co.za, October 17, 2001.

63 Chilipamushi, D.M., 'Investment Promotion and the Privatization Process in Zambia,' in Deassis, N.A. and Yikona, S.M., eds, *The Quest for an Enabling Environment for Development in Zambia: Selected Readings* (Ndola, Zambia, 1994), p. 16.

64 Pitelis, C. and Clarke, T., 'Introduction: The Political Economy of Privatization,' in Clarke, T. and Pitelis, C., eds, *The Political Economy of Privatization* (London, 1993), p. 7.

65 Chitalu, V., quoted in Kyambalesa, H., *Quotations of Zambian Origin*, 2nd edition (Lusaka, 1996).

And

> There are heavy costs associated with the conversion of a state-controlled economy into a free market system, such as increased unemployment; in the long run, however, the free market system holds great promise for everyone.[66]

However, there is a need for governments committed to privatization to be mindful of Patel's curt advice in this regard: '[b]lind privatization of economic units can be disastrous.'[67] In this connection, there is a need to address a number of other important issues related to the privatization process, such as the pace of privatization, the choice of companies and/or industries to be affected, the conduciveness—in terms of investment and pricing freedom—of existing policies and conditions to the evolvement of an innovative and robust market economy, and the provision of essential services and facilities needed by business institutions.

The remainder of this sub-section is devoted to a brief survey of these privatization-related issues.

Pace of privatization

There is a general tendency for national governments committed to economic liberalization to be obsessed with speedy privatization of state and parastatal companies without considering the very likely possibility that they are merely shifting the monopolistic positions enjoyed by such companies from government to private hands if new, private investments are not quickly made in the lines of business involved to provide the necessary competition to the buyers of the companies and prompt them to strive for greater efficiency.

In short, 'countries would move from … public-sector monopolies to private-sector monopolies,'[68] if government leaders cannot prudently implement privatization programs. Vrazo has provided a real-life example of what can happen if a government over-zealously pursues the privatization of state-owned companies:

> [P]rivatization of public properties … [in Britain] produced a number of fat-cat private owners who couldn't run the trains on time.[69]

Therefore, while privatization should be considered to be an essential element of the economic liberalization process, it is advisable for governments to treat the pace of its implementation with equal seriousness, otherwise the benefits expected to accrue from such a program (including an increase in R&D activity, lower prices, high-quality products, and greater variety and abundance of products in an economy) cannot be realized at all.

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66 Mwewa, L., quoted in Kyambalesa, H., ibid., p. 36.

67 Patel, W., quoted in Kyambalesa, H., ibid.

68 Luo, Nkandu, quoted in Mukula, M., 'Transport Vital—SADC,' *Zambia Daily Mail*, http://www.daily-mail.co.zm/daily/DailyMail/, November 6, 2000.

69 Vrazo, F., 'Tory Party Stunned by Huge Loss,' *The Denver Post*, May 4, 1997, p. 9A.

Choice of sectors

In addition to the necessity of a cautious and well-calculated pace of privatization, it is essential for governments to determine whether or not there are some economic sectors in which it would make sense for continued involvement by local and/or national governments. In Zambia, for instance, good examples of such sectors are those involving copper mining, electricity supply, the supply of water, and posts and telecommunications.

Admittedly, there are—in Zambia, at least—as many advocates as there are opponents of government involvement in such economic sectors. Countries facing this kind of dilemma can perhaps do well to pick a leaf from the following examples drawn from the United States, which is clearly the most advanced free market system in the world today:

(a) At the national level, the Federal government has maintained a monopoly in the provision of postal services through the US Postal Service. The combined volume of business of private postal service companies (including United Parcel Service, Federal Express, DHL, and numerous small companies across the country) is far below that of this government monopoly.

(b) At the local level, the provision of electric power, public transport, and telephone services is generally undertaken by state-regulated monopolies. In the State of Colorado, for example, local telephone services are provided by Qwest, public utilities by Xcel Energy, TV cable services by AT&T Broadband, and public transport by the Regional Transportation District (RTD).

With respect to electric power, however, it should be noted that the Colorado House of Representatives has preliminarily approved a bill that will require a one-and-a-half-year study of electric-power deregulation to determine the feasibility of introducing competition in the state's $2 billion electricity industry.[70]

In other industrialized nations, too, state-owned enterprises and parastatal companies are not uncommon; examples include the following: the British Steel Corporation, British Leyland, the British Broadcasting Corporation (BBC), and the British Sugar Corporation in the United Kingdom; Lufthansa and Volkswagenwerk in Germany; Air France and Renault in France; and Credito Italiano and Alitalia in Italy.[71]

Some of the important factors considered in making decisions concerning state ownership or control of certain business undertakings range from purely strategic considerations to the issue of natural monopolies. Sometimes, however, the size of the market to be served can become the primary consideration; at the local level, for example, the proportion of the population of the State of Colorado that regularly

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70 See Fillion, R., 'Electric Review Advances: House Supports Competition Study,' *The Denver Post*, April 29, 1998, p. 1C.

71 For additional examples, see Mazzolini, R., *Government-Controlled Enterprises: International Strategic and Policy Decisions* (Toronto, 1979), pp. xxi–xxiv.

uses local public transport does not provide an adequate customer base for profitable investment by many private investors. In sharp contrast, the Copperbelt Province in Zambia has excessive demand for public transport because the majority of people in the Province do not own automobiles, providing great scope for competitive business operations.

Investment freedom

Local, national and regional governments need to create economies in which there are no undue restrictions on private investment if they are to reap the long-term benefits of privatization programs cited earlier in this section. It is, therefore, essential for government leaders not to falter in their privatization efforts due to adverse short-term socio-economic effects—such as widespread unemployment—which may occur during the initial phases of privatization programs.

Provision for investment freedom should be complemented by an ambitious program designed to woo foreign direct investment (FDI). Such investment, whether it is made in a country's export processing zone (EPZ) or main economy, is an important element in a country's quest to attain meaningful socio-economic development. Proponents of this form of investment particularly cite the potential benefits of the multinational enterprise (MNE) to a host nation in discerning the necessity of such investment, since the MNE is generally regarded as the vector of foreign direct investment.

They claim that MNEs can: (a) make it possible for a country to gain access to investment capital and advanced technology; (b) contribute to the creation of employment opportunities; (c) introduce a diversity of new products in their host countries, thereby affording ultimate consumers in such countries a greater assortment of products to choose from; (d) make a contribution to the tax revenues of local and national governments; (e) promote exports and, thereby, contribute to the generation of foreign exchange;[72] (f) boost competition in host countries and, thus, prompt local businesses to seek greater efficiency in their operations; (g) promote local businesses which supply the inputs and/or render the services MNEs need to support their operations; and (h) contribute to the development of managerial talent in host countries.

For these and a host of other important reasons, the promotion of foreign investment has become one of the major components of the economic policy regimes of apparently all countries of the world today. In fact, even countries which already have strong economies (such as Sweden, Australia, and G-7 nations) and have historically relied

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72 Mr Agyekum Kufuor underscored the importance of foreign exchange, or 'hard currencies,' upon his inauguration as Ghanaian President after Flt-Lt Jerry Rawlings on January 7, 2001: 'Protection [of local business entities from competition] … is not going to be part of our scheme of doing things. We would rather broaden the base of production and try to enlarge the market within which Ghana could earn hard currencies to give us the [necessary] insulation against external shock.' See Afrani, M., 'A New Order Cometh,' *New African*, No. 391, February 2001, pp. 16–19.

mainly on local investment have generated ambitious policies designed to attract foreign private investment in recent years. A country's ability to attract foreign capital is, therefore, one of the most important measures of how well its government is striving to create a strong national economy.

Vrazo, commenting on the landslide victory by Britain's Labor Party (led by Mr Tony Blair) in May 1997, illustrated this when he cited the fact that the country was 'attracting a bigger share of outside investment than any of the 15 [now 20] other European Union nations'[73] as one of the significant accomplishments of the defeated Conservative Party during Mr John Major's leadership. It is, therefore, important for African countries to be aware that they are competing for foreign investment not only with their likes but with the more developed and affluent countries as well.

The operations of multinational companies are, of course, not without costs or disadvantages to host countries; critics of such companies often claim that they, among other things:

(a) contribute to the self-perpetuating dependence of host countries on foreign technology;
(b) cause dislocations in host countries' balance of payments, particularly when they import raw materials, repatriate profits, and/or engage in transfer pricing;
(c) subject local business enterprises which do not have the necessary material and financial resources to compete effectively with them to unfair competition in industrial, consumer and labor markets;
(d) contribute to the degradation of the physical environment through air, water and solid-waste pollution; and
(e) introduce foreign social values and/or consumption patterns that are likely to disrupt locally cherished moral and cultural practices.

For countries that are failing in their quest to break the bondage of the majority of their people to misery, want and destitution, the potential benefits of foreign investment certainly outweigh the potential costs of such investment. In fact, the costs often associated with FDI and the MNE are normal effects of a live economy which a host government should be in a position to reduce to acceptable levels through regulatory and administrative mechanisms. Mallampally and Sauvant have provided an exquisite synopsis regarding the significance of FDI to a developing economy:

> Not only can FDI add to investible resources and capital formation, but, perhaps more important, it is also a means of transferring production technology, skills, innovative capacity, and organizational and managerial practices between locations, as well as of accessing international marketing networks.[74]

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73 Vrazo, F., 'Tory Party Stunned by Huge Loss,' p. 9A.

74 Mallampally, P. and Sauvant, K.P., 'Foreign Direct Investment in Developing Countries,' *Finance and Development*, Vol. 36, No. 1, March 1999, p. 35.

Pricing freedom

Privatization of state-owned enterprises and parastatal companies needs to be accompanied by a revocation of price controls if it is to yield desired results. Essentially, the term 'price control' refers to the unilateral setting, by a government, of maximum prices at which certain goods or services are to be transacted in the marketplace. Ordinarily, such price ceilings are set against a background of commodity shortages. As Tembo has noted,[75] important factors which give rise to an imbalance between supply and demand, thereby necessitating price controls, tend to vary from country to country and from situation to situation.

In modern times, price controls were first used during the last two World Wars when the war effort caused disruptions in normal production, and further necessitated the diversion of limited resources from the civilian population to the military effort, leaving the barest minimum of the resources for the civilian population. It was, therefore, considered necessary by local and national governments in affected economies to institute price controls on available resources to ensure that there was rational distribution of the resources in order to sustain the war effort, and to meet the needs of the civilian population.[76]

Price controls have also been instituted when commodity shortages have been occasioned by the process of economic development, prompting national governments in affected countries to divert resources to higher priority projects.[77] Further, price controls have been instituted in some countries as a response to the following, *inter alia*: commodity shortages occasioned by lack of adequate foreign exchange reserves for importing essential production inputs, shipping problems, delays in the delivery of imported consumer goods, and unprecedented growth in the demand for manufactured goods.[78]

Shortages, however, may also be caused by an inability of local suppliers of commodities which are in short supply to satisfy domestic demand, such as in situations where a government nationalizes or expropriates privately owned businesses and creates inefficient state monopolies to supply commodities. In some instances, price controls may themselves cause or exacerbate commodity shortages, as Murray Sanderson has maintained:

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75 Tembo, J.M., *Distribution of Scarce Commodities by State Enterprises in Zambia*, working paper (1988), pp. 113–35.

76 Pigou, A.C., *The Economics of Welfare* (London, 1962); Reddaway, W.B., 'Rationing,' in Chester, D.N., ed., *Lessons of the British War Economy* (London, 1951); Richards, C.S., 'Some Factors in the Economy of War—Pricing, Rationing, Profiteering and Control,' *South African Journal of Economics*, Vol. 7, October 1939, pp. 310–22.

77 Chossudowsky, E.M., 'Rationing in the USSR,' *The Review of Economic Studies*, Vol. 8, 1941, pp. 143–65; and Seidman, A., *Planning for Development in Sub-Saharan Africa* (Dar-es-Salaam, Tanzania, 1974).

78 Bauer, P.T., 'Price Control in Underdeveloped Countries,' in Bauer, P.T. and Yanney, B.S., eds, *Markets, Market Control and Marketing Reform* (London, 1968), pp. 251–69.

> Price controls have the effect of discouraging supply while encouraging demand. The inevitable result is scarcity of commodities; and when there is scarcity, you always get people who buy up commodities wherever they can and resell them on the black market. In Zambia, we call them 'black marketeers.' It is a useful term, for it puts the blame upon them rather than the authorities.[79]

Services and facilities

The success of a privatization program is partly dependent upon governmental commitment to the creation of an enabling environment for the evolvement of a functional market economy. Ernst & Young, Inc., has identified several important aspects which should constitute such an environment, including a sound legal framework designed to protect private investment and facilitate the functioning of a market economy, a well-developed stock market, good infrastructure (including energy, water, telecommunications, and transport facilities), governmental assistance in nurturing entrepreneurial and management skills, and government programs designed to reduce the negative impacts of a transition to a free market economy on vulnerable individuals and institutions.[80]

Besides, local and foreign investors in both large and small business undertakings expect governments to provide for the following:

(a) adequate public services (including police and fire protection), as well as educational, vocational, recreational, sewage, and health care facilities;
(b) political and civic leaders who are fair and honest in their dealings with private business institutions, and stable economic policies (including a formal assurance against nationalization and/or expropriation of privately owned business undertakings); and
(c) less bureaucratic licensing, import, export, and other procedures, and adequate information about investment and marketing problems and opportunities.

If they are adequately catered for, these services and facilities can boost investments by both local and foreign investors, as well as enable business institutions to operate more efficiently and eventually deliver economic and social outputs to society at reasonable costs and prices. Unfortunately, such services and facilities are currently not adequately provided for; local, national and regional governments have tended to expect economic units to perform miracles in socio-economic environments that are not at all conducive to efficient business operations.

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79 Quoted in Kyambalesa, H., *Dimensions of Marketing Management* (unpublished, 1997), p. 34.

80 Excerpted and adapted from Ernst & Young, Inc., *Privatization: Investing in State-Owned Enterprises around the World* (New York, 1994), pp. 7–8.

Fostering R&D Activities

As Krugman and Obstfeld have suggested,[81] there is also a need for local, national and regional governments to subsidize research and development (R&D) wherever it occurs, as well as induce R&D activities in both commercial and industrial sectors of their economies through attractive tax incentives. The critical role R&D has played in facilitating socio-economic development in countries which have adequately financed its pursuit is widely acknowledged; Chibesa has succinctly summed up such a role in the following words:

> Research capability is an important facet of advancement … [t]his notion testifies to the fact that nations which have led the way in technological research have come up with astounding discoveries [which have] transform[ed] the lifestyles of their citizenry over centuries.[82]

Moreover, governments need to provide commercialization assistance to initiators of new ideas and products in order to facilitate the use of R&D outputs on a large scale in both commercial and industrial sectors of their countries' economies. It is, of course, also essential for governments to initially invest massively in education, as maintained earlier in this chapter, in order to lay a strong foundation for the creation of a viable scientific and technological (S&T) infrastructure needed to support R&D activities.

In Africa today, there are a diversity of spheres in which science, technology, and R&D can play a pivotal role; the more critical of such spheres include the following: nutrition and health care, food processing and preservation, energy generation and conservation, water treatment and conservation,[83] education and training, management and administration, manufacturing, information gathering and processing, agriculture, sanitation, transport means and infrastructure, service catering, crime fighting, sewage treatment and disposal, air and water pollution control, and solid-waste recycling and disposal.

Clearly, meaningful progress in these and any other critical spheres and facets of society cannot be made without a deliberate effort by African leaders and governments to enhance the R&D and S&T capabilities of their respective countries and economic blocs.

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81 Krugman, P.R. and Obstfeld, M., *International Economics: Theory and Practice*, 3rd edition (New York, 1994), p. 283.

82 Chibesa, D., 'Research: Does It Get a Fair Deal?,' *Times of Zambia*, October 29, 1988, p. 4.

83 Of necessity, this should include damming perennial rivers, installation of pipelines to supply water to arid areas, as well as creation of irrigation canals to forestall the adverse effects of droughts on agricultural output.

Business Inducements[84]

Local, national and regional governments need to generate attractive incentives designed to stimulate commercial and industrial activities. Such incentives may consist of low-interest loans, tax relief, tax concessions that are more attractive than those in alternative countries or regions which investors are likely to consider for investment, and any other forms of incentives which may be deemed necessary to induce certain types of local and foreign investment. More than ever before, African governments need to provide overly attractive incentives to commercial and industrial undertakings if they expect them to gain the level of competence they need to be able to participate prominently in the global marketplace of the twenty-first century.

In this endeavor, a country or economic grouping has to decide whether the provision of the various kinds of incentives to business entities should be activity-based, organization-based, industry-based, sector-based, territory-based, and/or general in nature. The various forms of incentives a given country or economic bloc may decide to extend to investors may, therefore, be defined in terms of the basis on which they may be given as follows:

(a) activity-based incentives, intended to encourage a particular project or activity, such as R&D, use of local inputs, employee training, contributions to the needy, or creation of jobs for disadvantaged citizens;
(b) organization-based incentives, targeted at selected business and non-business institutions which provide certain essential goods and/or services;
(c) industry-based incentives, intended to facilitate the success and survival of, say, the publishing industry, the iron and steel industry, and/or any other industries which are critical to the overall performance and functioning of a country's or regional economy;
(d) sector-based incentives, aimed at revamping a particular sector, such as the primary sector, the secondary sector, or the tertiary sector in a country or economic bloc;
(e) territory-based incentives, designed to promote investments in a particular district, province, or country that may be considered to be relatively under-developed; and
(f) general incentives, provided indiscriminately to both business and non-business institutions in a country or regional bloc, such as incentives intended to enhance productivity, stimulate innovation, or promote economic diversification and avoid what is known as the 'Dutch disease.'[85]

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84 Excerpted and adapted from Kyambalesa, Henry, *Dimensions of Marketing Management*, pp. 46–47.

85 The term 'Dutch disease' was coined in the late 1970s to describe a dislocation in a country's economy caused by a sudden or gradual shift of labor, capital and other resources to one booming sector of the country's economy; it was coined after the Netherlands had experienced a dislocation in its economy following the discovery, exploitation and highly profitable exportation of natural gas.

Government Sub-Contracting

The term 'sub-contracting' may be defined broadly to refer to the process whereby an institution arranges to have some of its tasks or operations performed by an independent organizational entity, either due to inadequate organizational resources to facilitate the internal performance of such tasks or operations by the institution itself, or because the tasks or operations can be performed more efficiently and effectively by external parties.

In economically integrated regions where aggregate demand is not sufficient to induce an expansion in the supply of goods and services, there is a need for municipalities, national governments and inter-governmental organizations (IGOs) to consider sub-contracting some of their non-strategic activities (such as the provision of janitorial services, construction of facilities, maintenance of facilities, and garbage collection) to the private sector. Besides its potential to boost both foreign and locally financed investments, sub-contracting can enable local, national and regional governments to circumvent the cost of acquiring vehicles, buildings, materials, and other assets needed in the provision of sub-contracted services.

Sustained Industrial Harmony

The long-term success and survival of business entities and other important institutions in any given country is partly a function of sustained industrial harmony. Both experience and observation have taught us that regular labor strife has partly contributed to many African governments' failure to improve the performance of their countries' economies. Strikes and other forms of work stoppages in affected countries have tended to lead to widespread shortages of essential commodities, huge increases in business costs, low worker productivity, and so forth.

If local, national and regional governments cannot spearhead the prevention of industrial unrest, therefore, they should not expect their economic units to operate efficiently and compete effectively in the potentially competitive global marketplace of the twenty-first century. How governments can contribute to the attainment of sustained industrial harmony is the subject of this sub-section. Moreover, the roles employers and labor unions can play in this endeavor are spelt out in the sub-section. In the interim, let us consider the dour effects of labor unrest alluded to above.

Effects of labor strife

To reiterate, labor unrest can have very serious adverse effects on a country's economy; it can, for example, culminate in low productivity. One of the central issues in the management and administration of any country's resources is the level of productivity in each of its economic units; a country's level of productivity, therefore, is greatly dependent on how effectively and efficiently economic units apply the financial, material and other resources at their disposal. Unfortunately, economic units cannot apply resources optimally unless there is industrial harmony, among a host of other things. As such, there should be no disputing the fact that productivity can be reduced greatly in an economy that is plagued by labor unrest.

Moreover, the financial costs associated with lost man-hours in the event of labor strife are often quite significant to affected business organizations. For organizations that sell products in foreign markets, therefore, labor strife can severely affect their competitiveness, since their products will generally be more expensive (due to the added costs emanating from work stoppages) than those of competitors from countries which are not pestered by labor strife. At the national level, therefore, regular work stoppages can partly make a country's products less competitive in global markets and result in reduced foreign exchange earnings. Eventually, this can lead to a weakened balance of payments (BOPs) position for the country as a whole.

Besides, labor problems faced by one institution can directly or otherwise trigger off serious problems in other institutions sooner or later, since the typical socio-economic system in the world today essentially consists of a myriad of social and economic institutions that are very much dependent on each other in numerous ways. In other words, regular labor unrest in an economy can inhibit viable system interdependence.

Role of the employer

In their dealings with workers and labor unions, employers need to be wary of decisions, actions and programs that are likely to evoke undesirable incidents like strikes and go-slows. And during collective bargaining, employers should always insist on active and genuine dialogue. Further, they need to avoid undue delays when exploring the feasibility of meeting union demands.

Perhaps a more prudent and tactical approach for an employer-organization should be to cater, in collaboration with a representative union, for the welfare of workers without having to wait for the union to table workers' demands. After all, employers generally know what constitutes a livable wage under any given economic conditions. A voluntary posture toward the welfare of employees—although such a posture can, of course, easily undermine employees' rationale for union representation in an organization—can greatly mitigate the incidence of labor strife.

It is also important for employer-organizations to guard themselves against taking advantage of any warnings that may be sounded by governments in their countries of operation that stern measures would be taken against workers who uncompromisingly resort to strike action as a means of getting their demands met. They should not use such warnings to fortify their positions in bargaining even when workers' demands are justified.

In general, employer-organizations, as pundit Donald Ephlin has advised, need to conceive of labor unions more as partners in the attainment of long-term organizational success and survival than as their formidable enemy.[86] Such a stance by employer-organizations can significantly contribute to the attainment of greater

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86 Ephlin, D., 'The Union's Role As Co-Manager,' *Fortune*, March 26, 1990, p. 37.

industrial harmony in a country and, as the International Labor Organization (ILO) has maintained, 'result in maximized gains to [both] employees and employers.'[87]

The labor union's role

The presence of organized labor in any given organizational setting creates two distinct institutions within one organization between which employees have to divide their allegiance. Since the existence and success of any labor union generally depends on convincing its members—at least by implication—that management is their arch enemy, the rank and file in unionized organizations naturally tend to identify themselves more with the goals and aspirations of their representative labor unions. Needless to say, this state of affairs tends to make unionized workers less concerned about the need for their employer-organizations to attain protracted growth and greater efficiency.

There is no doubt that this kind of attitude among an organization's workers can culminate in organizational failure and consequently result in loss of employment. Of necessity, therefore, labor unions need to educate their members about the importance of striving for greater levels of performance so that their employer-organizations can prosper and consequently be in a better position to provide both attractive remuneration and protracted employment. Each and every employee needs to be aware of the fact that if they alienate themselves from the goals and aspirations of their employer-organizations and contribute less than their capacities, they would be jeopardizing their long-term employment and incomes, because no employer is likely to continue to maintain workers who are not productive.

In other words, if workers are grossly irresponsible and inefficient, an employer-organization cannot resist the temptation of streamlining the work force by laying off some of them. Besides, an employer-organization may contemplate halting business operations and relocate to another country or region due to irresponsible and unproductive activities on the part of workers and/or their representative union. All these possible actions which may be taken by an employer can obviously result in loss of both income and employment on the part of workers.

Perhaps it is also important to remind union leaders to avoid adopting an antagonistic stance in bargaining situations even when management is willing to cooperate in seeking mutually beneficial solutions to problems facing workers and the employer. Moreover, it is important for workers and their representative unions to avoid making wild and unrealistic demands—demands which cannot be justified in terms of workers' level of contribution to the overall efficiency and effectiveness of their employer-organization, and, among other important considerations, the employer-organization's financial capability to meet workers' demands.

Further, labor unions need to guard themselves against the temptation of seeking eleventh-hour settlements even when issues and problems at hand are too complex

[87] 'ILO Says Harmony Good for Zambia,' *Times of Zambia*, http://www.times.co.zm/, September 17, 2000.

for their employer-organizations' top management to promptly study and eventually make a rational decision in fulfilling workers' demands.

Compulsory arbitration

Both local and national governments in African countries need to embark on extensive programs designed to educate the masses about the perilous impacts of work stoppages on various segments of society. Such programs can be featured periodically through newspapers, the radio, television, and/or the Internet. Another feasible step governments can take is to enact strong legislation which compels parties in a collective bargaining situation to consider mediation and/or arbitration in the event of a breakdown or deadlock in contract negotiations. Suggestively, such legislation should make compulsory arbitration the final and terminal step in the settlement of all labor disputes.

3.3 Consumer and Labor Issues

In this section, let us consider the role which both municipal and national governments in an economic bloc can play with respect to consumer and labor issues. Specifically, let us briefly explore the need for governments to protect consumers and workers from potential malpractices and nefarious activities by irresponsible business institutions in any given regional bloc.[88]

Consumer Protection

In liberalized economic settings, marginal and unscrupulous business entities are likely to resort to deceptive promotional activities—such as exaggerated product claims, misleading statements about their products, and/or half-truths in promotional messages—in order to lure customers from competitors. To curb this possibility, governments need to ensure that the following basic *rights of consumers* are guaranteed by law:[89]

(a) the right to safety from product-related hazards;
(b) the right to make choices from a variety of products in a market that is free from domination by monopolistic producers or sellers;[90]

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88 The content of the remainder of this section is excerpted and adapted from Kyambalesa, Henry, *Marketing in the Twenty-First Century: Concepts, Challenges and Imperatives* (Aldershot, 2000), pp. 182–85; and *Socio-Economic Challenges and Imperatives: The African Context*, manuscript (2000), pp. 14–18.

89 For marketing executives and their organizations, the consumer rights cited have created a need for them to be mindful of the *caveat venditor* or 'let the seller beware' principle.

90 Logically, this should include the right to decide to procure, or not to procure, available goods and/or services without government coercion—such as mandatory automobile insurance—or any other form of compulsion.

(c) the right to be heard in governmental decision making that affects consumers;
(d) the right to information about the nature and composition of products;
(e) the right to redress, and to reject unsatisfactory products;
(f) the right to education regarding product usage;
(g) the right to the satisfaction of basic needs through access to essential goods and services, including food, clothing, health care, education, and sanitation; and
(h) the right to a healthy environment—that is, an environment in which one can live and/or work without sacrificing one's wellbeing, or the wellbeing of future generations.[91]

Recognition of the basic rights of consumers can be traced to March 15, 1962 when the Bill for Consumer Rights was considered by the US Congress. In his speech to the Congress on this day, President John F. Kennedy accorded American consumers the following rights: the right to safety, the right of choice among competing products, the right to information about products, and the right to be heard.

Consumers International (formerly known as the International Organization of Consumer Unions) proposed the four additional rights of consumers cited above and, in 1982, decided to observe March 15 as the World Consumer Rights Day beginning from 1983.[92] In April 1985, the United Nations General Assembly recognized the fundamental rights of consumers by adopting what is referred to as the 'Guidelines for Consumer Protection.'

In addition to the protection of the basic rights of consumers, it is important for governments to enact strict *product liability laws* designed to place a legal obligation on all suppliers of products to compensate buyers of their products who may suffer damages and/or injuries occasioned by such factors as poor design and inadequate or misleading information about the operation or uses of the products involved. Additionally, national governments need to enact strict legislation designed to prevent teenage smoking, beer-drinking, and the like. Suggestively, such legislation should include prohibition of violence and immorality—as well as advertisements of beer, liquor, cigarettes, and other related products—in the mass-media and places which are easily accessible to minors.

This may, of course, sound overzealous, but as developed nations have found out, such legislation is essential—particularly in the initial stages of a country's socio-economic development—to circumvent the excessive cost of rehabilitating a

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91 Adapted from 'Consumers Have Rights,' *Times of Zambia*, March 18, 1987, p. 4; CUTS Center for Consumer Action Research and Training (CART), 'Consumer Rights … and Responsibilities,' www.cuts-international.org/, March 25, 2005; Queensland Government Gateway—Department of Tourism, Racing and Fair Trading: 'World Consumer Rights and Responsibilities,' http://www.fair-trading.qld.gov.au/; Frederick, F.C. et al., *Business and Society: Corporate Strategy, Public Policy, Ethics*, 6th edition (New York, 1988), pp. 266–67; and Kyambalesa, Henry, *International Business: Social Demands, Challenges and Imperatives* (Fremont, CA, 2004), p. 100.

92 However, March 15 is not observed in the United States in spite of its American origin.

society besieged by unprecedented moral decay, as well as ailments associated with alcoholism, drug abuse, and tobacco addiction.

With respect to tobacco products, for example, the very stringent measures taken recently by the United States government to stem teenage smoking underscore the need for the kind of legislation being advocated here; a summary of these measures is provided in Box 3.1.[93]

Box 3.1 New US Tobacco Regulations

- Those who are under 27 years of age need to prove their age with a photo ID when buying tobacco products. It is illegal in all states to sell cigarettes to people who are under 18 years of age.
- Vending-machine sales and self-service displays of cigarettes are permitted only in adult facilities where children are not allowed.
- Ban on free samples and the sale of single cigarettes and packages with fewer than 20 cigarettes.
- Prohibition of billboards within 1,000 feet of schools and play-grounds. Other advertising restricted to black-and-white text only, including billboards, signboards, and in-store advertising. Advertising inside adult-only facilities may include color and imagery.
- Black-and-white, text-only advertising permitted in publications read by 2 million teens or whose readership is 15 per cent youth.
- Prohibition of sale and give-aways of products such as caps and gym bags that carry brand names or logos of cigarettes or smokeless tobacco products.
- Prohibition of sponsorship of sporting or entertainment events by tobacco companies unless such sponsorships are under corporate names.

The country's federal government also requires suppliers of potentially harmful consumer products to provide warning labels, a good example of which is the following set of warnings on cans and bottles of alcoholic beverages:

93 Excerpted from Gay, L., 'Clinton Tackles Tobacco,' *Rocky Mountain News*, August 24, 1996, p. 2A; and 'Cigarette Ban Starts Today,' *Denver Rocky Mountain News*, January 1, 1999.

> l. According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. 2. Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems.[94]

In Great Britain, government authorities have pledged to ban cigarette advertising and bar the sponsorship of sporting activities by tobacco companies.[95]

Prime Minister Tony Blair's Labor government (which was ushered into office in May 1997) has found it necessary to protect citizens from the potential harmful effects of tobacco products and is, therefore, committed to the repression of tobacco companies' marketing efforts designed to promote the sales of their products. The problem currently facing China in this regard should provide the impetus for similar kinds of governmental effort in African countries to forestall the devastating effects of smoking on the health of their citizens:

> [S]cientists have calculated the devastating toll of cigarette smoking in China and declared the country to be on the verge of a calamitous epidemic of smoking-related deaths that may kill one in three Chinese men. In a country where 70 percent of men smoke, there are now 2,000 smoking-related deaths a day … [and the] number will increase to 8,000 a day by the middle of the next century unless public-health measures are taken.[96]

In this endeavor, parents can play a crucial role by refraining from smoking. While little or no attention is paid to the influence which parents who smoke may have on evoking their children's desire to smoke, it is intuitively tempting to blame the smoking habits of a good proportion of children who smoke to such parents. Such blame would perhaps not be misdirected considering the fact that children are more than likely to emulate the habits of their 'natural' childhood role models—their parents, or guardians.

In passing, it is perhaps also important to highlight the unique dangers of cigarette-smoking on women. A report by the United States Surgeon General released in March 2001 has revealed startling statistics concerning death rates for lung cancer (in comparison to death rates for breast cancer) among US women who smoke cigarettes:

> One woman dies from smoking every three-and-a-half minutes. Yet women may not fully realize the threat: lung cancer caused by smoking is now the top female cancer killer, claiming 27,000 more women's lives each year than breast cancer.[97]

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94 Excerpted from Piltman, David J., 'Chapter 17: Health Warning Labels on Alcoholic Beverages,' http://www.indiana.edu, July 2, 2005.

95 Woods, A., 'Britain's Labor Vows to Ban Links of Tobacco and Sports,' *Rocky Mountain News*, May 20, 1997, p. 28A.

96 Rosenthal, E. and Altman, L.K., 'China Smoking Toll Steep,' *The Denver Post*, November 20, 1998, p. 1A.

97 Neergaard, L., 'Tobacco Top Female Cancer Killer,' *Rocky Mountain News*, March 28, 2001, pp. 2A and 44A.

According to the report, women who smoke face other unusual health risks, which include the following: menstrual irregularities, early menopause, infertility, bone-thinning osteoporosis, arthritis, cervical cancer, and dangerous blood clots if they use birth control pills. For pregnant women, additional smoking-related dangers include low birth weight, stillbirths, miscarriages, and sudden infant death syndrome.

In the United Kingdom, researchers at St John's Institute of Dermatology in London have apparently established 'why smokers' faces are prematurely lined.'[98] In a report published in *The Lancet* medical journal, the researchers have found evidence suggesting that smoking switches on a gene involved in destroying collagen—the structural protein that gives the skin its elasticity. According to the Associated Press, the link between smoking and wrinkles had been known for years, but scientists had initially not established exactly how cigarettes aged the skin.[99]

Protection of Workers

Employees, too, need keen governmental protection. This calls for stringent pieces of legislation designed to compel each and every employer-organization to create a work environment that is free from unfair discrimination, avoidable occupational hazards, and, among a host of other things, unnecessary intrusion into the personal lives of organizational members. Specifically, the protection of employees from the vagaries of the work place should include the following kinds of legislation:

(a) Prohibition of employment practices that are based on such characteristics as race, skin color, gender, religious affiliation, and ethnic extraction.
(b) Occupational safety and health regulations requiring employers to do the following, among other things:

- furnish each and every employee with information regarding potential health hazards in the work place;
- provide employees with safety procedures for handling and storing hazardous materials and/or equipment;
- provide protective clothing and/or equipment to employees whose jobs expose them to potentially hazardous situations; and
- provide training to employees regarding their obligations, the obligations of the employer, and any other important matters and guidelines concerning occupational safety and health.

(c) Safeguarding each and every employee's right to privacy, particularly with respect to medical records, income, and any other sensitive and personal matters

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98 Associated Press, 'Smoking Trips Skin-Aging Gene,' *The Denver Post*, March 23, 2001, p. 6A.

99 Associated Press, ibid.

which individuals would naturally expect management folk to keep with strict confidentiality.

With respect to the matter of gender, it is essential for both legislators and employers not to ignore the moral of the following adage when dealing with employment issues that are of common interest to both ‘womyn’ and their male colleagues: ‘What is good for the gander is also good for the goose.’[100]

3.4 Sustained Peace and Stability

African leaders should not expect to succeed in wooing foreign investors in the absence of sustained peace and stability in their respective countries. This should be obvious since conflicts, as Chief Omoefe Oyaide has pointed out,[101] can scare away potential investors. Unfortunately, efforts aimed at curbing conflicts among countries and/or segments of a country’s people have tended to have less or no impact on outbreaks of war. Thus, conflicts have continued to be one of the major impediments to inflows of investment capital in much of contemporary Africa.

Besides, conflicts have generally shattered infrastructure in affected countries, triggered massive capital flight out of such countries and, among a host of other dour effects, diverted government expenditures away from the provision of essential social services towards the military effort.[102]

Early conflicts in human history were largely triggered by the quest for control over hunting territories. These wars were fought for the common good of whole communities or kingdoms. Since then, human existence has been characterized by conflicts of all kinds, prompting intellectuals to reflect seriously on the issue. Philosophers and theologians particularly have, through the ages, sought to discern the causes of war and other forms of conflict.

The first explanations concerning the origins of war and conflict in general focused on the nature of human beings. Thomas Hobbes, for example, portrayed human beings as self-seeking, selfish, and greedy animals whose primary concern is the fulfillment of their own desires; this view is apparent in the following excerpt: ‘And therefore if any two men desire the same thing, which nevertheless they cannot both enjoy, they become enemies.’[103] The idea of personal gain and glory was echoed by St. Augustine, who ground human weaknesses in ‘original sin.’ In his contention, human beings’ aggressive nature stems from their fall from grace in the Garden of Eden.

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[100] Anonymous.

[101] Chief Omoefe Oyaide, cited in Katebe, B., ‘Conflicts Hindering Economic Growth,’ *Zambia Daily Mail*, http://www.zamnet.zm/zamnet/zadama/, March 13, 1999.

[102] See Amoako, K.Y., *Perspectives on Africa’s Development: Selected Speeches* (Addis Ababa, Ethiopia, 2000), p. 48.

[103] Hobbes, T., quoted in Bozeman, B., *Public Management and Policy Analysis* (New York, 1979), p. 196.

To Benedict de Spinoza, human aggression is generally a culmination of the permanent struggle between the forces of passion and rationality, with passion a frequent winner.[104] According to Sigmund Freud, humans live because the 'life instinct' counters the 'death instinct' and channels the latter away from the self towards others; overt aggression is, thus, a result of internal aggressive drives being re-oriented towards others. The following is Freud's general conclusion about human nature:

> Psychoanalysis has concluded … that the primitive, savage, and evil impulses of mankind have not vanished in any individual, but continue their existence, although in repressed state … and … wait for opportunities to display their activity.[105]

A lot of scholars, including Lorenz and Ardrey, have joined the debate on the aggressive nature of human beings by exploring the nature-nurture nexus,[106] while others have associated conflict and war-mongering with the unsavory actions of some political, tribal and military leaders, among a host of other things.[107]

With respect to Africa, Amoako has cited the causes of the wars and civil unrest which have plagued the continent; they are as follows:

(a) innate ethnic and religious hatred, where this hatred is then exploited by overly ambitious and selfish leaders;
(b) national grievance, where the performance of a government is held to be against the national interest;
(c) distributional grievance, where the national government's performance is held as having been particularly discriminatory against a given group or groups in society; and
(d) employment, where rebellion against a country's government and public officials is an employment choice motivated by the opportunity cost of employment and the prospective gains from capturing the state and its resource base.[108]

But regardless of their origin, wars and any other forms of conflict can thwart any given country's and/or region's quest to attain meaningful socio-economic

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104 See Cashman, G., *What Causes War?: An Introduction to Theories of International Conflict* (New York, 1993), p. 15.

105 Freud, S., quoted in Bozeman, B., *Public Management and Policy Analysis*.

106 See Cashman, G., *What Causes War?: An Introduction to Theories of International Conflict*, pp. 16–21.

107 There are, of course, contrary and positive views about human nature, too; Ashley Montagu's perspective is perhaps representative of such views: 'The principle of cooperation is the most dominant and biologically the most important … All of man's natural inclinations are toward the development of goodness, toward the continuance of states of goodness and the discontinuance of unpleasant states' (Montagu, A., quoted in Bozeman, B., *Public Management and Policy Analysis*).

108 See Amoako, K.Y., *Perspectives on Africa's Development: Selected Speeches*, pp. 45–52.

development. Mr Robert Mugabe of Zimbabwe and Mr Daniel arap Moi of Kenya, among many other concerned African leaders could not have been more cognizant of this reality when they concertedly and repeatedly underscored the importance of sustained peace and stability in COMESA's long-term viability, and in its ability to facilitate the attainment of member-countries' socio-economic goals and aspirations, at the signing of the regional bloc's free trade area (FTA) pact in Zambia in October 2000.[109]

It is, therefore, incumbent upon each and every political, tribal, religious, and military leader in contemporary Africa to be mindful of the need to find ways and means of forestalling war, as well as ethnic and religious conflicts. In this endeavor, leaders and their constituents need to embrace the following elements of democratic governance: accountability, transparency, adequate checks and balances, a free press, respect for the rule of law, a viable mechanism for peacefully replacing incompetent leaders, and, among other things, respect for human rights.[110] They need to reflect on these issues with a great deal of sobriety. (Note: The issue of 'human rights' is discussed in a nutshell in two separate sub-sections at the end of this section.[111])

With respect to the rule of law, the editorial staff of *The Post* newspaper in Zambia have provided a useful caveat for political leaders in contemporary Africa:

> [A] Constitution should not be amended at each and every presidential and general election, especially if … amendments [sought] are merely meant to satisfy the whims of an individual or one group of people. A Constitution is a national document and should stand the test of time.[112]

The staff were reacting to an attempt by Dr Frederick Chiluba to amend the Movement for Multi-party Democracy (MMD) and Zambia's constitutions to facilitate his quest for a third term of office. At an MMD convention convened to secure a vote on the contemplated amendment, Dr Chiluba reacted to reservations by opposition parties and foreign diplomats thus: 'This is a matter that we consider as internal and not a matter … [for] the outside world.' This is a classic example of expressions used by despotic, lawless and mischievous leaders worldwide—leaders who have plunged their countries in turmoil and triggered an influx of refugees across national borders.

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109 See Nsabika, C., Phiri, B. and Wasamunu, M., 'Mugabe Denounces Western Countries,' *The Post*, http://www.zamnet.zm/zamnet/post/, November 1, 2000.

110 See Annan, K., *The Causes of Conflict and the Promotion of Durable Peace and Sustainable Development in Africa: Report of the Secretary General to the United Nations Security Council* (New York, 1998), p. 3. Also see Hyden, G. and Bratton, M., eds, *Governance and Politics in Africa* (Boulder, CO, 1992).

111 The content of the two sub-sections is excerpted and adapted from Kyambalesa, H., *Marketing in the Twenty-First Century: Concepts, Challenges and Imperatives* (Burlington, VT, 2000), p. 218; and *Business and Management: Change, Innovation and Competitiveness*, manuscript (2005), section 7.3.

112 'Presidential Term,' *The Post*, http://www.zamnet.zm/zamnet/post/, January 8, 2001.

The remainder of this section is devoted to a brief survey of the following: (a) the role a country's citizens can play in the promotion of peace and stability; (b) the necessity of decentralized government; (c) the need for complete independence of the three branches of government—that is, the judiciary, the executive and the legislature; (d) human rights; and (e) additional rights to the International Bill of Human Rights which the architects of the Bill might not have deemed to be worthy of consideration as universal human rights during their time.

Role of the Citizenry

A sovereign country's ordinary citizens can also play a vital role in the process of creating a peaceful and stable political atmosphere; during local and national elections, for example, they need to put religious, personal, ethnic, and partisan interests aside and reflect more seriously on the goals political contestants promise to pursue during their terms of office if they get elected. Several goals should be expected to be on the agenda of each and every aspirant for political office and should constitute the bottom line for assessing the quality, vision and patriotism of all candidates.

They are as follows:

(a) provision of accessible and quality education, vocational training, and health care;
(b) creation of an innovative and competitive economy;
(c) generation of programs intended to benefit children, elderly citizens, and the handicapped;
(d) creation of a free and just legal system that is committed to the preservation and protection of citizens' rights and freedoms;
(e) provision of essential services and facilities, including an efficient transportation system and adequate public safety and security;
(f) promotion and preservation of cherished traditional and cultural values;
(g) promotion and consolidation of national unity;
(h) protection and conservation of natural resources;
(i) restructuring of the government machinery so that it can be more responsive to the needs of the masses; and
(j) generation of a foreign policy whose overall goal is to work hand in hand with other peace-loving nations worldwide in creating a more compassionate global community.[113]

How a political party or candidate for a high-level position intends to achieve these goals, considering a country's or municipality's limited financial and other critical resources, should be the overriding reason to align oneself with the party

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113 Excerpted and adapted from Kyambalesa, H., *Socio-Economic Challenges and Imperatives: The African Context*, manuscript (1999), pp. 135–36.

or candidate. A patriotic citizen—one who has the interest of his or her country at heart—would be at pains to succumb to personal, ethnic, partisan, and/or other parochial interests.

Besides, it is important for a country's citizenry to understand that elections are not an end in themselves; they are essentially intended to afford individuals the opportunity they deserve as citizens to choose those who are adjudged to be both competent and willing to lead them in their quest for a more democratic, more peaceful, and more affluent society.

And, after elections, winners and losers need to 'bury' their political differences, embrace each other's useful development-related ideas, and briskly move on to the noble tasks of nation-building and socio-economic progress, with a renewed sense of purpose and determination—never relenting in their individual and collective efforts to improve the quality of life in their respective countries, sub-regions and beyond. The need for winners to make a quick transition from campaigning to governing is essential in this endeavor.

In general, citizenship in a sovereign state imposes certain duties and responsibilities upon individuals involved; in Zambia, for example, each and every bona fide citizen has a moral obligation to:

- be patriotic and loyal to the country, and to promote its wellbeing;
- contribute to the wellbeing of the community where he or she lives, including the observance of health controls;
- foster national unity and live in harmony with others;
- promote democracy and the rule of law;
- vote in national and local government elections;
- participate in the defense and protection of the country when called upon;
- carry out legal public functions with discipline and honesty;
- pay all taxes and duties legally due and owing to the state and/or local government in one's precinct of residence; and
- assist in the enforcement of the law at all times.[114]

Decentralized Government

A centralized government can thwart the creation of a peaceful, democratic and stable political environment. The ultimate responsibility assumed by an incumbent president and members of his or her administration in the generation and implementation of both local and national development projects and programs in such a government often leads to the personalization of projects and programs, and can provide for a scapegoat for an undemocratic president to seek an unconstitutional extension to his or her term of office—in order to complete his or her projects and programs.

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114 Excerpted and adapted from Article 113 of Part IX of the Constitution of the Republic of Zambia [1991 and 1996].

In a decentralized system of governance, where many of the projects and programs initiated by presidents of centralized governments are the preponderance of mayors and/or governors, therefore, such a potentially divisive and contentious situation is not likely to arise. Besides, a decentralized system of governance can greatly contribute to the nurturing of mayors and governors into potential national leaders. This can partly mitigate any perceived lack of competent presidential 'material' to replace an incumbent president.

Moreover, decentralized systems of governance, by and large, provide for local hiring and superintendence of police officers. As such, the officers cannot be abused by a country's incumbent president in political maneuvers aimed at subverting the supreme law of the land, or the rights and freedoms of citizens in the quest to perpetuate his or her stay in power.

It is, therefore, essential for political leaders in countries with centralized governments to consider the prospect of demarcating their countries into semi-autonomous states, regions or provinces. If they succeed in this endeavor, they would re-distribute political power to a greater number of people and, thereby, create governments of the people, by the people, and for the people. Since incumbent government leaders are likely to resist any efforts aimed at stripping them of some of the powers they wield, opposition parties and their leaders should initiate and spearhead the decentralization process.

Nevertheless, African presidents would do well to heed the following warning by *The Post* newspaper in Zambia concerning some of the potential dangers of wielding excessive and unbridled political power:

> The presidency as an institution needs to be re-defined, its powers reduced, and its policies and actions subjected to challenge by parliament in order for it to be a more acceptable and respectable institution. Dictatorial powers do not strengthen the institution; they are an obvious source of conflict and political instability.[115]

Separation of Powers

Some countries' constitutions provide for membership of government ministers in both Parliament and the Cabinet. In Zambia, for example, Articles 46(2) and 47(3) of the Republican constitution requires that ministerial appointments should be made from members of parliament.[116] This has, no doubt, precluded the effective separation of the powers of the three organs of government—the executive, the legislature and the judiciary—that is needed to provide for adequate checks and balances in the country's system of governance.

Obviously, the ministerial appointees' allegiance is to the President, who is the appointing authority, rather than the electorate. Clearly, such a muddle formally

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115 Excerpted from 'Presidential Powers,' *The Post*, March 6–12, 1992, p. 4.
116 See *Constitution of Zambia*, 1991/96, http://lii.zamnet.zm.

provides for excessive presidential influence on the legislature, and can very easily be exploited by an incumbent president to pursue personal and/or partisan interests.

Basic Human Rights

In December 1948, the United Nations (UN) General Assembly adopted and proclaimed what is referred to as the 'Universal Declaration of Human Rights,' which stipulates the rights and freedoms of all individuals worldwide. According to the Declaration, all human beings are born free and equal in dignity and rights, and have the rights and freedoms summarized in the first two paragraphs below.[117] Moreover, exceptions and limitations provided for by the Declaration and a brief commentary concerning the civil rights of individuals in their respective countries of citizenship are fleetingly presented in the last two paragraphs of the sub-section.

(a) *Personal, civic and political rights*: the right to life, liberty, privacy, and security of person; freedom from slavery and torture; the right to legal personality; freedom from arbitrary arrest, detention, and exile; the right to due process, legal defense, and a fair trial; the right to freedom of movement and to seek asylum from persecution; the right to a nationality; the right to marry and found a family; the right to own property and not to be deprived of it except by due process of law; the right to freedom of thought, conscience, and religion; the right to freedom of both opinion and expression; and the right to peaceful assembly, association, and political participation.
(b) *Economic, social and cultural rights*: the right to work, to choose one's employment, to equal pay for equal work,[118] to a just wage and to supplemental social security, to participation in unions,[119] to rest and leisure, to an adequate standard of living, to an education, and to participation in the activities of the communities of which one is a constituent part.

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117 For a full text of the thirty articles in which these universal human rights and freedoms are stipulated, see the following sources, among others: Carter, B.E. and Trimble, P.R., *International Law: Selected Documents* (Boston, MA, 1995), pp. 381–86; Gorman, R.F. and Milhakanin, E.S., *Historical Dictionary of Human Rights and Humanitarian Organizations* (Lanham, MD, 1997), Appendix 1; Lawson, E., *Encyclopedia of Human Rights*, Second Edition (Washington, DC, 1996), pp. 1551–53; Lipset, S.M., ed., *The Encyclopedia of Democracy*, vol. II (Washington, DC, 1995), pp. 573–78.

118 In reality, the term 'equal pay for equal work' is, at best, a misnomer used to imply 'equitable remuneration.' Ordinarily, employees who perform the same chores in any given organization tend to earn disparate, but fair, wages or salaries due to competence-based and/or periodic increments in their earnings, among a host of other factors.

119 The right to participate in unions is often flouted in countries like the United States where some employer-organizations have a formal 'non-union policy' forbidding employees from forming or joining labor unions. Besides, trade unionism and labor laws are, by and large, restrained in 'maquiladoras' or export processing zones (EPZs).

(c) *Exceptions and limitations*: the Declaration, however, acknowledges that each and every country's ability to honor some of the foregoing rights and freedoms depends on its resources and government structure. And, as stipulated in Article 29 [2] of the Declaration, every individual is subject to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others, and of meeting the just requirements of morality, public order, and the general socio-economic welfare of a democratic society.
(d) *Individuals' civil rights*: the 'civil rights' of individuals in particular countries reflect and/or amplify the rights and freedoms of individuals that are enshrined in the Universal Declaration of Human Rights, or the International Bill of Human Rights. They may include the following: the right to equal protection by the law; the right to vote; freedom of religion and worship; freedom of speech; freedom of the press; the right to privacy; freedom of assembly and association; and freedom from slavery and any other cruel, unsavory and dehumanizing forms of treatment.

The Ignored Rights

It is tempting to advocate the inclusion of a few additional rights to the International Bill of Human Rights which the architects of the Bill might not have deemed to be worthy of consideration as universal human rights during their time; these are: (a) the right to life-saving health care; (b) the right to unadulterated air, water, and surroundings; and (c) the right to consumer-related protection, including the rights cited elsewhere in this work.

3.5 Ecological Considerations

There is a pressing need for government leaders to seriously consider the environment in both the generation and implementation of socio-economic policies. Warford and Partow could not have been more precise in stating this imperative:

> Sound environmental management—far from being a luxury—is an essential ingredient for maintaining the natural resource base upon which most nations depend for their continued [socio-]economic development.[120]

Clearly, this, as the world's industrialized nations would probably attest, is a caveat African countries can afford to ignore only at their own peril. In the twenty-first century particularly, taking care of the environment should become part and parcel of our daily chores regardless of whether we define ourselves as institutional or individual members of society because, after all, we all have a stake in the state of the natural environment.

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120 Warford, J. and Partow, Z., 'Evolution of the World Bank's Environmental Policy,' *Finance and Development*, December 1989, p. 5.

This section is aimed at spelling out the need for individuals, organizations, and governments to incorporate environmental considerations in all their pursuits and endeavors; it is not intended to be a blueprint for resolving environmental issues and problems. However, an attempt is made in various parts of the section to suggest some of the prudent measures African countries need to consider in their effort to protect the fragile natural environment.

Stock of Natural Resources

As used in this book, the term 'natural resources' refers to any and all the elements that exist in nature which can be put to use by humans, such as plants, animals, minerals, air, water, and the soil.[121] Needless to say, this definition excludes all things that are either made or are deliberately altered in one way or another by human beings from naturally existing resources, such as crops, domesticated animals, dams, canals, and the like.

It is common knowledge that the planet Earth has limited resources; however, many societal members do not recognize this fact in their socio-economic pursuits and endeavors. They recklessly use the limited natural resources, deliberately ignoring the fact that society's future will be at stake once these resources are exhausted. For all the good reasons, we need to protect society's finite natural resources, and to use them wisely so that they can last from generation to generation; we need to both protect and utilize natural resources as skillfully as we do the financial, material, and other resources at our disposal. A decision to do otherwise is akin to a decision to 'kill the goose that lays the golden eggs,' so to speak.

Mr Kofi Annan, United Nations (UN) Secretary General, has articulately portrayed the enormity of the challenge we face in this regard as follows:

> We shall look culpably irresponsible in our grandchildren's eyes if we leave them a planet that is largely uninhabitable, or unable to sustain human life.[122]

There are two major threats to the longevity of natural resources and their ability to meet the needs of both present and future generations; these are: rampant natural resource wasting, and environmental pollution. A brief discourse of each of these two threats is provided in separate sub-sections immediately below.

Natural Resource Wasting

Both woodlands and grasslands in much of Africa today are under a very serious threat of destruction as a result of uncontrolled production of fuel wood, large-scale

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121 Adapted from Camp, W.G. and Daugherty, T.B., *Managing Our Natural Resources*, Second Edition (Albany, NY, 1991), p. 2.

122 Annan, Kofi, quoted in Bwalya, K., 'Annan Sets Prerequisites for Beneficial Globalization,' *The Post*, http://www.zamnet.zm/zamnet/post/, September 7, 2000.

production of charcoal, shifting cultivation systems, overgrazing, and/or reckless burning of the woodlands and grasslands. Wildlife, too, has become increasingly vulnerable to irresponsible human activities and insatiable greed. Some species of wildlife, for example, are at the verge of extinction due to widespread poaching for game meat, animal skins, and ivory. Moreover, the use of explosives and toxic herbs to kill fish in some rural communities poses a great threat to the existence of all forms of marine life in affected water bodies and channels.

By and large, rampant natural resource wasting in Africa today can be attributed to the high poverty levels on the continent;[123] the heightened poaching for game meat and the large-scale production of charcoal and fuel wood by local communities, for example, are generally a direct result of efforts by individuals to provide for their indigent families' subsistence.

Since all the environmentally destructive activities cited in the foregoing paragraphs are undertaken in biotic communities in which constituencies of plants, animals and numerous other living things interact with each other and create well-defined food chains, they inevitably disrupt the intricate ecosystems that sustain plants, wildlife, livestock, and humans. Clearly, this can lead to an imbalance in food chains—a situation which is likely to eventually result in overpopulation of some species of animals or plants in affected environments and the extermination of some other species.

Also, wanton wasting of woodlands and grasslands can expose the soil to extensive water and wind erosion and spawn the unpleasant possibility of hatching a man-made desert. The desert or arid conditions which are likely to be created through heightened soil erosion can, in the long run, culminate in scant rainfall, which in turn can lead to poor agricultural yields and a host of other unfavorable effects. It is, therefore, gratifying that member-countries of Africa's IGOs generally recognize the need for skillful conservation and rational use of gifts of nature, as implied by the following excerpt from a declaration by leaders of SADC member-countries:

> The exploitation and utilization of natural resources, especially land, water and minerals, will contribute to human welfare and development. However, such exploitation and utilization require good management and conservation to ensure that development does not reduce or impair the diversity and richness of the region's natural resources.[124]

The Problem of Pollution

Environmental pollution is mainly a by-product of human activities and is, as such, an inescapable problem in every human society. The situation portrayed in the ensuing

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[123] See Hanyona, S., 'High Poverty Levels Threaten Environmental Upkeep,' *Zambia Daily Mail*, http://www.dailymail.co.zm/daily/Daily-Mail/, October 23, 2000.

[124] Excerpted and adapted from 'Towards the Southern African Development Community: A Declaration by the Heads of State or Government of Southern African States,' *Southern Africa Political and Economic Monthly [SAPEM]*, August 1992, p. 29.

excerpt concerning the seriousness of atmospheric pollution in the United States is perhaps representative of the seriousness of environmental pollution in general in the industrialized world:

> Air pollution in American cities has accounted for an estimated 60,000 deaths per year, making it one of the nation's top killers, according to researchers … [t]he risk of death is greatest among the elderly and people with lung and heart disease.[125]

In African countries, too, environmental pollution has become a very serious problem despite the relatively lower levels of commercial, industrial and recreational activities undertaken in such countries. The problem portrayed in the following narrative of an incident reported in an article published in a Zambian newspaper in 1986 provides a typical example of the seriousness of environmental pollution in Africa today:

> Scores of Ndola city residents swarmed the Kafubu River near Dag Hammerskjoeld Stadium to gather floating fish poisoned by effluent discharge from a local chemical plant. Some of the residents made roaring business by selling the poisoned fish to unsuspecting motorists and pedestrians using Dag Hammerskjoeld Drive. The floating fish provoked fear among most residents who felt that water from the municipal water works was no longer safe to drink because of the poisonous effluent.[126]

Environmental pollution can, no doubt, cause untold suffering and disease if it is ignored. The earlier and more concertedly it is attended to, therefore, the higher the chances of controlling it to tolerable levels. If it is left to increase in volume, it can become excessively expensive and difficult to contain. Porter has articulated this crucial point in the following words: 'We need new policies, technologies, and processes that prevent or minimize [the generation of] pollution … in the first place.'[127]

There is, no doubt, a symbiotic relationship between pollution and profits since economic units naturally find it not only laborious but uneconomic to plow financial outlays into pollution prevention or reduction; but it should be remembered that the very high profit margins sought will destroy humanity if economic units and other institutional and individual members of society are negligent and/or do not plan adequately for pollution control.[128]

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[125] Excerpted from 'Pollution Linked to 60,000 Deaths,' *The Denver Post*, May 13, 1991, p. 2A.

[126] Excerpted and adapted from 'Poisoned Fish Rush On,' *Times of Zambia*, October 6, 1986. Initially used in a case study entitled 'Contaminated Manna' in Kyambalesa, Henry, *Business and Social Demands* (Lusaka, Zambia, 1990), pp. 16–17.

[127] Excerpted from Porter, J.W., 'Cutting Pollution at the Source,' *The Christian Science Monitor*, July 1, 1991, p. 18.

[128] Adapted from 'Zambia Should Tackle Pollution—Now,' *Sunday Times of Zambia*, November 10, 1985.

In the remainder of this section, an attempt is made to provide a brief description of the major forms of environmental pollution which present a threat to the ability of the biotic community in which we live to meet the needs of both present and future generations—that is, human-induced pollution (including air, water and solid-waste pollution) and natural pollution.

Human-induced pollution

There are basically three forms of human-induced pollution; these are: *air pollution*, *water pollution*, and *solid-waste pollution*. The first form of pollution, that is, air pollution, includes such pollutants as carbon monoxide, sulfur oxides, hydrocarbons, nitrogen oxides, bad odors, and various kinds of minute particles. The major sources of these and other air pollutants are automobiles, factories, industrial plants, refuse incineration, bush fires, and domestic fires.

There are many ways in which air pollution can be controlled, including the following:

(a) designing automobiles and machines that do not produce air pollutants in excessive amounts, such as by using such energy sources as natural gas and/or electric power as alternatives to gasoline;
(b) avoiding indiscriminate and unnecessary burning of bushes, forests, and waste materials;
(c) disposing of waste foodstuffs and dead animals away from inhabited areas to prevent bad odors; and
(d) enactment of tougher pieces of legislation against irresponsible contamination of the atmosphere.

Water pollution, the second form of human-induced pollution, is mainly caused through discharges of sewage and industrial wastes into water bodies and channels. In practically all urban communities of the developing world today, water has become so polluted that the health of aquatic life, livestock, and humans is seriously threatened. The following are some of the viable ways in which water pollution can be controlled:

(a) channeling polluted effluents into specially made pits or dams secluded from humans, livestock, and wildlife;
(b) installation of treatment plants designed to make polluted effluents harmless before they can be channeled into commonly used water ways; and
(c) institution of stiff fines for intentional discharge of harmful wastes into water bodies or channels.

The third form of human-induced pollution, that is, solid-waste pollution, is largely a culmination of discarded products or parts of products, including broken and non-reusable bottles, metal cans, plastic sacks and containers, newspapers, and automobile parts and bodies. In communities where the collection of garbage is not done on a regular basis, solid wastes have turned otherwise scenic surroundings into eyesores.

A viable and long-term solution to the problem of solid-waste pollution is regular collection and recycling of all forms of solid waste. For example, plastics, discarded metals and paper wastes can be collected and recycled into usable raw materials. Another feasible solution to the problem of solid wastes is the production of biodegradable products. Moreover, making reusable products and parts of products can greatly contribute to the mitigation of solid wastes.

For example, containers can be designed in such a way that they can be used for other purposes once their original contents are exhausted. Junk yards are certainly not a viable solution to the problem of solid-waste pollution because they, among other reasons, take up areas that need to be reserved for other more worthwhile purposes.

Natural pollution

Mother Nature, as Davis and Frederick have pointed out,[129] also pollutes the air, water, and surroundings; the following are good examples:

(a) whirlwinds and cyclones toss dust and debris into the air;
(b) volcanic eruptions spread lava over scenic landscapes;
(c) tsunamis and earthquakes; and
(d) the pollution of water courses with the decaying bodies of wild animals (making the water unfit to drink).

Controlling environmental pollution caused by Mother Nature is generally a more arduous task—how can whirlwinds or the dust and debris they toss into the air, for example, be controlled? How can volcanic activity be subdued? And how can society reduce natural greenhouse gas emissions without jeopardizing the livelihood of biotic communities?

There are, of course, some forms of natural pollution that can be easily controlled; for example, squirrels might be culled, or the trees they affect by stripping the bark treated so that they survive and maintain the balance in a locale's ecosystem.

Caring for the Environment

A century ago, the late Theodore Roosevelt summed up the fundamental reason for taking extra care of the environment in the following words: 'The conservation of our natural resources and their proper use constitute the fundamental problem which underlies almost every other problem of our … li[ves].'[130] Today, the need for zealous

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129 See Davis, K. and Frederick, C.W., *Business and Society: Management, Public Policy Ethics* (New York, 1984), p. 362.

130 Roosevelt, Theodore, 26th United States president (1901–1909), quoted in Mahoney, C.L., *Managing America's Natural Resources*, revised edition (Englewood, Colorado, 1982), p. iii.

efforts to protect the environment is perhaps even more apparent than it was both before and during Mr Roosevelt's time.

As a recent study conducted under the auspices of the Worldwatch Institute has revealed, the rate of environmental degradation worldwide has continued to increase over time; the Institute's president, Lester Brown, has tersely portrayed this aspect of the findings of the study as follows: '[R]obust world economic growth is outpacing … [improvements] in the [state of the] ecosystem on which it depends.'[131]

To be able to succeed in caring adequately for the fragile natural environment, African countries need to do the following: adopt a proactive strategy, require organizations to identify potential environmental impacts of their operations and clearly specify ways in which the impacts are to be managed to tolerable levels, create an environmental watchdog, introduce environmental education, and, among a host of other things, seek cooperative efforts in dealing with environmental issues and problems. A brief discussion of each of these imperatives follows.

Alternative strategies

Environmental issues and problems are a common phenomenon in every society today. However, governments do not respond to such issues and problems in a similar manner; while some governments have elaborate systems for anticipating environmental issues and problems and devising ways and means of resolving them before they become serious, other governments wait for such issues and problems to surface and reach crisis levels and then set out to resolve them. Apparently, there are also governments that neither anticipate environmental issues and problems nor take measures to resolve such issues and problems when they reach a crisis level.

The three different ways in which national governments may respond to environmental issues and problems cited above can be conveniently designated as policy alternatives as follows: proactive policy, reactive policy, and do-nothing policy.[132] Given the enormity of the environmental challenge, a government that responds to environmental issues and problems in a non-proactive manner would be doing a disservice to its respective country's present and future generations.

Environmental impact statements

Each and every organization affects the physical environment in which it operates in one way or the other; it is, therefore, essential for a government to require all organizations operating within its country's borders to include an environmental impact statement in their business plans or corporate charters. The statement should incorporate the following, among other things:

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131 Brown, L., quoted in Briscoe, D., 'World Energy Use at Record Levels, Study Reports,' *The Denver Post*, May 25, 1997, p. 7A.

132 A country may be said to have adopted a 'do-nothing,' 'reactive,' or 'proactive' policy purely on the basis of how it responds to environmental issues and problems irrespective of its stated policy, if any.

(a) identification of potential impacts of their operations on the environment; and
(b) a description of measures they are geared to take in managing these impacts to tolerable levels.

Organizations need to view such a requirement in positive terms and strive to make their operations as environmentally benign as possible. Woolard, an American executive, has prescribed a prudent and responsible business response to the environmental challenge:

> The real environmental challenge is not one of responding to the next regulatory proposal … our continued existence … requires that we excel in environmental performance and that we enjoy the non-objection—indeed even the support—of the people and governments in societies where we operate around the world.[133]

Environmental watchdog

Recognition of the pressing need to curb further human-induced deterioration in the quality of the natural environment has prompted a lot of countries to create national environmental watchdogs and charge them with the responsibility for superintending the process of protecting the fragile environment from destruction; but given the sheer necessity for such a body, no country is going to afford to do without it in the twenty-first century.

Environmental education

More than ever before, African countries need to include subjects or courses of study aimed at sensitizing their citizens to environmental issues and problems in the curricula of all educational and vocational training institutions. To be really effective, such education needs to be interdisciplinary in nature; in other words, it needs to be aimed at preparing a country's citizens to be:

(a) knowledgeable about the interrelatedness of biophysical and socio-cultural environments of which humans are a constituent part;
(b) aware of environmental issues and problems and of viable alternatives in resolving the issues and problems; and
(c) motivated to work voluntarily toward the protection and improvement of the fragile natural environment.[134]

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133 Woolard, E.S., quoted in Hocker, P.M., 'No Mine Is An Island: The Mining Industry Amid Environmental Expectations,' a paper prepared for the 1990 John M. Olin Distinguished Lectureship Series in Mineral Economics, organized by the Mineral Economics Department, Colorado School of Mines, Golden, Colorado, April 26, 1990, p. 8.

134 Adapted from Roth, R.E., 'Conceptual Schema in Environmental Management Education,' in Cook, R.S. and O'Hearn, G.T., eds, *Processes for a Quality Environment* (Green Bay, WI, 1971), p. 21; and Mowbray, T., 'Reaction,' in Cook, R.S. and O'Hearn, G.T., eds, ibid., p. 31.

Cooperative efforts

While all individuals and institutions in a country or regional economic bloc should be obliged to tackle the pollution they directly generate, there is a need for the creation of a partnership by the business community, non-profit organizations, and both national and regional governments to deal with environmental issues and problems for which no single organization or societal member can be held responsible.

Ideally, such a partnership should, among other things, be based on voluntary self-help, that is, without any undue reliance on any of the cooperating institutions.

3.6 A Summing-Up

In this chapter, we have discussed the fundamental challenges and imperatives which government leaders in the African Union need to consider in order to enhance the viability of their economic groupings, including the following: the need for skilled human resources, the need to create competitive business systems, the necessity of enacting enforceable and stringent pieces of legislation relating to both consumer and labor issues, the need for sustained peace and stability, and environmental stewardship.

Chapter 4

Regional Economic Groupings

African countries have never constituted a homogeneous whole, not even before the spiteful era of European colonialism; significant disparities—in terms of their levels of economic development, as well as their demographic situation—have always existed among them. Besides, such factors as geographic location, climatic conditions, and natural resource endowments have also placed African countries on different scales of the world economy.[1]

Prior to European colonization, most African economies were of a subsistence nature. During the colonial era, however, they evolved into 'money economies' on the fringes of the world capitalist economy, and eventually became punctuated by marked disparities that did not and could not disappear after independence.[2] Given the generally pathetic state of their national economies during this era, most African countries realized at the outset of their independence that the survival of their national economies in a harsh capitalist global environment required some form of economic integration.[3]

In the pursuit of economic integration as a major strategy for promoting intra-regional trade and accelerating both structural transformation and socio-economic development,[4] several inter-governmental organizations (IGOs) were established, including such regional groupings as the Preferential Trade Area (PTA) for Eastern and Southern Africa (later transformed into the Common Market for Eastern and Southern Africa, or COMESA), the Southern African Development Coordination Conference (now referred to as the Southern African Development Community, or SADC), and the Economic Community of West African States (ECOWAS).

4.1 The Economic Groupings

In this section, let us briefly survey the institutional frameworks and goals and purposes of the regional groupings cited above. Other groupings discussed in the

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1 Suranyi, S., 'The Differentiation Process in the Economies of Black Africa,' *Development and Peace*, Vol. 5, No. 1, Autumn 1984, p. 185.

2 Ndongko, W.A., 'Trade Liberalization within the Setting of Multi-Membership in African Regional Groupings: Problems and Prospects,' *Development and Change*, Vol. 6, No. 2, Autumn 1985, p. 50.

3 Ndongko, W.A., ibid., p. 50.

4 UNECA, *Economic and Social Survey of Africa: 1994–1995* (Addis Ababa, Ethiopia, 1995), p. 179.

section include the Franc Zone, the Conseil de l'Entente, the Arab Maghreb Union (AMU), the Organization Commune Africaine et Malgache (OCAM), and the African Economic Community (AEC).

The COMESA

Goals and purposes

The Common Market for Eastern and Southern Africa (COMESA) grew out of the Preferential Trade Area for Eastern and Southern Africa (the PTA). The PTA was founded in 1981 with the primary goal of improving commercial and economic cooperation within the eastern and southern African region. According to the PTA protocol, the aim of the inter-governmental organization (IGO) was to promote cooperation and development in all fields of economic activity, particularly in the field of trade, customs, industry, transport, communications, agriculture, natural resources, and monetary affairs in order to ultimately raise the standard of living of peoples living within the region.

Apparently, the PTA was also intended to foster closer relations—including relations in cultural, political and other spheres of human endeavor—among its member-countries, and to contribute to the progress and development of the African continent. Under Article 29 of the PTA Treaty, it was planned that appropriate steps would be taken to convert the PTA into a common market, and eventually into an economic community.[5]

The PTA Treaty called for a regional approach in the fields of transport and telecommunications, industrial development, agricultural development, trade documentation and procedures, standardization and quality control of goods, customs clearance and payments arrangements, and information exchanges among private and public institutions on matters of mutual interest.[6]

To accomplish its goals, the PTA counted on the protocol on customs and trade matters, the PTA Clearing House, and the PTA Trade and Development Bank. In December 1983, member-countries agreed to draw up a list of commodities to be freed from customs tariffs and to appoint the Reserve Bank of Zimbabwe to run a clearing house for all financial transactions within the economic region, and providing for member-countries to conduct bilateral trade in their own national currencies.

The strategic role of small-scale enterprises in rural development was widely accepted and was evidenced by the creation of specialized institutions for small business undertakings, and special rural development programs in virtually all member-countries. While the overall objective of the PTA was to integrate the economies of its member-countries, one would be wise not to be under the illusion

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5 Ng'andwe, C., 'Financial Integration and Development in SADCC and PTA Countries,' in Amin, S., Chitala, D. and Mandaza, I., eds, *SADCC: Prospects for Disengagement and Development in Southern Africa* (London, 1987), p. 191.

6 Ng'andwe, ibid., p. 192.

that this goal could be reached easily. Initially, there were bound to be problems of trade diversion, among other things, that could only be absorbed by member-countries through well-conceived and practical measures by the regional bloc.

Underscoring the trade diversion problems and their potential impact on the efficacy of the cooperative spirit, and especially the need to proceed with caution, the PTA Secretary-General, Dr Bax Nomvete, said:

> The creation of an integrated sub-regional economy, if it is to be achieved at minimum political and economic cost, has to be approached in stages. Undue haste will be counter-productive. Each of the participating states has to be convinced of the benefits it will derive from the integration process.[7]

Since the PTA was originally conceived as a transitional phase to an economic community, member-countries decided in 1993 to shift gear and create a common market—the Common Market for Eastern and Southern Africa (COMESA). In November 1993, member-countries signed a new treaty, which ushered in the COMESA. After 12 ratifications, the treaty came into effect, culminating in the official birth of COMESA.

As a successor of the PTA, COMESA was to accelerate and strengthen the process of economic integration. Through full liberalization of trade, including the elimination of non-tariff trade barriers, COMESA heads of state planned to establish a free-trade area by 2000—and they did so in October 2000.

Evidently, free movement of goods, services and capital within the COMESA region is crucial to the success of the organization. During their April 1997 meeting held in Lusaka, Zambia, COMESA heads of state agreed to establish a common external tariff by 2004, hoping to see a regional customs union become effective, with a zero tariff on commodities traded within the economic bloc. Ultimately, COMESA intends to formulate a common investment procedure to promote domestic, cross-border, and foreign direct investment (FDI).

Member-countries in the COMESA region as follows: Angola, Burundi, the Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.[8]

Institutional framework

COMESA's institutional framework or structure consists of the following organs: (i) the Authority; (ii) the Council of Ministers; (iii) the Court of Justice; (iv) the Secretariat; and (v) the Commission, the committees, and such other technical and specialized organs that are necessary to the attainment of the regional bloc's goals and aspirations. The Authority is the supreme policy organ of COMESA; it is composed of member-countries' heads of state or government. The Council of Ministers,

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7 Ngandwe, ibid., p. 193.

8 Lesotho and Tanzania pulled out of the COMESA bloc in 1997 and 2000, respectively.

which monitors the activities of the regional bloc, including the supervision of the Secretariat, is composed of government ministers of member-countries; through regular submissions of reports to the Authority, it recommends policy direction and development initiatives deemed to be essential to the success of COMESA.

The Court of Justice, which was created to replace the PTA Tribunal, is granted the authority to settle disputes between and among member-countries, and to adjudicate on issues related to the interpretation of the COMESA Treaty. The regional bloc's administrative functions are the preponderance of the Secretariat.

The SADC

Goals and purposes

The Southern African Development Community (SADC) was first known as the Southern African Development Coordination Conference (SADCC), a regional economic organization set up in the late 1970s to harmonize plans and to reduce the region's economic dependence on the Republic of South Africa.[9] The initial launching of SADCC was held at Arusha, Tanzania, in July 1979. The original members—that is, Angola, Botswana, Mozambique, Tanzania, and Zambia—were joined later by the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Namibia, Seychelles, the Republic of South Africa, Swaziland, and Zimbabwe.

The commitment to economic integration and regional development seemed evident when founding member-countries adopted the Lusaka declaration in April 1980. Entitled 'Southern Africa: Towards Economic Liberation,' the declaration, together with a program of action, assigned specific tasks to each member-country, and steps were taken for a periodic review of progress in the execution of the assigned tasks.

The declaration acknowledged the humiliating status of dependence which countries in the Southern African region were subjected to in their economic relations with the Republic of South Africa; according to the terms of the document:

> Southern Africa is dependent on the Republic of South Africa as a focus of transport and communications, as an exporter of goods and as an importer of goods and cheap labor. The dependence is not a natural phenomenon nor is it simply the result of a free market economy. The nine states and one occupied territory of Southern Africa … were, in varying degrees, deliberately incorporated—by metropolitan powers, colonial rulers and large corporations—into the colonial and sub-colonial structures centering in general on the Republic of South Africa.
>
> The development of national economies as balanced units, let alone the welfare of the people of Southern Africa, played no part in the economic integration strategy. Not surprisingly, therefore, Southern Africa is fragmented, grossly exploited and subject to economic manipulation by outsiders. Future development must aim at the reduction of

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9 Mkandawire, T., 'Dependence and Economic Cooperation: The Case of SADCC,' in Hansen, E., ed., *Africa: Perspectives on Peace and Development* (London, 1987), p. 160.

economic dependence not only on the Republic of South Africa, but also on any single external state or groups of states.[10]

SADCC had an annual meeting attended by heads of state and government, or their representatives. At the ministerial level, meetings were held twice a year to deal with different issues in order to generate sound regional policies and eventually enable the regional bloc to accomplish its objectives.

While SADCC was geared towards economic independence for member-countries from the Republic of South Africa, it was felt that a different strategy was needed in order for their common goal to be attained. To be a positive agent of economic liberalization and integration in the region, SADCC had to go beyond 'sectoral programming;' as a policy, sectoral programming limited itself to a particular sector of activity in order to deepen rather than widen the integration movement.[11]

To assume greater control over the creation and allocation of surplus and the power to make decisions on matters that affected their societies, member-countries decided to change the objectives of their regional organization. On August 17, 1992, the member countries signed a treaty establishing the Southern African Development Community (SADC), in lieu of the SADCC. The aim of the new institution was to promote economic integration towards a fully developed common market. The goals, as stipulated in the Treaty, are the following:

(a) greater economic cooperation and integration, on the basis of balance, equality and mutual benefit, providing for cross-border investment and trade, and freer movement of factors of production and goods and services across national boundaries;
(b) common economic, political and cultural values and systems, enhancing enterprise competitiveness, democracy and good governance, respect for the rule of law and human rights, popular participation, and the alleviation of poverty; and
(c) strengthened regional solidarity and enhanced peace and security, in order for the people of the region to live and work in harmony.

Institutional framework

Apart from the administrative organs inherited from SADCC, the SADC has a Standing Committee of Officials normally consisting of ministers of economic planning and/or finance. The Committee acts as the technical advisory body to the Council of Ministers. It meets at least once a year. Members of the Committee also act as contact points for member-countries on important issues and matters relating to the SADC.

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10 Amin, S., Chitala, D., and Mandaza, I., 'Introduction,' in Amin, S., Chitala, D., and Mandaza, I., eds, *SADCC: Prospects for Disengagement and Development in Southern Africa*, p. 9.

11 Chitala, D., 'The Political Economy of the SADCC and Imperialism's Response,' in Amin, S., Chitala, D. and Mandaza, I., eds, *SADCC: Prospects for Disengagement and Development in Southern Africa*, ibid., p. 13.

The ECOWAS

Goals and purposes

The Economic Community of West African States (ECOWAS) was established in May 1975 through the Treaty of Lagos to promote trade, cooperation and self-reliance in West Africa. According to the Treaty, ECOWAS was designed to improve the standard of living of the member-countries' populations, to increase and maintain economic stability, to ameliorate relations among member-countries, and to contribute to the progress and development of Africa in general, and of West Africa in particular.[12]

The 15 ECOWAS member-countries are as follows: Benin, Guinea, Niger, Burkina Faso, Guinea-Bissau, Nigeria, Cape Verde—which joined the IGO in 1977, Liberia, Senegal, Côte d'Ivoire, Mali, Sierra Leone, the Gambia, Togo, and Ghana.[13]

To be fair, the Treaty provides for compensation to member-countries whose import duties may be reduced through trade liberalization, and also contains a clause allowing safeguard measures in favor of any country affected by economic disturbances due to the application of the Treaty.[14]

In an effort to accomplish their goals, ECOWAS member-countries agreed to abolish all obstacles to the cross-border dispensation of services and the free movement of people and capital, and to promote the harmonization of agricultural policies through common marketing and research and development (R&D) activities, the pursuit of joint development and industrial policies, elimination of disparities in levels of socio-economic development, and adoption of common monetary policies.

Institutional framework

ECOWAS' administrative framework is composed of the Conference of Heads of State and Government, the Council of Ministers, the Tribunal, the Executive Secretary, Specialized Technical Commissions, and the ECOWAS Fund for Cooperation, Compensation and Development (the Fund). Set up originally to meet annually, the Conference, the highest authority of ECOWAS, monitors and coordinates the activities of the Community.

The chairmanship of the Conference rotates among West African heads of state or government. In August 1997, ECOWAS heads of state and government, concerned about the sluggish economies of member-countries, agreed to make the Conference a twice-a-year event in an effort to urgently redress existing and potential socio-economic issues and problems.

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12 Martin, G., 'Regional Integration in West Africa: The Role of the Economic Community of West African States (ECOWAS),' in Hansen, E., ed., *Africa: Perspectives on Peace and Development* (London, 1987), p. 171.

13 Mauritania withdrew from ECOWAS in December 1999; for details, see *Africa Research Bulletin: Political, Social and Cultural Series*, 'Mauritania: Withdrawal from ECOWAS,' Vol. 37, No. 1, January 1–31, 2000, p. 13822.

14 Ndongko, W.A., 'Trade Liberalization within the Setting of Multi-Membership in African Regional Groupings: Problems and Prospects,' *Development and Change*, p. 60.

The Council includes two representatives from each member-country; its chairpersons are drawn from member-countries on a rotational basis. Like the Conference, the Council meets twice a year, and is in charge of the actual running of the regional bloc.

Aware of the economic and political differences among member-countries (partly occasioned by the advent of colonization), the regional bloc's heads of state agreed to provide for an ECOWAS Tribunal. With a composition and *modus operandi* determined by the Conference, the Tribunal is empowered to interpret the Treaty, and to resolve disputes between and/or among member-countries.

The implementation of ECOWAS' decisions, the follow-up of ongoing projects, and the routine administrative functions rest with an Executive Secretary. Elected for a four-year term, and renewable only once, the Executive Secretary contributes tremendously to the overall achievements of the regional organization.

In order to deal with the problems within the Community, the Treaty has set up eight commissions to guarantee an adequate examination of the issues and problems West African countries need to wrestle with in their quest for heightened socio-economic development. These commissions are designated as follows: Food and Agriculture; Industry, Science and Technology, and Energy; Environment and Natural Resources; Transport, Telecommunications, and Tourism; Trade, Customs, Taxation, Statistics, and Money and Payments; Political, Judicial and Legal Affairs, Regional Security, and Integration; Human Resources, Information, and Social and Cultural Affairs; and Administration and Finance.

The ECOWAS Fund for Cooperation, Compensation and Development aims at financing regional projects and joint training of personnel. The Fund is administered by a Board of Directors, with a Chief Executive or Managing Director, who holds office for a renewable term of four years. In 1988, agreements were reached with the African Development Bank and the Islamic Development Bank on joint financing of Community projects. Talks are currently under way to open up the Fund's financial resources to non-regional capital.

In 1991–1992, the Community's Committee of Eminent Persons drew up a revised treaty for ECOWAS. The new treaty was signed in Cotonou, Benin, in July 1993. According to the new constitutional document, heads of state or government expanded their vision for the region beyond economic and political cooperation to include the creation of a common market and a single currency within the region.

The new treaty also envisaged the creation of a West African Parliament, an Economic and Social Council, and an ECOWAS Court of Justice to replace the Tribunal. The new charter reinforced the prevention and settlement of regional conflicts by the Community. To deter and reduce criminal activities within the Community, a convention was adopted at the 1994 Abuja meeting in Nigeria to facilitate the extradition of non-political offenders.

The revised ECOWAS treaty incorporated a separate provision for regional security, requiring member-countries to strive towards the maintenance of peace, stability and security. This specific provision came as a clear sign that ECOWAS was going to be more involved in the Liberian civil war.

Since 1989, a severe civil war had been devastating Liberia, while generating serious economic, political and social disturbances within the ECOWAS region. Although the ECOWAS Monitoring Group (ECOMOG), which was set up in July 1990, was already in action in Liberia attempting to enforce a cease-fire and restore public order when the 1975 Treaty of Lagos was revised in 1991/92, the 1993 provision allowed the Community to shift gear and use all means necessary to accomplish its mission in the country. After several years of sacrifice, both in terms of human lives as well as material losses, ECOMOG managed to engineer peace in Liberia through the country's 1997 transparent presidential elections, the outcome of which was accepted by all parties involved in the drama.

Unfortunately, ECOMOG's mission is far from over; Liberia's neighbor, Sierra Leone, is engulfed in a costly civil war resulting from disputes over control of both political power and diamond mining areas. Since the dethronement of Mr Ahmed Tejan Kabbah, a democratically elected president, Sierra Leone has been overwhelmed by civil strife that has claimed the lives of hundreds of civilians, including innocent children.

After several failed attempts to reach a political settlement, ECOWAS managed to bring the warring parties to the table of negotiation in Lomé, Togo, on July 7, 1999. However, the last ditch efforts in Lomé blew up in tatters in May 2000 when Foday Sankoh's Revolutionary United Front resumed its exactions against civilian populations. With the lives of UN peacekeepers at stake, both the United States and United Kingdom became involved in an effort to rescue the country from the unfolding tragedy.

Other prospects considered at the 1999 Lomé summit included the following: assurance of food security, establishment of electricity networks, construction of a gas pipeline, and greater private-sector involvement in socio-economic development. There have also been talks regarding the formation of a West African Airline (ECO Air), introduction of an ECOWAS passport to further accentuate the citizenship of the regional bloc's peoples, and creation of a second monetary zone in 2003 and a single currency in 2004.[15]

As ECOWAS celebrated its silver jubilee in May 2000, however, its scorecard showed important accomplishments—such as the free movement of people, the creation of a free trade zone, introduction of the ECOWAS travel certificate, harmonization of customs documents, trade formalities and regulations, and the removal of tariff trade barriers among member-states. But as *West Africa* has observed, there is still a great deal of effort needed to 'establish an economic union that would raise the living standards of its peoples, ensure economic growth, foster greater relations among member-states, and contribute to the progress and development of Africa.'[16]

15 *West Africa*, ibid.

16 'ECOWAS: A Sure Step at 25,' *West Africa*, May 25–June 4, 2000, p. 35.

The Franc Zone

Goals and purposes

The main preoccupation of France during the administration of French West Africa (Afrique Occidentale Française, or AOF) was the development and exploitation of economic resources.[17] Forced by different precarious circumstances, France had to leave her 'beloved' colonies. However, the departure did not take place without measures to perpetuate the colonial habits and advantages France enjoyed for so long. It is the tradition of (mis)using Africa's resources that dictated the creation of the Franc Zone.

The continued existence of the Franc Zone, several decades after the independence of the member-countries, has long been a puzzle to those who are not familiar with France's post-colonial policies. Claiming historical links and geographical proximity to the continent, French officials have always placed Africa within France's traditional sphere of influence.[18] As the French version of the Monroe Doctrine, Francophone Africa is perceived by French officials as a natural preserve ('domaine réservé' or 'pré-carré'), off limits to other foreign powers.[19]

The Franc Zone is a form of monetary cooperation that embraces all those countries and groups of countries whose currencies are tied to the French franc at a fixed rate of exchange. The member-countries agreed to hold their reserves mainly in the form of French francs and to execute their exchange on the Paris securities market. Each member-country has its own issuing central bank, and its currency is freely convertible into French francs. In what was and is still viewed by many essentially as a relationship between unequal partners,[20] Francophone African countries have continued to be at the financial and monetary mercy of their former metropole.

Currently, member-countries which constitute the Franc Zone include the following: Benin, Burkina Faso, Cameroon, the Central African Republic, Chad, the Comoros, Côte d'Ivoire, Equatorial Guinea, Gabon, Guinea-Bissau, Mali, Niger, Republic of the Congo, Senegal, and Togo.

What the member-countries have in common is the franc CFA, designed by the French authorities during the colonial era to be used in African colonies. While the abbreviation 'CFA' stood for Colonies Françaises d'Afrique (French African Colonies) during the pre-independence era, it changed to Communauté Financière Africaine

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17 Andereggen, A., *France's Relationship with Sub-Saharan Africa* (Westport, CT, 1994), p. 8.

18 Schraeder, P.J., 'African International Relations,' in Gordon, A. and Gordon, D., eds, *Understanding Contemporary Africa* (Boulder, CO, 1996), p. 145; also see Wauthier, C., *Quatre Présidents et l'Afrique: De Gaulle, Pompidou, Giscard d'Estaing, Mitterand* (Paris, 1995).

19 Martin, G., 'Francophone Africa in the Context of Franco-African Relations,' in Harbeson, J.W. and Rothchild, D., eds, *Africa in World Politics* (Boulder, CO, 1995), p. 168.

20 Andereggen, *France's Relationship with Sub-Saharan Africa*, p. 113.

(African Financial Community) during the post-independence era. However, its main objective has essentially remained unaltered, since it has continued to allow a great deal of control and influence by France over the economies of the Zone's member-countries.

To reiterate, national currencies of members of the Franc Zone are freely convertible into the French franc at a fixed rate. The convertibility is fully backed by the French treasury that also provides the issuing central banks with overdraft facilities. Although the monetary reserves of the CFA countries are held in French francs in the French treasury—both the Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) for Francophone West Africa and the Banque des États de l'Afrique Centrale (BEAC) for Francophone Central Africa—are authorized to hold up to 35 per cent of their foreign exchange holdings in currencies other than the French franc.

Pegging the CFA franc to the French franc helps stabilize the national currencies of Franc Zone member-countries and greatly facilitates the flow of exports and imports between France and the member-countries. Besides, it contributes to the prevention of black marketeering in currencies, parallel economies, and overvalued currencies. Moreover, it has maintained France as the main trading partner with all her former colonies, and makes it possible for French investments to pour into the economies of member-countries.

However, the Franc Zone imposes strict monetary and financial regulations on member-countries.[21] Also, the relationship has other disadvantages in that financial problems in France inadvertently affect Franc Zone member-countries. When the French government instituted exchange controls in 1968 to protect the country's currency, for instance, Franc Zone member-countries were compelled to take similar action in order to maintain free convertibility of currencies within the Zone.

In 1969, the CFA franc was devalued as a result of the devaluation of the French franc. Since 1973, the French authorities have ceased to maintain an artificial rate between the franc and the US dollar. Consequently, the value of the franc CFA has fluctuated on foreign exchange markets in line with the French franc.[22]

Following lengthy negotiations, devaluation within the Franc Zone was agreed to by CFA central banks and the Comoros' central bank in January 1994. The CFA franc was devalued by 50 per cent, and the Comoros' franc by 33.3 per cent. CFA-countries were obliged to embark on programs of economic adjustment, including restrictive fiscal and wage policies and other monetary, structural and social measures designed to stimulate growth and to ensure eligibility for development assistance from the World Bank and the IMF.

France established a special development fund to alleviate the immediate socio-economic consequences of the devaluation and, among other relief measures, provided for cancellations of debts owed to it by Franc Zone member-countries.

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21 Andereggen, ibid., p. 115.

22 Currently, France guarantees exchanges between the CFA franc and the euro, which France adopted as legal tender on January 1, 2002.

Institutional framework

During the colonial era, two Instituts d'Émission (Central Banks) were established to issue and control the money within French West Africa and French Equatorial Africa (AOF and AEF). Operations accounts were opened at the French treasury, allowing France and her Banque de France to guarantee the CFA currencies.[23] During the post-independence era, all what has changed is the replacement of the Instituts d'Émission with the Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) for Francophone West Africa, and the Banque des États de l'Afrique Centrale (BEAC) for Francophone Central Africa.

The Comoros has maintained its own central bank (Banque Centrale des Comores), and the Overseas departments and Territories have an Institut d'Émission des Départements d'Outre-Mer (IEDOM), and an Institut d'Émission d'Outre-Mer (IEOM).

Regional sub-groups

Within the Franc Zone, there are other regional sub-groups, whose mission is to contribute to the socio-economic advancement of countries in their sub-regions. The main ones are Union Économique et Monétaire Ouest-Africaine (UEMOA) and Union Douanière et Économique de l'Afrique Centrale or Customs and Economic Union of Central Africa (UDEAC). A brief description of these two sub-groups of the Franc Zone follows:

(a) UEMOA was founded in 1994 to replace the Communauté Économique de l'Afrique de l'Ouest (CEAO)—or West African Economic Community—created in 1974, in lieu of the Union Douanière et Économique de l'Afrique de l'Ouest—UDEAO, or West African Customs and Economic Union. UEMOA was set up to promote regional monetary and economic convergence, and to improve regional trade by facilitating the movement of labor and capital among member-countries.

At their first meeting held in May 1996 in Ouagadougou, Burkina Faso, the heads of state of UEMOA decided to establish a customs union from January 1998. They also agreed on a preferential tariff scheme designed to reduce or eliminate customs duties on most commodities produced and traded within the Community. Besides, a community solidarity tax of 0.5 per cent was imposed on all non-community goods in order to strengthen UEMOA's capacity to promote the integration of the economies of cooperating countries.

The current UEMOA member-countries are as follows: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

(b) UDEAC was formed in 1966 through the Brazzaville Treaty (revised in 1974), with the goals of creating a customs union, promotion of free trade among member-countries, and initiation of a common tariff on imports from nonmember-countries. UDEAC has a common code for investment policy and a Solidarity Fund to

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[23] Andereggen, ibid., p. 114.

counteract regional disparities in levels of wealth and economic development. The sub-region's priority areas include transport and telecommunications, agriculture, industry, joint research, food security, and the environment.

UDEAC member-countries are as follows: Cameroon, the Central African Republic, Chad, Equatorial Guinea, Gabon, and Republic of the Congo.

In December 1981, UDEAC member-countries agreed in principle to create an economic bloc, that is, the Communauté Économique des États d'Afrique Centrale (CEEAC)—or Economic Community of Central African States—that would include other central African countries like Burundi, Rwanda, Sao Tomé and Príncipe, and the Democratic Republic of Congo (formerly Zaire).

In March 1994, UDEAC member-countries signed a treaty to create the Communauté Économique et Monétaire en Afrique Centrale (CEMAC)—that is, Economic and Monetary Community of Central Africa—to promote the process of sub-regional integration within the framework of an economic union and a monetary union.

Two of the oldest regional groupings in Francophone Africa worth mentioning here are the Conseil de l'Entente and the Organization Commune Africaine et Malgache (OCAM). Founded on the eve of member-countries' independence in 1959, the Conseil de l'Entente is a political and economic association of the following states of the former French West Africa: Dahomey (now Benin), Upper Volta (now Burkina Faso), Ivory Coast (now Côte d'Ivoire), and Niger. A fifth member, Togo, joined in 1966. Besides the Council, the regional organization relies on the 'Fonds d'Entraide et de Garantie des Emprunts,' or 'Mutual Aid and Loan Guarantee Fund.'

The Council consists of the heads of state and the ministers concerned with issues on the agenda of particular meetings convened. During annual gatherings, the chairmanship is rotated among national presidents of member-countries. Secretarial services are provided by the Secretariat of the Fund. At the request of two or more members, an extraordinary meeting can be convened to deliberate on pressing issues and problems.

The 'Fonds' is responsible for carrying out the economic projects decided on by the Council. Its Management Committee meets twice a year, and a small group of professional advisers assists development institutions in member-countries in earmarking development projects, as well as preparing and presenting requests for development aid. Financial resources used by the 'Fonds' in its operations are sourced from annual contributions by member-countries, subsidies and grants, and investment returns and commissions from guarantee operations.

Through the 'Fonds,' the Conseil de l'Entente aims to achieve the following: (i) promotion of economic development in the region; (ii) assist in preparing specific projects and to mobilize necessary funds from other sources; (iii) act as a guarantee fund to encourage investments in the region; and (iv) encourage trade and investment among member-countries. It is empowered to finance the reduction of interest rates and the extension of maturity periods of foreign loans to member-countries.

At independence, several former Francophone countries got together for the purpose of setting up the Union Africaine et Malgache de Cooperation Économique (UAM) to tackle pressing development-related issues and problems the newly independent states faced. In 1965, this group of countries, which had evolved from what was known as the 'Brazzaville Group,' was replaced with the Organization Commune Africaine et Malgache (OCAM). At some point, the 'M' stood for 'Malgache et Mauricienne,' with independent Mauritius joining the group in 1969. However, the withdrawal of Madagascar in 1974 prompted member-states to substitute 'Malgache et Mauricienne' with 'et Mauricienne.'

Between 1965 (the year of its inception) and 1985 (the year of its formal dissolution), OCAM experienced several defections due to a host of political and economic reasons. In 1965, for example, Mauritania withdrew from the group. In 1973, the Republic of the Congo and Zaire (now the Democratic Republic of Congo) followed suit. 1974 saw Cameroon, Chad and Madagascar leave the IGO. Gabon defected in 1976, and Seychelles—after having been a member of OCAM for one year—withdrew her participation in the IGO in 1978. Upon Mauritius's decision to abandon OCAM in 1983, it became apparent that the IGO needed to re-adjust its trajectory.

During its existence, OCAM's membership included the following countries: Benin, Burkina Faso, Madagascar, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Democratic Republic of Congo, Gabon, Mauritania, Mauritius, Republic of the Congo, Rwanda, Senegal, Seychelles, and Togo. Its administrative structure revolved around the Conference of Heads of State and Government, the Council of Ministers, and the Secretary-General. As the supreme authority of OCAM, the Conference took place every two years.

The Council comprised the Ministers of Foreign Affairs of member-countries. It met once a year in ordinary session, and was responsible for implementing decisions concerning technical cooperation between OCAM countries and the supervision of the Secretary-General as directed by the Conference of Heads of State and Government.

The Secretary-General was essentially in charge of the administration of OCAM. He or she was appointed by the Conference, upon being nominated the Council, for a renewable term of two years. His or her function was to implement the decisions taken by the Council of Ministers and the Conference of Heads of State and Government.

OCAM sought to accelerate the economic, social, technical and cultural development of member-countries within the framework of the Organization of African Unity (OAU). According to constitutional documents, African leaders had in mind customs reform, possibly leading to the establishment of an African common market, and common economic policies covering investment, insurance of trade and restrictions on double taxation. A stabilization fund was also envisaged to support commodity prices.

At the 1974 Bangui summit held in the Central African Republic, the aims of the organization were reoriented; it was decided that political matters be left to other bodies such as the UN and the OAU, and that all efforts needed to be concentrated on strengthening African cooperation in economic, technical, cultural, and social development. Instead of an all-African common market, the aim was more practicably to bring the economic communities of Africa within a single confederation. A Solidarity and Guarantee Fund had been established to encourage credit from overseas and give assistance to the poorest member-countries.

Although the heads of state and government had decided to continue supporting the inter-governmental organization, and to undertake the revitalization of the organization at the Yamoussoukro meeting in Côte d'Ivoire, they announced in 1985 that it had achieved its objectives and, therefore, needed to be dissolved. A ministerial committee was set up to supervise the dissolution.

The Arab Maghreb

Goals and purposes

Although the Union of the Arab Maghreb (Union du Maghreb Arabe-Uma) was formally established in 1989, the idea of creating a regional organization to enhance the region's and each member-country's socio-economic development is quite old. It was in the early 1960s that a Maghreb Permanent Consultative Committee (MPCC) was assigned the mission to formulate a Maghreb cooperation and integration strategy.[24] Due to ideological differences, which translated into divergent political and economic systems, the noble goal of 'united we stand' took a couple of decades to materialize.

After several years of difficult negotiations, and owing to the new urgency commended by globalization, the leaders of Algeria, Libyan Arab Jamahiriya, Mauritania, Morocco, and Tunisia met in 1989 to create the Union of the Arab Maghreb, with the objective of facilitating the creation of joint ventures and establishing a Maghreb Common Market and Customs Union.

By late 1994, several joint projects which had been approved or were under consideration included the following: establishment of the Maghreb Investment and Foreign Trade Bank to finance joint agricultural and industrial projects, free movement of citizens within the region, joint transport projects, including railway improvements and a Maghreb highway, the creation of a customs union, and the establishment of a 'North African Common Market.'

In spite of member-countries' good intentions, however, progress on the integration of the national economies of countries in the region has been slow. To date, import-licensing systems and payment restrictions among Maghreb member-countries are still in force. Moreover, political instability, lack of internal policy convergence, and non-complementarity of production structures have impeded the development of effective economic relations and inter-industry cooperation within the region.[25]

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24 UNECA, *Economic and Social Survey of Africa: 1994–1995*, p. 187.

25 UNECA, ibid.

Institutional framework
The Maghreb Union has an administrative structure that comprises a Council of Heads of State (which meets annually), a Council of Ministers of Foreign Affairs, a Following Committee, a Consultative Council of 30 delegates from each member-country, a UMA Judicial Court, and four specialized ministerial commissions. The chairmanship of the Union rotates annually among member-countries' heads of state.

The AEC

The coming into force of the Abuja Treaty in 1993, which established the African Economic Community (AEC), ushered in a new chapter in the history of African economic integration. The Treaty is yet the most comprehensive expression of Africa's political commitment to the creation of a viable, continent-wide economic community. It places great emphasis on the role of integration in promoting economic self-reliance and endogenous socio-economic development. The Treaty assigns top priority to the development of regional production structures, with appropriate supportive infrastructure, and the coordination and harmonization of economic and social policies within and among the current sub-regional communities.[26]

It is hoped that effective sub-regional production structures will serve as a vehicle for the rapid expansion of intra-African trade, and for enhancing Africa's effective participation in the evolving global linkages and interdependence of production. However, African leaders need to go beyond the brilliant architecture on paper and take appropriate measures to ensure that the needs and aspirations of the continent's peoples are adequately met.

The AEC arrangement is expected to include an African central bank, a court of justice, a single African currency, and an African parliament. (*Note*: For important pronouncements by leaders of OAU member-countries regarding the AEC, see Appendices A and B.)

4.2 Long-Term Viability

To reiterate, several conditions need to be met in order for any form of economic integration among the national economies of cooperating countries to be viable; they include the following: (a) peace and stability; (b) political commitment; (c) competitive national economies; (d) similar stage of industrial development; (e) geographical proximity; (f) strong pre-integration trade ties; (g) high pre-integration trade barriers; (h) low post-integration trade barriers; (i) large number of countries; (j) preferential treatment of other member-countries; (k) equitable sharing of gains and costs; and (l) fairly dispersed inter-governmental organization (IGO) institutions.

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[26] UNECA, ibid., p. 179.

In addition to meeting the foregoing conditions, cooperating countries need to consider the following challenges and imperatives in order to enhance their respective economic blocs' ability to attain stipulated national and regional goals and aspirations: the educational challenge, creation of competitive business systems, sustained peace and stability, and environmental stewardship.

A brief description of each of the essential conditions cited above is provided in the first chapter, while the challenges and imperatives are the subject matter of the third chapter. In the remainder of this section, let us fleetingly discuss the 'peace and stability' condition, and the issue of membership by a country in two or more inter-governmental organizations (IGOs).

Peace and Stability Revisited

Of all the essential conditions needed to make economic integration viable, the attainment of sustained peace and stability is perhaps going to be the most elusive and challenging for African leaders. A discourse on this issue is provided in the third chapter; Dr Gerry N. Muuka has also briefly discussed the issue in the sixth chapter. The following conveniently selected sample of news headlines and statements will perhaps underscore the gravity of the issue:

> Over 392 Congolese government troops and 300 civilians fleeing heightened fighting at Pweto have crossed into Zambia, raising serious security concerns.[27]
>
> More than 2000 Congolese refugees [have] fled into Zambia …, senior refugees officer-in-charge of Kawambwa and Mporokoso, Kaima Malindi, has disclosed.[28]
>
> Ethiopia: Over 150 Killed in Clashes in Southern District.[29]
>
> Democratic Republic of Congo: Uganda and Rwanda Clash.[30]
>
> Ten Killed in New Bout of Violence in Algeria.[31]

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27 'Congolese Refugees "Invade" Zambia,' *Times of Zambia*, http://www.times.co.zm/, December 5, 2000.

28 Kaunda, J., 'Rising Global Poverty Worries IMF, World Bank,' *The Post*, http://www.zamnet.zm/zamnet/post, December 27, 2000; and http://www.zamnet.zm/zamnet/post/, December 27, 2000.

29 'Ethiopia: Over 150 Killed in Clashes in Southern District,' *Talking Africa*, http://www.talkingafrica.szs.net/, October 31, 2000.

30 *Africa Research Bulletin: Political, Social and Cultural Series*, 'Democratic Republic of Congo: Uganda and Rwanda Clash,' Vol. 37, No. 5, May 1–31, 2000, p. 13975.

31 'Ten Killed in New Bout of Violence in Algeria,' *Independent Online*, http://www.iol.co.za/general, November 6, 2000.

Algeria's Ramadan Jihad Claims 200 Lives.[32]

Zanzibar Election Official Injured in Blast.[33]

1999 has seen almost the entire continent of Africa at war.[34]

Sierra Leone: Hundreds Flee as Fighting Flares.[35]

Gunmen Kill Member of New Somali Parliament.[36]

Fighting erupted between rival factions of one of Somali's main clan militias over whether to work with or resist the new government … Six people were reported killed and a dozen injured in fighting involving hundreds of militiamen in the village of Idaley.[37]

Nigeria: Delta Violence Complicates Transition. Corpses litter Lagos after Clashes. Nigeria Suffers Upsurge of Ethnic Strife. Thousands of Nigerians Flee Bloodshed. Nigerian Ethnic Violence Claims 50.[38]

More Bloodshed as Egyptians Cast Final Vote.[39]

Fighting is reported to have broken out between rival separatist groups in Senegal's troubled Casamance region.[40]

Chad President, Idriss Deby, has urged northern rebels to end their revolt, amid continuing heavy fighting with government troops.[41]

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32 'Algeria's Ramadan Jihad Claims 200 Lives,' *Independent Online*, http://www.iol.co.za/…/newsview, December 21, 2000.

33 'Zanzibar Election Official Injured in Blast,' *Independent Online*, http://www.iol.co.za/general, November 13, 2000.

34 'Conflicts in Africa: Introduction,' *Global Issues*, http://www.globalissues.com/Geopolitics/Africa/Intro.asp, October 24, 1999.

35 *Africa Research Bulletin: Political, Social and Cultural Series*, 'Sierra Leone: Hundreds Flee as Fighting Flares,' Vol. 36, No. 1, January 1–31, 1999, p. 13387.

36 'Gunmen Kill Member of New Somali Parliament,' *Independent Online*, http://www.iol.co.za/general, November 13, 2000.

37 'Fighting Erupts Between Rival Somali Factions,' *MSNBC.COM*, http://famulus.msnbc.com/Fa…/reuters, January 3, 2001.

38 *Africa Research Bulletin: Political, Social and Cultural Series*, 'Nigeria: Delta Violence Complicates Transition,' Vol. 36, No. 2, February 1—28, 1999, p. 13446; and *Independent Online*, '50 Killed in Nigerian Ethnic Clashes,' http://www.iol.co.za/, June 27, 2001.

39 'More Bloodshed as Egyptians Cast Final Vote,' *Independent Online*, http://www.iol.co.za/general, November 14, 2000.

40 'Rebels Clash in Senegal,' *Information Dispatch Online*, http://www.dispatch.co.zm/africanews.shtml, January 2, 2001.

41 'Chad President Calls for Peace,' *Information Dispatch Online*, http://www.dispatch.co.zm/africanews.html, January 2, 2001.

In 2002, a number of developments generated a great deal of excitement about prospects for a reduction in conflicts on the continent. *Independent Online* has identified the developments:[42]

> The DRC [has] agreed … to round up … militants who fled to its territory after carrying out Rwanda's 1994 genocide, while Rwanda [has] agreed to withdraw its troops occupying eastern DRC.
>
> The Sudan People's Liberation Army (SPLA) rebels and the Sudanese government [have] signed a two-pronged agreement guaranteeing the religious freedom of the southern Sudanese people and … [allowed] them to vote on secession.
>
> Africa's longest-running civil war ended when Angola's Unita rebels signed a ceasefire soon after the death of their leader, Dr. Jonas Savimbi.

Multi-IGO Membership

The current proliferation of IGOs in Africa has tended to result in some countries becoming members of two or more economic groupings. This, as Ndongko has concluded, is likely to generate 'commercial problems arising from … obligations which individual African states have assumed under the different treaties and trade agreements [governing] … the regional groupings.'[43]

In 2002, the World Trade Organization (WTO) cited the problem facing the Republic of Zambia in this regard: the country's membership in overlapping (that is, multi-IGO) preferential trade arrangements has made its trade regime more difficult to manage given the different provisions, goals and geographical coverage involved.[44]

A prudent measure which African leaders can take in order to circumvent the potential problems and implications associated with membership in two or more economic blocs is to merge some of the blocs.

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42 *Independent Online*, 'DRC, Sudan Peace Deals Give Africa New Hope,' http://www.iol.co.za. The swearing in of Dr John Garang, a former rebel leader, as Sudan's first vice-president on July 9, 2005 in accordance with Sudan's new power-sharing constitution potentially ended decades of civil war in the country. We trust that Dr Garang's untimely death in a helicopter crash on July 30, 2005 will not slow the pace of reconciliation in the country, especially that Salva Kiir was promptly named on August 1, 2005 as his successor. R.I.P. Comrade!

43 For a useful analysis regarding the potential problems and implications associated with multi-membership in African inter-governmental organizations (IGOs), see Ndongko, W.A., 'Trade Liberalization within the Setting of Multimembership in African Regional Groupings: Problems and Prospects,' *Development and Peace*, Vol. 6, No. 2, Autumn 1985.

44 Paraphrased from Kapende, M., 'Zambia's Economic Growth Lowest in SADC,' http://www.daily-mail.co.zm/, October 31, 2002.

In fact, such a measure can also forestall the potential for costly duplication of effort by IGOs on the continent—a problem Ching'ambo has couched in the following words: 'multiplicity leads to considerable dissipation of energy.'[45] The European Union's advice to leaders of COMESA and SADC member-countries to merge the two IGOs is, therefore, worthy of urgent and serious consideration;[46] after all, this is an issue which leaders of the IGOs' member-countries have generally shown great interest in resolving since the early 1990s. Preferably, the smaller SADC should be incorporated into the larger COMESA bloc.

In August 1992, Dr Frederick Chiluba of the Republic of Zambia minced no words in stating some of the compelling reasons why it would be prudent for SADC and COMESA heads of state to seriously consider the prospect of merging the two IGOs:

> Having one institution is the way forward. It will combine resources and expertise which are currently dissipated in the two institutions. It will provide the wider market [needed] … for achievement of economies of scale necessary for resilient economic production units.[47]

4.3 A Summing-Up

This chapter has provided a descriptive survey of the institutional frameworks and the goals and purposes of current regional groupings which, together, encompass the continent's fifty-four sovereign states—that is, the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), the Economic Community of West African States (ECOWAS), the Franc Zone, the Arab Maghreb, and the African Economic Community (AEC). Additional information relating to some of these inter-governmental organizations is provided by Gerry N. Muuka and Kenneth K. Mwenda in the ensuing chapter.

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45 Ching'ambo, L., 'SADC: The Rebirth of SADCC,' *Southern Africa Political and Economic Monthly*, Vol. 5, No. 11, August 1992, p. 24.

46 See Wasamunu, M., 'EU Advises COMESA, SADC to Merge,' *The Post*, http://www.zamnet.zm/zamnet/post/, February 10, 2000.

47 Chiluba, F., Dr, quoted in Mandaza, I., 'SADC: An Economic Agenda or a Mere Political Expression?,' *Southern Africa Political and Economic Monthly*, August 1992, Vol. 5, No. 11, p. 19.

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Chapter 5

Integration of Capital Markets in Eastern and Southern Africa

Contributed by Gerry N. Muuka and Kenneth K. Mwenda[1]

The content of this chapter is underscored by the view that, faced with constraints such as inadequate liquidity, the regulatory framework for public distribution of securities in many African emerging markets has had limited success in facilitating the development of competitive stock exchanges. It is argued, therefore, that the introduction of a regional stock exchange in the Common Market for Eastern and Southern Africa—COMESA—and the promotion of multiple listings and cross-border trade in securities would facilitate the development of more efficient and competitive capital markets in the region. This would help to ease the liquidity problem on markets such as the Lusaka Stock Exchange (LuSE) in a country like Zambia.

The term ‘regional stock exchange’ refers to a stock exchange which would promote not only cross-border trading in securities of companies within a region, but also attract securities investment from outside the region.

In terms of functions, a regional stock exchange would have functions similar to those of any stock exchange, except for the fact that a regional stock exchange, unlike a national stock exchange, would not belong to one country.

Thus, although a regional stock exchange would belong to the region, such an exchange would be located in one of the countries in the region. Indeed, the regional stock exchange could draw upon resources of the various countries in the region.

Being regionally and internationally focused, the regional stock exchange could be established under a multilateral treaty or under regulations of a regional integration body.

Using the 22-nation Common Market for Eastern and Southern Africa (COMESA) as its central focus, this chapter argues that financing such a regional stock exchange could be accomplished from various sources, among them: the responsible regional integration body; long-term finance from the African Development Bank (ADB); loans from the two Bretton Woods Institutions (BWIs)—the World Bank and the International Monetary Fund; and financial aid from other members of the international

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1 We would like to acknowledge and record here that an earlier but different version of this chapter appeared as a refereed journal article titled: Mwenda, K.K. and Muuka, G.N., ‘Prospects and Constraints to Capital Markets Integration in Eastern and Southern Africa,’ *Journal of African Business*, Vol. 2, No. 1 (1999). In this chapter, we have re-visited a number of our earlier submissions and updated much of the information and data.

donor community. The COMESA (formerly Preferential Trade Area—PTA) Clearing House, for example, under the COMESA/PTA Treaty, provides an illustration of how this can be done.

In contrast to national stock exchanges, which are governed mainly by municipal laws, a regional stock exchange would be regulated mainly by aspects of both conventional and customary international law. In the case of COMESA, South Africa (a non-member) already has the relatively highly developed Johannesburg Stock Market,[2] which could act as a formidable competitor to the COMESA regional stock exchange. Ultimately, this competition could stimulate increased market liquidity and efficiency in the allocation of resources within the Eastern and Southern African region.

On the other hand, instead of setting up a *formal* regional stock exchange in Eastern and Southern Africa, an *informal* market in trade of securities at the regional level could be created through multiple listing and cross-border trade in securities on national stock exchanges within the region. This version of a regional stock market, though lacking in formal structure, could prove less costly to set up. There would, however, be a need to harmonize national laws (of various states in the region) and national stock exchange rules on matters such as listing requirements and regulation of financial intermediaries.

This objective might not be easy to achieve due to the 'self-interest' agenda of many states in the region.[3] Also, the policing mechanism required to pursue persons such as insider dealers might not be effective under an *informal* market since there would be no supranational authority to address such matters. However, evidence from one member country (Zambia) shows that of the two companies that are cross-listed on the country's Lusaka Stock Exchange (LuSE) and on other stock exchanges—that is Zambia Consolidated Copper Mines (ZCCM) Plc and Trans-Zambezi plc—the creation of an international market in shares of these companies has not led to any major problems.[4]

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2 On the financial clout of the South African Johannesburg Stock Exchange, see '*Statisques*, Federation Internationale des Valeurs, Paris, 1990,' in Alexander, D. and Nobes, C., *A European Introduction to Financial Accounting* (Hempstead: Prentice Hall, 1994), p. 69. The Johannesburg Stock Exchange, Africa's leading stock market, is much more capitalized than markets such as the Ghanaian, the Kenyan and the Zimbabwean Stock Exchanges respectively. For example, *The Economist* (July 1–7, 1995), Vol. 336, No. 7921, p. 55, reports that by 1990 there were more than 200 domestic companies listed on the Johannesburg Stock Exchange. Also, the Johannesburg Stock Exchange has several non-domestic companies listed on it. By contrast, in August 1995, Ghana had only seventeen companies listed on its stock market [see *The Economist* (July 1–7, 1995), Vol. 336, No. 7921, p. 55)]. Even by this number, Ghana was above Kenya and Zimbabwe whose stock exchanges had market capitalization of under US $2 billion respectively by August 1995. Indeed, by the end of May 1994, Ghana's Stock Exchange market capitalization had improved from US $30 million in 1990 when the stock exchange was established to US $2.1 billion.

3 For a discussion on the 'self-interest' agenda, see below.

4 Interview with Dr Tukiya-Kankasa Mabula, Director of Licensing, Securities and Exchange Commission, Lusaka, August 5, 1998. See also interview with Mr Lewis Mosho, Company Secretary and Legal Advisor, Lusaka Stock Exchange, Lusaka, August 21, 1998.

Generally, problems that are associated with multiple listing and cross-border trade in securities relate mainly to costs of entering foreign markets and costs of regulating financial intermediaries.[5] Costs of entering foreign markets include transaction costs, taxation costs,[6] listing costs, costs of information disclosure, and costs of various national regulatory bodies to monitor information disclosure.

5.1 Current Regional Integration Schemes

For the purposes of this study, there are two major regional integration schemes under which a regional stock exchange could be set up in Eastern and Southern Africa. These regional schemes are the Common Market for Eastern and Southern Africa (COMESA) and the Southern Africa Development Community (SADC). The other regional integration scheme in Southern Africa, the Southern African Customs Union (SACU),[7] has been hailed by some as not only having the longest unbroken period of customs union integration in Africa, but also as being the most effectively functioning regional arrangement in Africa.[8] SACU, however, has a small number of member states and deals mainly with relaxation of tariff barriers. Thus, in this chapter the focus is mainly on the COMESA and SADC regional integration schemes, with limited reference to the SACU scheme.

The Common Market for Eastern and Southern Africa (COMESA) was established on November 5, 1993 by a treaty entered into at Kampala, Uganda.[9] The treaty provides that States that can be member parties to the COMESA integration scheme include the Democratic Republic of the Congo (formerly known as Zaire), Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Sudan, Swaziland, Tanzania, Uganda, Zambia, Djibouti, Angola, Burundi, Comoros, Seychelles, Somalia, and Zimbabwe.[10] It is further provided in the preamble to the COMESA Treaty that:

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5 For a good analogy of problems associated with regulating financial intermediaries in the international business environment, see Picciotto, S., *International Business Taxation* (London, 1992), pp. 135–41.

6 See for example Qureshi, A.H., *The Public International Law of Taxation: Text, Cases and Materials* (London, 1994), pp. 56–57.

7 All SACU member states are parties to the SADC Treaty. The five SACU member states are Namibia, Botswana, Lesotho, Swaziland and South Africa. SADC member states include Tanzania, Zambia, Angola, Malawi, Mozambique, Zimbabwe and the SACU member states.

8 See for example Gibb, R., 'Regional Integration in Post-Apartheid Southern Africa: The Case of Renegotiating the Southern African Customs Union,' *Journal of Southern African Studies*, Vol. 23, No. 1 (March 1997), p. 68.

9 See *International Legal Materials*, Vol. XXXIII, No. 5, September 1994, p. 1067.

10 Preamble of the treaty establishing COMESA in ibid., p. 1073.

> The following States of Eastern and Southern Africa may become member states of the Common Market upon fulfilling such conditions as may be determined by the Authority: The Republic of Botswana; and the [post-Apartheid] Republic of South Africa.[11]

COMESA was set up to replace the Preferential Trade Area (PTA) for Eastern and Southern Africa, a regional integration scheme in existence since December 1981 and which had, among its objectives, the following agenda:[12] (a) to create trade within the Eastern and Southern African region (that is, between member states) and; (b) to divert trade away from the then apartheid South Africa.

Thus, it is clear that COMESA is a follow up to PTA. What has happened is that PTA has now been transformed into COMESA. The process of economic integration under this regional integration scheme has now progressed from a preferential trade area to a common market. Here, the integration scheme is designed to have three phases. The first phase relates to the establishment of a preferential trade area. This is followed by the conversion into a common market. Finally, it is expected that the common market will be converted into an economic community.

Although the COMESA Treaty provides that the regional integration scheme under that treaty is divided in three phases, the treaty does not distinguish a 'preferential trade area' from a 'common market' or from an 'economic community'.[13] Neither does the treaty distinguish a 'common market' from an 'economic community'.

Article 2 of the COMESA Treaty merely provides that 'Preferential Trade Area' means the Preferential Trade Area for Eastern and Southern Africa established by Article 1 of the PTA Treaty. Article 2 of the COMESA Treaty goes on to provide that a Common Market means the Common Market for Eastern and Southern Africa established by Article 1 of the COMESA Treaty itself. Even so, the provisions referred to in Article 2 of the COMESA Treaty do not provide definitions of what constitutes a preferential trade area, a common market or an economic community. A helpful view on what could constitute an arrangement such as a preferential trade area is provided by Swann:

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11 Section 3 of the preamble of the COMESA Treaty.

12 See generally Heads of State and Government of the PTA, *PTA Trade and Development Strategy* (Lusaka, January 30–31, 1992).

13 A helpful, but limited, view is provided in COMESA, *Common Market for Eastern and Southern Africa: In Brief* (Lusaka, 1996), p. 4: '… the member states have agreed to create and maintain: (a) a *full free trade area* guaranteeing the free movement of goods and services produced within COMESA and the removal of all tariffs and non-tariff barriers; (b) a *customs union* under which goods and services imported from non-COMESA countries will attract an agreed single tariff in all COMESA States; (c) *free movement of capital and investment* supported by the adoption of common investment practices so as to create a more favorable investment climate for the entire COMESA region; (d) a *gradual establishment of a payments union* based on the COMESA Clearing House and the eventual establishment of a common monetary union with a common currency; and (e) the *adoption of a common visa arrangement*, including the right of establishment leading eventually to free movement of *bona fide* persons.'

> Economic integration can take various forms and these can be ranged in a spectrum in which the degree of involvement of participating economies, one with another, becomes greater and greater. The *free trade area* is the least onerous in terms of involvement. It consists in an arrangement between states in which they agree to remove all custom duties (and quotas) on trade passing between them. Each party is free, however, to determine unilaterally the level of custom duty on imports coming from outside the area.[14]

By contrast, it is clear that the COMESA Treaty does not draw a clear distinction on the three phases of its regional integration scheme. What is, however, established is that, on paper, the COMESA scheme is now moving from its first phase into its second phase since PTA has been abolished and replaced by COMESA.[15] There is, nonetheless, considerable doubt as to whether there have been any feasible institutional changes that have resulted from the change of names. What are the main objectives of COMESA? This question, which is necessary in order to establish a context for the feasibility of a COMESA regional stock exchange, is addressed next.

Article 3 of the COMESA Treaty provides that the following are the objectives of COMESA:

> The aims and objectives of the Common Market shall be:
>
> (a) to attain sustainable growth and development of the member states by promoting a more balanced and harmonious development of its production and marketing structure;
> (b) to promote joint development in all fields of economic activity and the joint adoption of macro-economic policies and programs to raise the standard of living of its peoples and to foster closer relations among its member states;
> (c) to co-operate in the creation of an enabling environment for foreign, cross border and domestic investment including the joint promotion of research and adaptation of science and technology for development;
> (d) to co-operate in the promotion of peace, security and stability among Member states in order to enhance economic development in the region;
> (e) to co-operate in strengthening the relations between the Common Market and the rest of the World and the adoption of common positions in international fora; and
> (f) to contribute towards the establishment, progress, and the realization of the objectives of the African Economic Community.[16]

Given the above objectives, it is argued that paragraph (c) of Article 3 of the COMESA Treaty, dealing with the need for COMESA Member states to cooperate

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14 Swann, D., *The Economics of the Common Market* (London, 1993), pp. 11–12.

15 See above. See also Mwenda, K.K., 'The Law on Regional Integration in Southern and Eastern Africa: Threats and Prospects,' *SA Public Law Journal*, Vol. 12, No. 2, (1997), pp. 453–68.

16 In Article 2 of the COMESA Treaty it is provided, *inter alia*, that the COMESA Treaty was inspired by the treaty for the establishment of the African Economic Community: '*Inspired* by the objectives of the Treaty for the Establishment of the African Economic Community and in compliance with the provisions of Article 28(1) of the said Treaty.'

in the creation of an enabling environment for foreign, cross-border and domestic investment, situates and supports our proposal for the promotion of cross-listings via establishment of a regional stock exchange. Indeed, Article 80 of the COMESA Treaty, dealing with banking and capital market development, provides as follows:

> The Member states undertake to implement a regional-wide capital market development program to be determined by the Council and shall create a conducive environment for the movement of capital. To this end, Member states shall:
>
> (a) take steps to achieve wider monetization of the region's economies under a liberalized market economy;
> (b) establish national stock exchanges and an association of national stock exchanges to enable objectives to be pursued in a concerted and coordinated manner including promotional activities, training, standardization and harmonization of operational rules and regulations;
> (c) establish a Common Market rating system of listed companies and an index of trading performance to facilitate the negotiation and sale of shares within the Common Market and also external to the Common Market;
> (d) develop a region-wide network of national capital markets, with the purpose of facilitating the flow of information on national stock exchanges and their functioning, listed companies, availability of stocks, bonds, securities, treasury bills, notes, and other monetary instruments for the cross-border marketing of such instruments; and
> (e) ensure adherence by their appropriate national authorities to harmonize stock trading systems, promotion of monetary instruments, and permission for residents of the Member states to acquire and negotiate monetary instruments.

Although Article 80 of the COMESA Treaty is silent on the need for COMESA member states to work towards the creation of a regional stock exchange, evidence from deliberations of the PTA (now COMESA) Heads of State and Government indicates that PTA had been working towards creating a regional stock exchange.[17] Besides, Article 80 of the COMESA Treaty provides an implicit view that the objective of PTA to set up a regional stock exchange has now been carried over into COMESA. In 1992, the Heads of State and Government of the PTA (now COMESA) at the tenth summit held in Lusaka, Zambia, reaffirmed that:

> One of the strategies of the PTA in mobilizing domestic PTA savings is the establishment of a sub-regional stock exchange. This will allow and promote cross-border investment as well as the free movement of capital within the sub-region. Such free movement of capital will only be made possible if the financial structures of the member states are integrated. The objective is to promote the establishment of national stock exchanges which will be linked to a sub-regional PTA stock exchange to facilitate flow on the demand for and sale of shares in the various member states.

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17 See below.

> A regional Stock Exchange will assist member states in their privatization of industry and in debt equity-swap exercises.[18]

In addition to the above objective, Article 75 of the COMESA Treaty deals with the need for COMESA member states to harmonize their monetary and fiscal policies so that a much more efficient allocation of resources within the Common Market could be realized. We have already highlighted the importance of COMESA member states fulfilling this objective if financial, banking and monetary integration is to be achieved. In addition, Article 77(1) of the COMESA Treaty spells out the need for COMESA member states to establish currency convertibility so that their currencies are convertible into one another.

The accomplishment of this objective by COMESA member states would greatly facilitate the setting up of a regional stock exchange. However, although it is not the aim of this work to spell out the technical details of how to set up a regional stock exchange, we submit that a viable regulatory framework to govern trade in securities on a regional market could be structured along the following lines.

5.2 The Stock Market Situation in Africa

Table 5.1 provides a glimpse of the market capitalization and liquidity of stock markets in Africa, while Table 5.2 shows the top 20 players on the lion markets of Africa. The Tables illustrate the quite low levels of liquidity and market capitalization of Africa's stock markets, giving credence to the idea of regional stock exchanges that would promote multiple listings and cross-border trade in securities on the continent. In the sections that follow, we expand on this idea by taking a closer look at the political and socio-economic catalysts and other advantages of a COMESA regional stock exchange.

The Political and Socio-Economic Context

The Eastern and Southern African region, as a whole, is politically and economically weak. Civil wars have been going on in Rwanda, Burundi, Angola and the Democratic Republic of Congo. Various states in the region are often divided and disagree on how to resolve these intra-regional conflicts. Despite these critical shortcomings, business should (and indeed does) still go on in the region. The fragmentation in the collective will of states in Eastern and Southern Africa entails that the setting up of a *formal* stock exchange is a much more attractive idea than that of having an informal regional stock exchange.

Indeed, the region is faced with a context in which the social and economic interests of several states are widely divided and the momentum to galvanize a collective

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[18] Heads of State and Government of the PTA, *PTA Trade and Development Strategy*, p. 29.

will is almost non-existent. Therefore, to promote efficient and effective securities regulation in this region a regulatory system that does not lead to a 'lawless' situation must be put in place. The context dictates that a more centralized approach to regional financial integration be adopted.

Table 5.1 Africa's lion markets: Their capitalizations and quoted companies

Country	Quoted firms	Market value (£)
Botswana	12	260m
Egypt	718	4.3bn
Ghana	18	1.3bn
Ivory Coast	31	562m
Kenya	56	1.2bn
Malawi*	–	–
Mauritius	39	1.2bn
Morocco	44	4bn
Namibia**	21	8.4bn
Nigeria	182	1bn
South Africa	646	165bn
Sudan	34	30m
Swaziland	4	220m
Tunisia	21	2.6bn
Zambia	8	300m
Zimbabwe	65	1.4bn

* Just starting.
** Local quotes include Standard Bank of South Africa.

Source: Nedcor Securities, *The Stock Markets of Africa* (London: Nedcor Securities, 1996), quoted in *Evening Standard Newspaper* (UK), Thursday, July 11, 1996, p. 35.

Advantages of a COMESA Stock Exchange

To stimulate increased liquidity on markets in Eastern and Southern Africa, measures such as multiple listings and cross-border trade in securities must be encouraged. The introduction of a regional stock exchange that co-exists with national stock exchanges would be a step forward towards stimulating increased liquidity on these national markets. Cross-listings are likely to take place both on the regional stock exchange and the national stock exchanges.

In moving towards a regional stock exchange, COMESA member states must inevitably consider the problems and prospects of harmonizing their monetary

Table 5.2 Twenty-one top players on the lion markets

Company	Country	Business	Market value (£)
Ashanti Goldfields	Ghana	Mining	1.1bn
Delta Corporation	Zimbabwe	Drinks	280m
Barclays Kenya	Kenya	Banking	190m
Zambia Sugar	Zambia	Sugar	130m
ZCCM	Zambia	Mining	125m
Bindura Nickel	Zimbabwe	Mining	115m
Brooke Bond Kenya	Kenya	Food	110m
Standard Chartered	Kenya	Banking	100m
BAT Kenya	Kenya	Cigarettes	90m
Kenya Commercial Bank	Kenya	Banking	85m
Barclays Zimbabwe	Zimbabwe	Banking	85m
Zimbabwe Sun	Zimbabwe	Food and hotels	82m
Hippo Valley	Zimbabwe	Food	82m
Bamburi Portland	Kenya	Bldg materials	70m
Biohom Ivory Coast	Ivory Coast	Food	70m
Sechaba	Botswana	Beer	65m
Nigerian Breweries	Nigeria	Beer	65m
Nestle-CI	Ivory Coast	Machinery	60m
Total Kenya	Kenya	Oil	60m
Firestone (EA)	Kenya	Tires and rubber	58m

Source: Nedcor Securities, *The Stock Markets of Africa*, London: Nedcor Securities, 1996), quoted in *Evening Standard Newspaper* (UK), Thursday, July 11, 1996, p. 35.

and fiscal policies.[19] Attention would also focus on developing and improving the information technology infrastructure obtaining in the region.[20] Not only would economies of scale and competitive capital markets result from the establishment of such a regional stock exchange, benefits could also accrue from an effective

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19 Interview with Mr Mumba Kapumpa, Chief Executive, Securities and Exchange Commission, Lusaka, December 18, 1996: '… the francs CFA countries in West Africa, the French speaking countries, they are setting up a regional stock exchange which will be based in Abidjan most likely, of all the French speaking West African countries. Now they are perhaps in a different position than we are in this region (Southern and Eastern Africa) in the sense that all of them belong to the francs CFA monetary system which is the currency that they all use so that … they were connected to France such that although they are different independent countries they have always operated from a monetary point of view as one country. Therefore, it would be very easy for them to consider that particular regional stock market.'

20 As revealed by a study conducted in Zambia by one of the authors; Interview with Mr D.B. Luswili, Management Accountant and Acting Finance Director, Stanbic Bank (Z) Ltd, Lusaka, December 12, 1996.

regulatory framework that could bring about market transparency on the regional stock exchange.

The proposal to have a regional stock exchange established in the 22-member COMESA region is an important focus of (and hopefully contribution from) this study. Far from advocating the setting up of a regional stock exchange that must replace the existing national stock exchanges in the region, the argument here is rather that both the regional stock exchange and the national stock exchanges must co-exist so that the national stock exchanges can accommodate listing of company and government securities that cannot meet listing costs on the regional stock exchange.[21]

Ideally, it is submitted that securities that must be admitted to listing on a regional stock exchange are those in highly capitalized companies or in companies that attract a lot of investment, such as selected ones shown in Tables 5.1 and 5.2. This view is cognizant of the fact that for smaller companies that have a low capitalization, such a listing requirement would prove costly.

Indeed, since smaller companies are often not highly capitalized and their market share—in terms of attracting investment—is usually small, these companies would be better off if they traded on listed or unlisted securities markets of national stock exchanges. Alternatively, smaller companies could trade their securities off securities markets by using such methods of distribution as pre-emption rights issues and bonus issues.

Ultimately, the establishment of a regional stock exchange in Eastern and Southern Africa would be a significant step towards the integration of Africa's emerging capital markets. In general, the integration of Africa's markets could be achieved not only through cross-listings,[22] but also through improved communications between the regional stock exchange and the national stock exchanges, and improved communication between the respective national stock exchanges. The position of the United Kingdom provides a helpful experiential example:

> … the Stock Exchange (UK) does not have a monopoly of trading in securities. Section 37 and Schedule 4 to the Financial Services Act 1986 gives the Secretary of State a

21 Similar views were expressed in an interview with Mr Mebeelo Mutukwa, Stockbroker and Managing Director, Pangea Securities Ltd, Lusaka, December 11, 1996, where Mr Mutukwa observed that: 'there are some companies which are very specific to a country which may not be very attractive on the regional stock exchange and those that would continue to sit on the local one, but there should be provision to create SADC (Southern African Development Community) companies and let them graduate after meeting very strict selection criteria onto the regional stock exchange.'

22 On the need to promote cross-listings so as to integrate the markets in the region—interview with Mr Charles Mate, Chief Executive, Lusaka Stock Exchange, Lusaka, December 20, 1996; interview with Mr Douglas Rolls (Securities Services Manager) and Mr George Roberts (Manager, Merchant Banking), Barclays Bank (Z) Ltd., Lusaka, December 12, 1996; Interview with Mr D.B. Luswili, op. cit.; interview with Mr Peter Yuyi, Manager Securities Brokerage, Emerging Markets Securities, Lusaka, December 18, 1996; and interview with Mr Mebeelo Mutukwa supported this view.

> general power to recognize 'investment exchanges' which meet the criteria of the Act and so permit them to operate in this country … In addition, securities of large companies may be quoted on exchanges in other countries as well as in London, so that those other exchanges may provide competition for the Stock Exchange. Indeed, within the European Community it is sometimes feasible for a British company to list only on an exchange in another Community country.[23]

Such a proposal, it must be stated, is mindful of the many and complex impediments to regional economic integration in Southern and Eastern Africa. A number of the impediments pertinent to the current discussion will be examined later. Many of the same constraints impinge upon prospects of establishing a regional stock exchange. The idea behind setting up a regional stock exchange must be understood as an integral part of the political and economic integration of Eastern and Southern African states. Separating the idea of a regional stock exchange from that of regional integration in general would not only make it difficult to set up a regional stock exchange, but it would also slow down the pace and degree of regional integration in the region.

Indeed, the financial, banking and monetary sectors of various states in Eastern and Southern Africa must integrate if the region is to enjoy both economic power and independence. In a nutshell, the setting up of a regional stock exchange must be preceded by thoughtful consideration of the various levels of regional integration attained by regional integration schemes in Africa generally.[24]

5.3 The Proposed COMESA Stock Market

It is the view of COMESA that cross-border investments would be facilitated by the creation of a common investment code to encourage the movement of capital and dividends.[25] This common investment code, together with the municipal laws of COMESA member states, can provide legal rules on securities regulation at the regional level. Provisions of this code must take precedence over municipal laws of COMESA member states. Indeed, matters such as cross-border insider dealing can be dealt with in a much easier way if laws such as the common investment code were adopted.[26] Some of the requisite provisions are proposed and discussed next.

Control of Market Abuses

If, for example, a party resident in country X, a COMESA member state, commits the wrong of insider dealing (assuming that insider dealing is a civil wrong) on the national stock exchange of country Y, another COMESA member state, judgment must

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23 See Davis, P., *Gower's Principles of Modern Company Law* (London, 1997), p. 395.

24 For more elaborate discussion of regional integration schemes in Eastern and Southern Africa, see selected sources cited in the references.

25 See ibid., p. 30.

26 See below.

be sought in the courts of country Y and then enforced in country X. In situations such as these, the execution of a multilateral regional treaty would facilitate the enforcement of foreign judgments.[27] The same analogy applies to judgments or decisions relating to civil wrongs committed on the regional stock exchange. However, a major problem arises where insider dealing is treated as a criminal offence. Can the concept of enforcement of foreign judgments apply to criminal law too?

The concept of enforcement of foreign judgments would not be easy to apply to criminal law mainly due to differences in the criminal legislation of COMESA member states and also due to the high standard of proof required in criminal cases generally. To overcome this problem, we propose that the common investment code must provide that if a criminal offence is committed on the Eastern and Southern Africa regional stock exchange or on a foreign national stock exchange within the region, the courts of the home state of the offender must try the offender where:

(a) the offence is one which cannot lead to extradition;[28]
(b) the conduct of the offender also constitutes a crime under the laws of the offender's home state; or
(c) the home state of the offender refuses to extradite the offender on grounds of preservation of state security or public interest.

We suggest further that the common investment code must include measures to address situations where the home state of the offender, acting in breach of the common investment code, decides not to extradite the offender to a state which has the jurisdiction to try the offender. Provisions of the Vienna Convention On The Law Of Treaties 1969 must apply to the common investment code. Under Article 60 of the Vienna Convention, a *material breach*, such as a violation of a provision essential to the accomplishment of the object and purpose of a particular treaty, can enable

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27 See, for example, The European Convention on Jurisdiction and the Enforcement of Judgments 1968. For detailed readings on enforcement of foreign judgments see Lowenfeld, A., *International Litigation and Arbitration* (St Paul, Minnesota: West Publishing Co., 1992), pp. 368–450; *Henry v. Geoprosco International Ltd.* [1976] Q.B. 726 (C.A.); *Somportex Limited v. Philadelphia Chewing Gum Corporation* [1968] 3 All E.R. 26; *Somportex Limited v. Philadelphia Chewing Gum Corporation* 92 S.Ct 1294, 31 L.Ed.2d 479 (1972); *Elefanten Schuh GmbH v. Jacqmain* [1981] E.C.R. 1671, [1982] 3 C.M.L.R 1; *Etablissement Rohr S.A. v. Ossberger* [1981] E.C.R. 2431, [1982] 3 C.M.L.R. 29; *Hilton v. Guyot* 159 U.S. 113, 16th S.Ct. 139, 40 L.Ed. 95 (1895); *Johnston v. Compagnie Generale Transatlantique* 242 N.Y. 381, 152 N.E. 121 (1926).

28 In *Factor v. Laubenheimer*, 290 U.S. 276, 287, 54 S.Ct. 191, 78 L.Ed 315 (1933), it was held that '[t]he principles of international law recognize no right to extradition apart from treaty. While a government may, if agreeable to its own constitution and laws, voluntarily exercise the power to surrender a fugitive from justice to the country from which he has fled … the legal right to demand his extradition and the correlative duty to surrender him to the demanding country exist only when created by treaty.'

all parties to the treaty, by unanimous action, to terminate the treaty altogether or to terminate it for the defaulting state only.

Also, under Article 60 a single state which is specifically affected by a material breach may suspend the multilateral treaty between itself and the defaulting state, or any single state (not including the defaulting state) may suspend the treaty for itself entirely if the treaty is such that a material breach by one state radically alters the obligations under the treaty for all states.[29]

An alternative system would be to provide in the common investment code that a docket can be opened in the state where a criminal offence has been committed. The docket is thereafter sent to the courts of the home state (or country of residence) of the accused so that the accused can face trial there. Again, if this system were to be adopted, we propose that provisions of the Vienna Convention On The Law Of Treaties 1969 must be made applicable to the common investment code.

Policing of Financial Intermediaries

The Eastern and Southern African regional investment code must also specify that parties intending to trade on any stock or securities exchange in the region will not only be required to comply with rules and regulations of the regional stock exchange, but that they will also be required to be authorized to conduct securities business in their home countries. This rule must be extended to parties who are from non-member states of COMESA and who intend to deal in securities on the regional stock exchange and/or in securities on any national stock exchange within Eastern and Southern Africa.

The onus must be placed on the regional competent authority (for regulating securities trade on the Eastern and Southern African regional stock exchange) to maintain liaison with other competent authorities so that players from non-member states of COMESA do not break the law. If parties from non-member states, who are resident abroad, break the law, the competent authority in their home country must be contacted so that the culpable parties face disciplinary action. The competent authority in Eastern and Southern Africa must be satisfied that the measures meted out to culpable parties by competent authorities in other countries is satisfactory.

If not, the Eastern and Southern African competent authority must exercise reasonable discretion, under the code, to bar the culpable parties from dealing in any securities on a particular stock exchange or in securities on all stock exchanges within the region. Also, persons residing within the region who cooperate with such law offenders must face disciplinary action by having their securities removed from the securities market of the regional stock exchange. Powers and duties of the regional competent authority must supersede and have precedence over those of the national competent authorities.

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[29] See Dixon, M., *Textbook on International Law* (London, 1990), p. 70.

Information Disclosure Requirements

Turning to information disclosure provisions on matters such as listing particulars and company prospectuses, we submit that the common investment code must be drafted in such a way that it endeavors, as far as possible, to strike a balance between the various securities laws of COMESA member states. The common investment code of COMESA must be viewed as a 'compromise' document. Areas of common interest must be identified and codified into provisions of the common investment code.

Indeed, where a company is listing for the first time on the regional stock exchange and that company's securities are not listed on any other stock exchange (i.e., where there is no cross-listing), the listing requirements that must be met by such a company must be more stringent than where a company is entering into cross-listing on a regional stock exchange. The reasons for this submission are mainly twofold. First, preparing information is costly and the process of preparing information need not be repeated *in toto* where an investor has already made detailed disclosures on another market.

Prospective investors trading on the regional stock exchange can have access to the earlier information on the company by requesting such information from the company. The common code must place legal obligations on the company to disclose information released on another market where such information is being requested by an investor. Also, the common code must provide for continuing disclosure obligations on all companies whose securities are listed on the regional stock exchange.

Continuing disclosure obligations would protect investors where, for example, information disclosed on another stock market is no longer up to date. As in the case of many national stock exchanges, the regional stock must be permitted to have listed and unlisted securities markets. Similar considerations that underlie the establishment of these market structures at national levels underlie our proposal for such structures on the regional stock exchange.

Dispute Settlement and Promotion of Trade

Overall, the common investment code must be binding on all COMESA member states and must be adopted in the legislation of the Member states. Such an approach would enable the courts of law in the COMESA member states to apply regional law with fewer difficulties. Disputes on public distribution of securities on the regional stock market could be settled by an administrative body established pursuant to provisions of the regional investment code, with a right of appeal being allowed to the COMESA Court of Justice.[30] National courts must be obligated to enforce awards made by the COMESA Court of Justice. Besides, a regional securities regulatory body, which would be the competent authority, must be set up to regulate cross-listings and trade in securities on the regional stock exchange.

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30 On the COMESA Court of Justice, see below.

Nationals of one COMESA member state could be encouraged to buy and hold stocks and shares in other COMESA countries. This would contribute to effective resource mobilization and investment within the sub-region while at the same time economizing on the use of foreign exchange. In addition, the establishment of a regional stock exchange would prevent the massive outflow of capital from the sub-region and reduce external borrowing.

COMESA does acknowledge that in the foreseeable future the sub-region will continue to require large foreign capital for the growth and development of the private sector.[31] To improve the levels of capital in the region, COMESA admits that mechanisms must be created through the establishment of a COMESA Investment Fund, COMESA Unit Trusts and other financial schemes to enable direct private equity investments to take place in the sub-region.[32]

The Need for a Competitive Financial Sector

We submit that COMESA must go beyond enhancing liquidity levels on national stock exchanges in the region (including the COMESA stock exchange) and introducing a well designed regulatory framework for public distribution of securities on the regional stock market to addressing the importance of having a competitive regional financial sector. The creation of a competitive and efficient regional stock exchange will require for COMESA to pay attention to various matters which include the following: creating appropriate financial institutions in the COMESA member states; developing better systems of prudent regulation and supervision; improving the flow of financial information; and developing appropriate skills for managing complex financial operations.

In addition, this would require the improvement of legal and accounting systems to support modern financial processes; increasing the supply of long-term loans and other types of financing; supervision of financial markets and institutions regarding the quality of their loans and the adequacy of their capital rather than compliance with directives on credit allocation; the development of financial institutions whose services will compete with and complement those of commercial and development banks, insurance companies, and pension funds which are potentially important sources of long-term finance in this regard; and the creation of money and capital markets for effective mobilization of domestic savings.[33]

These proposals, though meant mainly to address the issue of setting up a regional stock exchange and that of promoting cross-listings, are informed by interviews held by one of the authors with competent authorities and interested professionals in Zambia, including those at the Lusaka Stock Exchange.

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31 Heads of State and Government of the PTA, *PTA Trade and Development Strategy*, p. 30.

32 See ibid., p. 30.

33 See ibid., p. 29.

5.4 Impediments to the Creation of a Stock Exchange

As argued earlier, various factors stand in the way of a COMESA regional stock exchange. By no means exhaustive, the list of factors we identify and discuss below provides a glimpse of the number, magnitude and complexity of impediments to a regional stock market.

Underdeveloped Economic Infrastructure

Ndulo argues that the economic infrastructure in Africa is inadequate to support economic integration.[34] He observes that one of the major constraints on the growth and development of inter-African trade has been the inadequacy of payment and financial systems: 'Increased African trade will need finance and financial instruments such as banking networks providing letters of credit, export credits and other financial services.'[35]

If the recommendations that have been spelt out earlier are given thoughtful consideration and implemented properly, that could discount a fraction of the fears such as those expressed by Ndulo. The successful performance of SACU is a precedent upon which COMESA could exploit its own strengths and potentialities. Indeed, the political will amongst COMESA member states must be right before the organization can begin to think of achieving its goals.

The 'Self-interest' Agenda of States

Throughout this work we have maintained that, faced with various constraints, the national frameworks for regulating public distribution of securities in many African states have had limited success in facilitating the development of competitive stock exchanges. Part of the reason has to do with the fact that in many parts of the world, different states have different ideologies and often pursue different economic policies at different times. In COMESA, for example, whilst Zambia has recently reverted[36] to the accommodation development strategy, other member states of COMESA such as Malawi have always retained the accommodation development strategy so as to provide better terms of attracting foreign investment to these countries.[37] Kenya, like Zambia, has shifted its national policy stance from the re-organization development strategy to the accommodation development strategy.[38]

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34 Ndulo, M., 'Harmonization of Trade Laws in the African Economic Community,' *International and Comparative Law Quarterly*, Vol. 42 (1993), p. 105.

35 Ibid., p. 105.

36 Since the mid-1980s.

37 Details relating to this issue are examined elsewhere; see Mwenda, K.K., *Investment Law in Zambia: The Stock Exchange and Privatization* (Oxford:, 1994), unpublished, ch. 1.

38 See for example Nedcor Securities, *The Stock Markets of Africa* (London, 1996), p. 20, showing that Kenya has removed restrictions on foreign investment. In addition, there are

In both these countries there has been a deliberate effort to enact legislation offering generous fiscal incentives.[39] These incentives are targeted at attracting foreign investment to the countries offering the incentives. Here, the pursuit of different national goals militates against the idea of regional integration. This is one of the major shortcomings of many regional integration schemes. Indeed, the idea of having a regional stock exchange set up in Eastern and Southern Africa is not free from the 'self-interest' agenda.

The problem of 'self-interest', which is understandably widespread in COMESA member states, has increasingly become acute in the light of IMF and World Bank Structural Adjustment Programs (SAPs). The similarity of World Bank and IMF policy strings (called Conditionality) attached to loans given to many COMESA countries has led to identical measures and programs in these countries. Privatizations (as part of Conditionality) are now being embarked upon at a competitively hurried pace in many COMESA member states. Foreign investment is being sought ambitiously. Small national stock exchanges have been set up in almost every country in the region. Pieces of investment legislation providing for both generous fiscal incentives and anti-expropriation guarantees have been enacted.

What this evidence shows is that the harmonization of, say, national fiscal policies in the region will not be easy to achieve because of the unwillingness of many COMESA member states to forgo some of their so-called 'national priorities.' Yet national priorities must be seen as complementary to regional interests if regional integration is to succeed in Eastern and Southern Africa.

Zambia provides a useful example of a sovereign state that is pursuing an ambitious privatization program that did not arise out of any need to complement regional integration efforts. It is our submission that privatizations in Zambia have been targeted mainly at fulfilling the country's interests in her relationship with the two major International Financial Institutions (IFIs—the Bank and the Fund).

Although it could be argued that in pursuing its policy of privatization, Zambia as sovereign state has a right in international law to undertake them,[40] there is considerable difficulty in seeing how state sovereignty could be achieved when a state is acting under conditions set by the IFIs. By the very nature of conditions being attached to Zambia's economic policies, the doctrine of state sovereignty withers away.

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no restrictions on capital gains in Kenya. The Kenyan Exchange Control Act was recently repealed by parliament to allow free flow of foreign exchange. Also, foreign participation in local companies is allowed up to an aggregate of 40 per cent, with individual interests up to 5 per cent.

39 See Mwenda, K.K., *Investment Law in Zambia: The Stock Exchange and Privatization*, ch. 1.

40 See Mwenda, K.K., 'The Law on Regional Integration in Southern and Eastern Africa: Threats and Prospects,' *SA Public Law Journal*, Vol. 12, No. 2 (1997), p. 462.

Lack of a Supranational Policing Institution

One other problem facing the COMESA regional integration scheme is the absence of a supra-national state policing system. It is well established that international law has limited mechanisms for policing states.[41] The lack of a supranational institution to enforce treaty obligations and police member states is a major shortcoming of many regional integration schemes. The COMESA integration scheme is not free from this problem. However, we have spelt out above some important proposals to redress this problem in as far as securities trading on the regional stock exchange is concerned.

In addition to 'self-interest' goals and the lack of a supranational state policing institution, another political factor affecting the efficacy of regional integration is the presence of dictatorial one-party states in the region, such as the then Zaire (now called the Democratic Republic of Congo). Democracy is one of the underlying features imbedded in the principles of the COMESA Treaty. On the other hand, ideological differences between Member states could lead to political problems as well.

Economic, Socio-Cultural and Technological Factors

Economic factors that affect the efficacy of the COMESA integration scheme include differences in the balance of payment positions, differences in economic policies, the issue of convertibility of currencies and the differences in the currency exchange rates of Member states. We have already identified a number of these factors as being central to the introduction of a regional stock exchange.[42]

Socio-cultural factors include problems over the choice and use of language (for example, the use of Afrikaans in South Africa), differences in national culture, differences in the literacy levels and differences in the social stratification of various member states. Technological factors that affect the efficacy of the COMESA integration scheme include differences in the advancement of each member state's productive forces, problems of adaptability of technology to industry in the member states (for example, the issue of literacy levels and user-comprehension in management information systems), and differences in the choice between capital intensive or labor intensive technology for the member states.

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41 See Starke, J.G., *Introduction to International Law* (London, 1989), pp. 3–18; Cassese, A., *International Law in a Divided World* (Oxford, 1994), pp. 11–14, 215–46; Harris, D.J., *Cases And Materials On International Law* (London, 1991), pp. 1–17.

42 See above.

The SADC Threat to a COMESA Stock Exchange

The Southern African Development Community[43] (SADC) as a regional integration scheme poses a threat to the success of the COMESA integration scheme. On August 17th 1992, member states of the Southern African Development Coordination Conference (SADCC)[44] signed a Treaty[45] establishing the Southern African Development Community (SADC). SADC replaced SADCC.[46] The background to the SADC regional integration scheme is contained in the following note:[47]

> As an international economic organization, it will have legal personality in each of the member state's territory (Art. 3) and its headquarters will be in Gaborone, Botswana—seat of the current SADCC secretariat (Art. 2) …
>
> SADCC was instituted … on April 1 1980 when the Heads of State or Government of nine Southern African countries[48] met in Lusaka, Zambia to adopt a declaration 'Southern Africa: Towards Economic Liberation,' which formed the basis for the creation

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43 Established by the Treaty of the Southern African Development Community done at Windhoek, Namibia on August 17, 1992, reproduced in 32 *International Legal Materials*, 116 (1993).

44 Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, and Zimbabwe.

45 As well as a Protocol to the Treaty Establishing the Southern Africa Development Community on Immunities and Privileges. This Protocol confers the privileges and immunities on SADC institutions that are necessary for the proper performance of their functions, and are to be comparable to those accorded to similar international organizations. The formalities for entry into force of this Protocol are essentially the same as for the Treaty.

46 See Article 44. Tsie, B., 'States and Markets in the Southern African Development Community (SADC): Beyond the Neo-Liberal Paradigm,' *Journal of Southern African Studies*, Vol. 22, No. 1 (March 1996), p. 84, observes that: 'The old SADC was simply a Conference; a compromise to be more precise, of independent Southern African states whose primary objective was to reduce dependence on, but not only on, South Africa through the coordination of interstate projects in a decentralized manner.'

47 See also Tsie, B., 'States and Markets in the Southern African Development Community (SADC): Beyond the Neo-Liberal Paradigm,' in op. cit., p. 84, where that author argues that the direction which SADC has taken is unmistakable, at least in comparison to its predecessor—SADCC. The latter had 'no treaty, no central authority' not even any mechanism to ensure that its decisions were implemented. Unlike SADCC, the 'new' SADC has provisions for imposing sanctions on any member state which persistently fails, without good reason, to fulfill obligations assumed under its Treaty or purses policies which undermine the principles and objectives of SADC (see Article 33). The shortcoming of Tsie's view, however, is that it advances a false notion that Treaty provisions are an end in themselves. Tsie's view does not give thoughtful consideration to the aspect of how sanctions can be enforced under a multilateral treaty.

48 Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

> of the institution. Comprised of loose association of states with a quasi-legal personality, its aim included the pursuit policies designed to facilitate the economic development and independence of these countries from South Africa, and to achieve the integrated development of the region.
>
> The dramatic changes that have taken place regionally[49] and internationally,[50] together with the developments in South Africa with the dismantling of statutory apartheid, and the unbanning of organizations such as the African National Congress (ANC) and Pan African Congress (PAC), led SADCC to reconsider its position and its lack of progress in achieving its objectives. This became particularly pressing with the prospect of an economically strong democratic South Africa joining the group. Listing several critical reasons[51] for integrating … Southern African economies, the (SADCC) report argued that there was an absolute necessity for these governments (SADCC member states) to transform and restructure their economies to make them more productive and competitive … no single country in the region could make the necessary change on their own.
>
> In these circumstances, closer economic co-operation and integration have become no longer merely desirable, but imperative for growth, development and indeed survival.
>
> The treaty is seen as an important step towards the attainment of the goals. By formalizing what was previously a loose-knit group of states, the treaty gives SADC the teeth it lacked as SADCC, thereby remedying what many considered to be a major flaw in what was otherwise seen as a pragmatic approach to development. In other words, it provides the Community (SADC) with the capacity to enforce decisions taken by its supreme organ, the Summit of Heads of State or Government. [The SADCC Secretariat lacked such an organ or function. This weakened the IGO's ability to follow through on policies and strategies adopted by the member states.]

There are, however, several areas of common interest between SADC and COMESA. The SADC Treaty emphasizes the need to harmonize political and socio-economic policies of SADC member states.[52] It is clear from our discussion on the objectives of COMESA that this SADC objective also obtains under the COMESA Treaty. That said, it must be observed that the SADC Treaty goes further to provide

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49 Thus the rapprochement reached in Angola between UNITA and the MPLA, the peace talks being brokered between Renamo and Frelimo in Mozambique, and movements in the rest of Southern Africa towards more democratic government, have contributed towards a positive view of the economic gains to be achieved by integration.

50 The end of the Cold War and the collapse of the centrally-planned economies of Eastern Europe and the former Soviet Union.

51 Including the argument that political change in South Africa is likely to lead to new patterns of investment in the region, with marked preference for South Africa because of its more attractive investment climate, infrastructural development, and its managerial, technical and technological capacities. A further argument looks to developments in the advanced industrialist countries, as well as in the Pacific Rim and Latin America where these countries are entering into protectionist trading blocs constructed of free trade zones. This has made integration even more crucial to enable the countries of the region to strengthen their bargaining power with these trading blocs.

52 SADC Treaty, Article 5(2).

that the SADC integration scheme should achieve complementarity between national and regional strategies and programs.[53] By contrast, there is no emphasis on complementarity in the COMESA Treaty.

The latter treaty does, however, provide that member states should not take measures which frustrate objectives of the treaty.[54] On the other hand, whereas the legal structure of SADC does not compel member states to enact the necessary legislation at a national level to enable SADC to implement interstate projects, the COMESA Treaty requires COMESA member states to take steps to secure the enactment and continuation of such legislation which gives effect to the COMESA Treaty.[55]

On paper, it is clear that, whereas the SADC Treaty is concerned mainly with the issue of development in its multi-dimensional sense,[56] the COMESA Treaty is much more focused at market-oriented economic growth.[57] This distinction can be seen by looking at Article 5(1) of the SADC Treaty which provides that some of the objectives of the SADC regional integration scheme are to achieve development and economic growth, alleviate poverty and enhance the standard and quality of life of peoples of Southern Africa. There is no such provision in the COMESA Treaty. In practice, however, SADC like COMESA and SACU, has a market driven approach to development. As Gibb observes:

> In 1995, SADC set itself some ambitious targets: the elimination of trade barriers within two years; the creation of a common market with the free movement of the factors of production; and the creation of a common currency by the turn of the century. SADC's policies represent an ambitious, perhaps over-ambitious, attempt to achieve wider and deeper integration in areas such as monetary and fiscal policies, and exchange and trade regimes. In marked contrast to its predecessor (the Southern African Development Coordination Conference), SADC has adopted trade liberalization and the free market approach to integration. There is in theory, therefore, a marked similarity in the integration strategies being pursued by SACU and SADC.[58]

In comparison with the objectives of SADC, one other shortcoming of the COMESA regional integration scheme lies in the fact that trade creation in a region, such as Eastern and Southern Africa, which is mainly constituted by primary goods exporters, would not be easy to achieve. For example, how does Zambia export her copper (raw materials) to Tanzania when Tanzania has no secondary industry to process

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53 Article 5(1).
54 See above.
55 COMESA Treaty, Article 5(2).
56 See above.
57 COMESA, *Common Market for Eastern and Southern Africa: In Brief*, pp. 9–10, provides that COMESA recognizes the concepts of production-led and market-led integration as being two sides of the same coin. For the purposes of investment in production, the entire COMESA region is now considered as a 'domestic market.'
58 See Gibb, R., 'Regional Integration in Post-Apartheid Southern Africa: The Case of Renegotiating the Southern African Customs Union,' pp. 83–4.

this copper into finished goods? Similarly, Zambia may not have enough secondary industries to process sisal from Tanzania. In the light of such shortcomings, it is important to have trade creation in company and government securities encouraged at the regional level so that the financial sectors of COMESA member states can integrate. Trade creation versus trade diversion is a topic that Muuka[59] and others discuss at length.

On trade in goods and services, some countries in the region are beginning to move towards capital intensity. Zimbabwe, for example, has a steel industry which gives it the potential for growth as an industrialized country. Even so, countries which are member states of both COMESA and SADC are faced with the problem of choosing which regional laws to apply in their international contracts with other states. Should the rules of COMESA prevail over those of SADC or are the two of equal weight? Which rules must a State follow in the event that COMESA rules contradict SADC rules? Similarly, which rules must a State follow in the event that COMESA rules provide for a quota system that is different from that under SADC rules?

The Need for Political Tranquility

The idea behind these regional integration schemes is built on the notion that the combined effort of States acting in a community could yield much better results than if States were to act individually on their own. However, to what extent can this idea of synergy be achieved under COMESA? Ndulo argues that no matter how good the arguments and intentions to integrate may look on paper, the political environment for their implementation and preservation must be right for the effort to succeed.[60] He observes further that economic cooperation and integration flourish better in an environment that is politically peaceful and stable.[61]

Ndulo's view, though helpful, requires some qualification. Sometimes political tranquility will not facilitate effective regional integration. To illustrate, the ending of apartheid in South Africa has promoted a period of intense instability in the established regional trading arrangements:

> In May 1994, South Africa was formally invited to join COMESA. However, South Africa declined the invitation and, as a consequence, other SADC states who are also members of COMESA delayed ratification of the 1993 COMESA Treaty. South Africa's refusal to join COMESA prompted the (then) Secretary-General of COMESA, Dr. Mutharika, to warn South Africa that it could face punitive economic tariffs.

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59 See Muuka, G.N. et al., 'Impediments to Economic Integration in Africa: The Case of COMESA,' *Journal of Business in Developing Nations*, Vol. 2, No. 3 (1998) [online] at http://internet.ggu.edu/jbdn/.

60 Ndulo, M., 'Harmonization of Trade Laws in the African Economic Community,' *International and Comparative Law Quarterly*, p. 105.

61 See ibid., p. 105.

> Nevertheless, at the September 1995 SADC Summit meeting held in Johannesburg, member states (SADC) decided that dual membership of SADC and COMESA was incompatible and that SADC states must resign their membership of COMESA.[62]

5.5 The Case for a Regional Stock Exchange

Reference was made earlier to the fact that one of the authors conducted interviews in Lusaka, the Zambian capital, with relevant authorities and professionals—ten of them to be specific—regarding the prospects for a regional stock exchange. Out of the ten interviewees that were asked about the prospects of setting up a regional stock exchange in COMESA, seven (or 70 per cent) observed that there indeed was a critical need for such a regional stock exchange.[63]

The respondents noted that the regional stock exchange must co-exist with the national stock exchanges so that cross-listings are facilitated.[64] On the other hand, a notable dissenting minority view was that of the Chief Executive of the Lusaka Stock Exchange (LuSE). Although he did not explain why he is against the idea of setting up a regional stock exchange, he nonetheless had the following useful comment to make:

> I am not a proponent of a regional stock market at this stage. I know that if you look at what's happening … every country in the region is now having a stock exchange. Malawi has just opened theirs. Tanzania are going to do the same before the end of the year. Uganda is doing the same. So there is a criticism which you will hear these days that it is becoming like a fashion to have a stock exchange and it is being used as a symbol of national pride and if you don't have a stock exchange it's something you are missing. So that criticism I think is a bit unfair. If you look at the fundamental role of the stock exchange—this is where we seem to get the argument wrong—it is to actually promote growth in the economy and to move money from holders of money … savers, to users of money.[65]

The shortcoming of this dissenting view is that empirical evidence shows that there is inadequate liquidity in an economy such as that of the Republic of Zambia. Where will the money savers come from when the cost of living in Zambia is high and there are inadequate collective investment schemes to galvanize resources of the risk averse individual investors? Moreover, many financial institutions in Zambia have already been seen as not playing an active role in promoting and participating in equity investments. In addition, it appears that the fears being expressed by the Lusaka Stock Exchange Chief Executive are unfounded.[66]

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62 Gibb, R., 'Regional Integration in Post-Apartheid Southern Africa: The Case of Renegotiating the Southern African Customs Union,' pp. 83–4.

63 Based on fieldwork conducted in Zambia in 1999.

64 Ibid.

65 Interview with Mr Charles Mate.

66 See ibid.; Mr C. Mate argues: 'If you go for the regional idea … it will only be the biggest company in Malawi, the biggest company in Zambia and so on. The question then is what

A regional stock exchange does not necessarily have to replace national stock exchanges. A regional stock exchange and national stock exchanges can co-exist as we have shown above. We have also argued that small companies and those companies that have features which are particularly attractive to domestic markets could begin by listing on national stock exchanges, with a possibility of moving into cross-listings. On the other hand, highly capitalized companies and other companies capable of meeting regional stock exchange costs of listing can trade directly on the regional stock market, with possibilities of engaging in cross-listings too.

It is our humble submission that the basic idea in our proposal is to have capital markets in the region integrate so that efficient and competitive capital markets can be created, together with the promotion of an efficient securities regulatory framework. As our study shows, there is need to have efficient capital markets and efficient securities regulation in the Eastern and Southern African region.

5.6 A Summing-Up

In this chapter, it is argued that the promotion of multiple listings and cross-border trade in securities and the introduction of a regional stock exchange in Eastern and Southern Africa would help to develop competitive capital markets in the region. Indeed, the adoption of such measures would also help to alleviate the liquidity crisis on a number of African stock markets.

A number of obstacles to regional integration and the setting up of a regional stock exchange were spelt out. Proposals to redress these obstacles were made. Although it was observed by a number of interviewees that advantages of establishing a regional stock exchange included the promotion of cross-listings, the integration of financial systems in the region and the creation of economies of scale,[67] it was not pointed out under which regional integration scheme this stock exchange could be set up. Should a regional stock exchange be set up as a COMESA stock exchange or as a SADC stock exchange? Or, should a regional stock market be set up under a different treaty altogether?

Since COMESA has a larger group of member states,[68] and it has already undertaken some preliminary studies on the prospects of setting up a regional stock exchange, COMESA must be allowed to continue work on the regional stock exchange. Indeed, while we acknowledge that Article 21 of the SADC Treaty does address generally aspects of investment and finance, as possible areas of cooperation, it is

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do you do with the rest of the economy? What do you do with small, medium enterprises which really form the foundation of your economy in terms of employment, in terms of domestic growth …. What do you do with all that? It is like you are pushing them aside and making them irrelevant to the economy of the country.'

67 For example, interviews with Dr A. Mwenda, and Messrs Mebeelo Mutukwa, Douglas Rolls, George Roberts, and Mumba Kapumpa.

68 As long as SADC member states with dual membership do not break away.

clear that the SADC Treaty does not deal specifically with the issue of setting up a regional stock exchange.

It is our submission here that the modalities of setting up a regional stock exchange are likely to be influenced by a number of macro-economic and micro-economic factors. For example, if a regional stock exchange were to be set up in South Africa that could involve, perhaps, the conversion of the Johannesburg Stock Exchange into a regional market. But the question arises: since South Africa is not a member state of COMESA, how can she host the COMESA stock exchange?

On the other hand, if a regional stock exchange were to be introduced under the auspices of SADC, it would appear perfectly acceptable to a number of SADC member states that South Africa hosts the stock exchange. It is also possible that an entirely new institution could be set up as a regional stock exchange without converting one of the existing national stock exchanges in Eastern and Southern Africa into a regional stock exchange.

As noted above, the setting up of a regional stock exchange could be influenced by a number of macro-economic and micro-economic factors. These factors would depend on the host country's factor endowments. It is our submission finally that the merging of SADC and COMESA into one institution should now be seen as an important prerequisite to attaining sustainable development in the Eastern and Southern African region.

Such a development would not only be a great stride towards efficient regional integration, but also an important contribution towards the creation of efficient capital markets and efficient securities regulation in Eastern and Southern Africa.

Chapter 6

Exporting their Way out of Poverty: Twenty-first Century Challenges for Sub-Saharan Africa

Contributed by Gerry N. Muuka

The twentieth century was certainly not kind to sub-Saharan Africa; a multitude of problems—both economic and socio-political—generally relegated countries in the region to the bottom of the list of developing nations worldwide, entering the twenty-first century with anything positive to look forward to. Negative headlines about the region's plight, fairly reflective of the state of affairs in most of the countries in the region, have been as poignant as they have been mind-boggling.[1] The following are a few examples of such headlines: 'a continent at stake,' 'a continent at the edge of prosperity,' 'Africa is striving for a fresh start,' 'dancing with the dead,'[2] 'a continent balanced on a knife edge,' 'resources too limited, poverty too pervasive, problems too intractable,' and 'a continent in desperate need of a similar-to-the Marshall Plan sense of moral purpose, political commitment and vision on the part of Northern governments.'[3]

A glimpse of the unprecedented poverty situation in much of the continent is perhaps in order at this juncture. Africa as a whole has the highest poverty levels of any developing region in the world. According to the World Bank,[4] the number of people living in poverty is larger in sub-Saharan Africa, and the poor are poorer, than in any other region in the world. Africa, alone, is home to 32 (or 68 per cent) of the 47 poorest countries in the world, including such countries as Angola, Burundi, the Democratic Republic of Congo (formerly referred to as Zaire), Ethiopia, Malawi, Mozambique, Rwanda, Somalia, Sudan, and Zambia.

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1 This, of course, is not to overlook the fact that a few sub-Saharan countries—including Botswana, Ghana, South Africa, and Uganda—have actually 'managed to make modest gains' in their quest for enhanced socio-economic development; see Houngnikpo, M.C., 'Stuck at the Runway: Africa's Distress Call,' *Africa Insight*, Vol. 30, No. 1, May 2000, p. 5.

2 See *The Financial Times of London*, September 1, 1993; October 9, 1996.

3 For sources of these citations, see Oxfam, *Africa: Make or Break—A Special Report* (Oxford, 1993).

4 World Bank, *Adjustment in Africa: Reforms, Results, and the Road Ahead* (Washington, DC, 1994).

Besides, Africa has the most distressing list of countries that have effectively ceased to function as modern nation-states; they include Somalia, the Democratic Republic of Congo, Burundi, Mozambique, Liberia, Angola, Rwanda, and the Sudan. No individual or political party in these countries seems to be in noticeable overall control—legitimate or otherwise—of national affairs, and there is a conspicuous breakdown of law and order.

Given the depth of their development problems, are sub-Saharan Africa's national economies going to be able to pull out of the doldrums in the twenty-first century? One of the possible solutions to the continent's socio-economic problems that is proposed by some observers is that sub-Saharan countries need to export and market their way out of poverty. The big question is: can sub-Saharan countries really export their way out of poverty and misery? This chapter presents some of the major impediments to sub-Saharan countries' prospects to successfully venture in foreign markets, and concludes that the impediments are too deep-rooted and fundamental to allow for any Afro-optimism in the twenty-first century.

These impediments include the following: the phenomenon of product origin, over-dependence on the production and exportation of primary commodities, the excessive external debt burden, inadequate transportation systems, a dearth of information about foreign markets, disregard for human resources, excessive dependence on Western countries, recurrent conflicts and natural disasters, and a host of problems associated with structural adjustment programs (SAPs).

6.1 Phenomenon of Product Origin

With respect to export marketing, the question of whether 'made-in' labels are of any significant consequence has recently received wide attention. Papadopoulos and Heslop have, for instance, argued that 'country-of-origin' images are of the most immediate interest in the case of products which are marketed in a country other than the one in which they are produced.[5] In their contention, exporters face established importing-country images regardless of whether or not they have taken an active part in creating them.

Using an eight-nation study, Papadopoulos and others have suggested that perceptions of the sourcing country entail the following:[6] (a) cognitions, including the country's degree of industrial development and technological advancement; (b) affect, regarding the country's people; and (c) a conative component relating to the consumer's desired level of interaction with the source country.

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5 Papadopoulos, N. and Heslop, L.A., eds, *Product-Country Images: Impact and Role in International Marketing* (New York, 1993).

6 See Papadopoulos, N. et al., 'International Competitiveness of American and Japanese Products,' in Papadopoulos, N., ed., *Dimensions of International Business*, vol. 2 (Ottawa, Canada, 1989); and Papadopoulos, N., et al., 'A Comparative Analysis of Domestic versus Imported Products,' *International Journal of Research in Marketing*, Vol. 7, No. 4, December 1990.

It is the 'conative component' that, in the author's opinion, is of immediate concern to and for sub-Saharan Africa; here is why: how often do Africans land at—or simply transit through—such cities as London, Houston, or New York only to be told at the immigration desk that the mangoes, anchovy and/or other agricultural produce they are carrying from Africa must be destroyed due to suspicion that they are a vector of this or that disease?

And given numerous claims in industrialized countries that HIV/AIDS originated from sub-Saharan Africa, is it really too farfetched for one to predict that somewhere before the end of the twenty-first century someone will suggest that commodities from Africa must meet additional testing standards before they can be marketed in the industrialized West, since they are produced by—or simply because they directly come into contact with—HIV/AIDS-infected employees?

It is no secret that many negative developments in the world are usually said to have started in sub-Saharan Africa. The culmination of all these 'negatives' could be a perception, among consumers in the West, that the goods and services from the region should be purchased and used only as a last resort. If that day should come—and there are already subtle signs that it could—then sub-Saharan Africa's hopes to export its way out of poverty in the twenty-first century will have disappeared, further confining the region to the least of the world's developing regions. The content of the following excerpts surely makes such a state of affairs exceedingly possible:

> President Clinton … announced the most sweeping changes in the government's meat inspection system since it was created nearly a century ago … [h]e outlined new rules that would, for the first time, impose scientific tests for disease-causing bacteria.[7]

And

> [Mr. Clinton] … detailed his plans to ask Congress to authorize the Food and Drug Administration [FDA] to halt imports of [fruits and vegetables] … from foreign countries that have lower safety requirements or do not permit FDA inspections.[8]

Recently, the Common Market for Eastern and Southern Africa (COMESA) was worried about the future of the sub-region's fish exports following the enactment of new pieces of legislation by the United States and the European Union (EU), which requires that fish products be processed in production facilities which operate quality assurance systems. The systems are expected to be based on the principles of hazard analysis critical control points (HACCP) concept, which COMESA member-countries do not currently have the capacity to fulfill.[9]

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7 Excerpted from Todd, P.S., 'Meat Standards Toughened,' *Rocky Mountain News*, July 7, 1996, p. 2A.

8 Baker, P., 'Clinton Backs Tough Produce Import Plan,' *The Denver Post*, October 3, 1997, p. 4A.

9 Adapted from 'Fish Exports Threatened,' *Times of Zambia*, http://www.zamnet.zm/zamnet/times/, January 18, 2000.

Clearly, the foregoing pieces of legislation and safety requirements are good examples of non-tariff trade barriers (NTBs) which sub-Saharan countries are not going to overcome easily, in spite of the dawning of an era in which trade among countries which are signatories to the WTO's Uruguay Round accord is supposed to be getting increasingly free. Surjit Bhalla's castigation of industrialized countries' unrestrained use of NTBs may not, therefore, be without merit:

> It's hypocrisy of the first sort for the West to talk about opening borders and then hide behind barriers.[10]

6.2 Export Products and the Debt Burden

A major congenital rigidity of most African economies is that their colonial masters encouraged the production and exportation of only a few primary commodities—which, essentially, have no manufacturing value-added—meant to service factories in Europe, a situation which, to date, has changed very little. According to Oxfam,[11] sub-Saharan Africa's over-dependence on the exportation of primary or semi-processed commodities to depression-prone world markets is at the heart of its trade crisis.

More than any other developing region of the world today, sub-Saharan Africa is highly dependent on the production and exportation of such primary commodities as coffee, cocoa, cotton, and copper to generate the foreign exchange needed to import raw materials, manufactures and capital goods. In 1990, manufactured goods accounted for only 11 per cent of the exports of sub-Saharan Africa; and, according to a World Bank forecast, the region's total exports will, between 1994 and 2004, increase at a lower pace than those of Asia and Latin America.[12]

Other reliable sources of information paint a similar picture about the region's dismal performance in this regard. According to the *Financial Times* of London of October 9, 1996, sub-Saharan Africa's share of global exports was 3.1 per cent in 1955. By 1990, that had gone down to a mere 1.2 per cent—that for a continent with more than 10 per cent of the world's population! The same report says that sub-Saharan Africa's share for her 30 major export products declined from 20.8 per cent to 9.7 per cent between 1962–64 and 1991–93, implying annual trade losses for the region of just under US$11 billion. This is certainly not a very good picture for a continent that is desperately looking for good signs on the economic front in the twenty-first century.

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10 Bhalla, S., quoted in Engardio, P. and Belton, C., 'Global Capitalism: Can it Be Made to Work Better?,' *Business Week*, November 6, 2000, p. 76.

11 Oxfam, *Africa: Make or Break—A Special Report* (Oxford, 1993).

12 See Kendie, D., 'Africa's Major Obstacles to Development,' *Africa News Online*, http://www.africanews.org/, November 5, 1999, p. 4.

Somewhat related to African countries' dependence on the exportation of raw materials is the *external debt burden*.[13] Much of contemporary Africa has experienced mounting external indebtedness, accompanied by very high debt service ratios[14]—a state of affairs which has resulted in diversion of a significant portion of export earnings from development programs to debt servicing.[15] In 1996, at least five of the nine countries in the world whose external debts were reported to be unsustainable were in sub-Saharan Africa—that is, Zambia, Mozambique, Burundi, Sudan, and the Democratic Republic of Congo.[16]

These countries do not have the capacity to service existing debts from their export earnings, capital in-flows, and foreign aid without undue burden on their people. No one has been more succinct about sub-Saharan Africa's debt problem than Boutros Boutros Ghali, Africa's first United Nations Secretary General; in his contention, external debts have become a millstone around the neck of sub-Saharan Africa, so to speak. It would be hard to confound such an assessment, considering the fact that the external debts of such countries, as a percentage of gross national product (GNP), has been generally rising at an alarming rate; between 1980 and 1992, for example, the region's external debts rose from 29.2 per cent to 108.8 per cent of GNP.[17]

Any attempt at appreciating sub-Saharan Africa's debt situation ought to start by recognizing that the region's external debt problems are largely a symptom of other sources of economic difficulty—such as inadequate exports, political turmoil, failed government policies, and worse-than-expected terms of trade. And it is these kinds of problems which have made amortization or loan repayment burdensome. A serious shortage of foreign exchange, and of the imports which the scarce foreign exchange can fetch, is at the heart of many of these difficulties.

And, as Quarcoo has concluded,[18] the need to divert a country's scarce foreign exchange reserves derived from limited export proceeds to settle debt service payments means that other critical development needs—including poverty alleviation, education and training, and health care programs—must be sacrificed. What is depicted in the following excerpt is perhaps representative of the seriousness of the problem in much of sub-Saharan Africa today:

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13 For a useful discourse on both the causes and resolution of the debt crisis, see Kyambalesa, Henry, *Marketing in the Twenty-first Century: Concepts, Challenges and Imperatives* (Burlington, 2000), pp. 169–79.

14 The 'debt service ratio' measures debt-service payments as a percentage of export earnings.

15 PTA/COMESA, *PTA Trade and Development Strategy* (Lusaka, 1992).

16 *Financial Mail* [of Zambia], June 30, 1996.

17 Oxfam, *Africa: Make or Break—A Special Report* (Oxford, 1993).

18 Quarcoo, P.K., 'Structural Adjustment Programs in Sub-Saharan Africa: Evolution of Approaches,' *Africa Development Review*, Vol. 2, No. 2, 1990.

> Fifty percent of the export earnings in the Common Market for Eastern and Southern Africa (COMESA) member-states go to debt repayment, a situation which has had far-reaching repercussions on the growth of economies in the region.[19]

In Zambia, for example, there is the unhappy circumstance that a significant portion of the externally sourced loans between 1985 and 1987 went to providing the salaries and upkeep of technical experts from the source countries, as well as acquiring equipment which never really increased productivity in commercial and/or industrial sectors of the country's economy.

The *Profit Magazine*, a local business journal, stated that donor assistance to Zambia had reached an all-time high of US$1.3 billion per year from 1992 to 1994, but 98 per cent of this was used to pay off foreign debt[20]—a classic case of donors making payments to a country only to pay themselves, instead of, for instance, committing the financial resources involved to economic integration and development-related local investment in a debtor-nation's requisite infrastructure.[21]

6.3 Transportation Problems

The transportation infrastructure for both intra-African trade and overseas exports (including roads, rail systems, air transport, and shipping) is not only inadequate, but in many cases non-existent. Burundi, the Comoros, Lesotho, Mauritius, Rwanda, and Somalia, for instance, have no railway systems. Individual systems are also not generally fully compatible, especially in terms of inter-modal transfer of goods. In some cases, parts of the network (especially in war-torn countries like Mozambique, Angola, Burundi, and the Democratic Republic of Congo) need urgent rehabilitation and upgrading.

The need for a modern and extensive transportation system cannot perhaps be over-emphasized. As Kyambalesa has maintained, experience and common sense have taught us that there is a symbiotic relationship between the state of a country's transportation system and the level of its socio-economic development;[22] high per capita income, extensive distribution of income, and increased production and consumption of goods and services, among other things, are not likely to be realized without a modern, highly developed transportation system.[23] In short, transportation

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19 Excerpted from 'External Debts Eat Away COMESA Earnings,' *Times of Zambia*, http://www.zamnet.zm/zamnet/times/, December 8, 1998.

20 *Profit Magazine* [a business journal published by the Zambia Confederation of Industries and Chambers of Commerce (ZACCI)], June 1994.

21 For a discourse on solutions to the external debt burden, see Kyambalesa, Henry, *Marketing in the Twenty-first Century: Concepts, Challenges and Imperatives* (Aldershot, 2000), pp. 173–79.

22 Ibid.

23 Moavenzadeh, F. and Geltner, D., *Transportation, Energy, and Economic Development: A Dilemma in the Developing World* (Amsterdam, 1984), p. 89.

development and economic development are strongly correlated and, as such, they need each other.[24]

However, it is important to note that the direction of the link between improved transportation in a country and the state of the country's socio-economic development is a fuzzy one. Figure 6.1 suggests that the flow of causality is from economic development to the need for increased transportation;[25] it portrays the need for a well-developed transportation system as arising from the process of economic development, its role being to facilitate the distribution of inputs and outputs in a process that is already in motion.

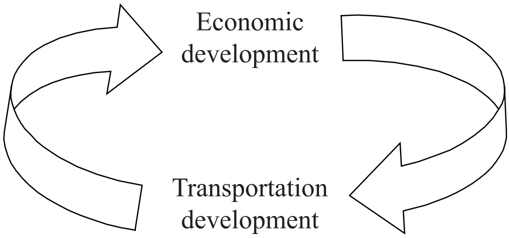

Figure 6.1 Transportation and economic development

The link between the two may also flow in the opposite direction; in other words, increased and/or improved transportation may be conceived of as a necessary condition, although not in itself a sufficient condition, for the attainment of socio-economic growth—implying that some level of development in the transportation sector is a necessary prerequisite to the development of all economic, social and political activities.

A transportation system's role in this regard is perhaps obvious since it is basically a requisite economic, physical, political, and social infrastructure; among other functions, it facilitates the flow of information, ideas, people, and production inputs and outputs.

6.4 Inadequate Information

As Chungu[26] and Nomvete[27] have maintained, an inadequacy of vital information regarding marketing problems and opportunities in foreign markets has also played a

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24 Moavenzadeh, F. and Geltner, D., ibid., p. 99.

25 Figure 6.1 is adapted from Moavenzadeh, F. and Geltner, D., ibid., p. 98.

26 Chungu, A., quoted in Nsabika, C., 'Trade amongst Africans Fails Due to Lack of Information,' *The Post*, http://www.zamnet.zm/zamnet/post/, December 11, 2000.

27 See Nomvete, B.D., 'Regional Integration in Africa: A Path Strewn with Obstacles,' *The Courier*, November–December 1993.

significant role in undermining the development of intra-African trade. Most African nations are traditionally linked to former colonizing nations and, as a consequence, there is an acute lack of awareness of what other African countries can offer to substitute for the products currently being sourced from the developed countries. In the COMESA sub-region, for example, this state of affairs is generally faulted as having played a major role in limiting the volume of trade between and among member-countries.

6.5 Disregard for the Human Capital

With a 1996 combined population of about 600 million, African economies are potentially rich in human resources. Yet, as Stewart has pointed out,[28] people have been generally neglected, poorly educated and in poor health, with their capacities frequently under-utilized. The unfortunate consequence of such a state of affairs is low labor productivity and lack of competitiveness.

It is easy to flame controversy in a discussion of a theme like the one we have at hand, but few people would contest the argument that part of the reason for Africa's poor record in matters relating to education originates from its colonial history, which left the continent with a markedly worse educational structure than any other region in the world.[29]

For example, Stewart has found that Africa's primary school enrollment ratio in 1965 was less than half that of East Asia and Latin America and only two-thirds that of South Asia, while secondary educational enrollment rates were less than a quarter of those in other regions of the world.[30] Twenty years later, in 1986, the gap between sub-Saharan Africa and the rest of the developing regions of the world was still as large as before.[31]

In passing, one may perhaps do well to cite Laurent Fabius's observation regarding the value of skilled and knowledgeable citizens in a developing country's quest for heightened socio-economic development:

> The sustainable development of the transition countries depends … on their ability to exploit their fundamental advantage: the quality of their human resources.[32]

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28 Stewart, F., 'Are Adjustment Policies in Africa Consistent with Long-Run Development Needs?' *Development Policy Review*, Vol. 9, No. 4, 1991.

29 For a useful discourse regarding the state of education in Africa during the colonial era, see Chapter 3, Section 3.1.

30 Stewart, F., 'Are Adjustment Policies in Africa Consistent with Long-Run Development Needs?', p. 426.

31 The critical nature of human resources in a country's quest for socio-economic development is discussed in Chapter 3, Section 3.1 of this book.

32 Fabius, L., European Bank for Reconstruction and Development, quoted in *Information Dispatch Online*, 'Development Banks Stress Social Issues,' http://www.dispatch.co.zm/news/, April 23, 2001.

6.6 Excessive Dependency on the West

Partly as a result of the congenital rigidities mentioned earlier, sub-Saharan countries still depend on industrialized countries for imports of raw materials, capital goods and manufactured products, even in cases where products of comparable quality are available in neighboring countries. Over-dependence on imported raw materials, manufactures, and capital goods from the industrialized world has made sub-Saharan economies particularly vulnerable to hitches which are usually associated with unstable stocks of foreign exchange.

There are a number of reasons for the seemingly self-perpetuating dependence of sub-Saharan Africa on industrialized countries. Two of these, which are cited by Nomvete,[33] are perhaps worth citing here. First, the preference for Western imports is attributable to habit, where both importers and their potential customers prefer anything 'Western.' Secondly, many of the imports from industrialized nations are tied directly to aid programs which tend to favor imports from the aid-giving country: nearly two thirds of capital and commodity aid and an even higher proportion of technical assistance require imports from the aid-giving country.

This often happens regardless of whether or not the imported goods are suited to local conditions. About US$5 billion worth of goods exported by some sub-Saharan nations to developed countries are re-imported into the region by other members. As Gumende has maintained,[34] such forms of foreign aid are known to play a significant role in this distortion.

In passing, it is perhaps also important to note that sub-Saharan countries' overdependence on industrialized nations is not limited to raw materials, manufactures, and capital goods; as the Organization for Economic Cooperation and Development (OECD) has observed, they, like most other developing nations worldwide, have 'grown more dependent on official development assistance to finance … [development projects].'[35]

6.7 Conflicts and Natural Disasters

One would certainly be remiss in a discourse concerning sub-Saharan Africa's exports not to make reference to the disastrous effects of wars, droughts, and diseases on national and regional economies. As insinuated earlier in this chapter, and elsewhere in the text of the book, Africa has the most distressing list of nations (of any continent) that have effectively ceased to function as modern nation-states.

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33 See Nomvete, B.D., 'Regional Integration in Africa: A Path Strewn with Obstacles,' *The Courier*, November–December 1993, pp. 49–55.

34 See Gumende, A., 'Sailing on Turbulent Waters,' in *SADC Top Companies Report* (Harare, 1994).

35 See OECD [Organization for Economic Cooperation and Development], *Trade, Investment and Development: Reaping the Full Benefits of Open Markets* (Paris, 1999), p. 29.

For instance, Burundi, Liberia, Rwanda, Mozambique, Ethiopia, the Sudan, Somalia, Angola, and the Democratic Republic of Congo face enormous and expensive reconstruction problems from years of civil wars that have left them desperately short of skills and infrastructure that will take a generation to rehabilitate.[36] Likewise, there is a massive backlog of unfulfilled social development. They cannot, therefore, be expected to be effective participants in increasingly competitive world export markets.

Diseases—from malnutrition to HIV/AIDS—cannot be ignored either. Many analysts, including Holman,[37] have pointed out that HIV/AIDS is already taking a heavy toll on Africa generally. Many of Africa's AIDS-sufferers are from the skilled urban class on whose shoulders ought to lie squarely the arduous task of rejuvenating African economies through exports, structural reforms, regional integration, and other means. At the micro-level—in various ministries, companies and industries—HIV/AIDS-related problems come in the form of falling productivity and efficiency due to disability, rising sick leaves and time taken off by employees to care for sick relatives.

Finally, sub-Saharan Africa has had its share of drought-induced impediments to development. Several countries have been constant victims of either inadequate rains or drought during the last ten years. Ethiopia's experience in the mid-1980s is by far the worst case. In 1992, Southern Africa experienced its worst drought in living memory, whose effects crippled agriculture, cutting supplies of raw inputs to down-stream industries which in turn rely on agro-based industries for a huge slice of their domestic sales.

In Zambia, for instance, the 1992 drought precipitated a 39.3 per cent drop in agricultural output.[38] Given the fact that a large proportion of Africa's inhabitants depends on agriculture-related occupations for their livelihood, it is not difficult to see how drought affects their standard of living (and chances for survival).

6.8 Structural Adjustment Programs

Most African countries are currently implementing, at different stages, structural adjustment programs (SAPs) under World Bank and IMF tutelage; the programs are primarily aimed at improving the performance of African economies. Their main purpose, therefore, is to rekindle economic growth by increasing the mobility of production factors (including labor and raw materials) and by decreasing economic discrepancies. Increasing the so-called non-traditional exports (NTEs) is also an important goal of SAPs.

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36 Section 3.4 of this book has also addressed the need for sustained peace and stability in Africa's quest for heightened socio-economic development.

37 Holman, M., 'Africa is Striving for a Fresh Start,' *The Financial Times* [London], September 1, 1993, p. II.

38 For example, see Price Waterhouse [Zambia], *Summary of the 1993 Zambian Budget Proposals*, Lusaka, Zambia, 1993.

Unfortunately, some aspects of SAPs—such as the content of conditionality or policy strings attached to multilateral loans, and the speed and timetable of the adjustment process—may in fact be a hindrance to the pursuit and attainment of a country's socio-economic goals and aspirations.

Contradictory Effects

There is a very serious conflict between IMF demand-management and World Bank supply-response measures. Killick has made the useful point that the demand-management approach of the IMF (with its emphasis on reducing imports and government expenditure) and the supply-orientation of the World Bank (emphasizing exports or outward-orientation) are not always easy to reconcile.[39] There is the danger, he argues, that IMF-type programs which envisage large reductions in imports will erode export supply responses, to say nothing about the costs imposed by way of foregone output.

Reductions in public expenditure almost invariably affect projects and programs that are essential to long-term socio-development—notably, expenditures intended to facilitate the development of human capabilities (including health, education, and training), expenditures on research and development (R&D) in priority areas, and expenditures on infrastructure, especially in rural areas.[40]

Trade (import and export) liberalization is another major element or policy string attached to the procurement of loans from the World Bank and the IMF. But current adjustment packages make no special efforts to promote regional trade in their support of undifferentiated import liberalization. Because of the highly competitive nature of products from outside Africa (especially from Asia), generalized import liberalization can discourage regional trade—which has continued to be low in Africa, consistently accounting for no more than 5 per cent of official or documented trade.

It is, therefore, not surprising that the path of World Bank and IMF-induced economic reforms in such countries as Zambia and Zimbabwe is littered with corporate casualties; companies have either been thrown out of business by competing imports and/or recession-induced low demand, or crippled to death by high interest rates brought about by liberalization and government attempts to curb inflation.

In general, there should perhaps be no denying the fact that World Bank and IMF-induced economic reforms have lead to the 'privatraumatization'[41] of economic

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39 Killick, T., 'Problems and Sources of difficulty with Adjustment Conditionality,' paper presented at the first National Conference on Zambia's SAP held in Kitwe, Zambia, March 21–23, 1992.

40 See Stewart, F., 'Are Adjustment Policies in Africa Consistent with Long-Run Development Needs?'

41 This concept is adopted from Kyambalesa, Henry, 'Theme 7: Economic Integration and Development,' in Kyambalesa, Henry, ed., 'Fostering Development in the African Union: Governance, Economics, Technology, and the Environment,' manuscript (2005).

units and citizens in countries which have adopted such programs. And without a radical shift in the policies of the two Bretton Woods institutions, the citizenry and business entities in African countries that are under their tutelage will inevitably continue to be 'privatraumatized' by the contradictory effects of the policies.

At the high rates (which averaged around 65 per cent in Zambia between 1992 and 1995), credit is beyond the reach of the majority of local business institutions. As a result of this state of affairs, business institutions in much of sub-Saharan Africa today cannot invest or re-invest in productive ventures, let alone meet their working capital requirements.

These kinds of impediments on economic pursuits and endeavors are, no doubt, going to thwart sub-Saharan Africa's quest to market her way out of poverty in the twenty-first century.

Similarity of Programs

Most African countries pursue similar reform programs (at the same time) and face the same World Bank and IMF conditionalities or policy strings. As part of the requirements of the SAPs they are pursuing, for example, they all aim to reduce imports. As such, if one country's imports are another's exports and the former are cut as part of the demand-management approach, this can obviously affect exports. In 1991, for example, Zambia's exports to Zimbabwe were reduced because, as part of its own SAP, Zimbabwe had to reduce its imports in line with its own tight foreign exchange situation. This amounted to a loss of export earnings for Zambia.

Asymmetry of the Process

A far more serious problem at the international level concerns what Woodward has described as problems in the global adjustment process—what he has specifically referred to as 'the asymmetry of macro-economic adjustment.'[42] He has reminded us that the process of macro-economic adjustment revolves around putting pressure on less-developed countries (LDCs) with balance of payments (BOPs) deficits to reduce the deficits, with little or no pressure exerted on surplus nations to reduce their surpluses.

If Woodward's argument that one country's BOPs deficit is essentially another country's BOPs surplus, and that one country's imports are another country's exports is embraced, then the asymmetry is further compounded by the demand-orientation of World Bank and IMF programs—which require adjusting developing countries to reduce demand for imports as part of conditionality. This situation tends to push developing deficit nations into reducing their demand as a means of external adjustment, but surplus nations are under no equivalent pressure to allow an offsetting increase in their demand.

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42 See Woodward, D., *Debt, Adjustment and Poverty in Developing Countries* (London, 1992).

When deficit nations represent a large proportion of the world economy—as they currently do—the net effect is to slow down the growth of demand and, therefore, of income, in the world economy. The above scenario leads to a reduction in the rate of growth of demand for the exports—both primary and manufactured—of countries like those in sub-Saharan Africa that are trying to adjust and improve their national economies.

6.9 A Summing-Up

This chapter has been an attempt to examine some of the existing and potential export and marketing-related problems which sub-Saharan countries need to contend with in the twenty-first century; to reiterate, these challenges are as follows: (a) the phenomenon of product origin; (b) over-dependence on the production and exportation of primary commodities; (c) the excessive external debt burden; (d) inadequate transportation systems; (e) a dearth of information regarding foreign markets; (f) disregard for human resources; (g) excessive dependence on Western countries; (h) conflicts and natural disasters; and (i) problems associated with structural adjustment programs.

Given the enormity of each of the foregoing problems, the only reasonable and obvious conclusion one can perhaps objectively make is that the region's export-related problems are too fundamental—and some clearly too deep-rooted—to allow for too much Afro-optimism in the twenty-first century.

However, these problems can very easily be overcome through an ambitious effort by African leaders to briskly integrate the national economies of their countries. Kyambalesa and Houngnikpo have discerned what such an endeavor entails, why it is going to be inevitable for African countries in the twenty-first century, and, among a host of other things, how integration of national economies can be made more prolific in attaining the socio-economic goals and aspirations of cooperating countries.

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Chapter 7

A Recapitulation

Thus far, we have explored the following:

Chapter 1: The notions and basic elements of the theory upon which the integration of national economies is predicated—including the forms of integration, effects of integration, essential conditions for successful integration, and the theory of the second best.

Chapter 2: The basic reasons why economic integration is going to be an indispensable element in African countries' quest for pronounced and sustained socio-economic development in the twenty-first century—that is, the need to gain a competitive edge, circumvent the disadvantages associated with small size, and, among other rationales, improve their collective terms of trade.

Chapter 3: The challenges and imperatives which government leaders in Africa need to consider in order to enhance the viability of their economic groupings—including the need for skilled human resources, competitive business systems, strict legislation relating to consumer and labor issues, sustained peace and stability, and environmental stewardship.

Chapter 4: A descriptive survey of the institutional frameworks and the goals and purposes of current regional groupings which, together, encompass the continent's 54 sovereign states—that is, the COMESA, the SADC, the ECOWAS, the Franc Zone, the Arab Maghreb, and the AEC.

Chapter 5: An assessment of capital markets integration in the African Union (AU), with special reference to eastern and southern Africa. The themes surveyed in the chapter include the following: the stock-market situation in Africa, current regional integration schemes, the proposed COMESA stock market, impediments to the creation of a stock exchange, and the case for a regional stock exchange.

Chapter 6: An exploration of export-related challenges for national leaders and governments in sub-Saharan Africa—including the following: the phenomenon of product origin, dependence on primary products, the external debt burden, transportation problems, inadequate information, disregard for the human capital, excessive dependence on industrialized nations, conflicts and natural disasters, and structural adjustment programs (SAPs).

To reiterate, integration of the economies of sovereign states has been one of the leading aspirations of socio-economic policy in the second half of the twentieth century, such that the period may be appropriately described as having been an era of economic integration. Feld and Jordan have portrayed this unprecedented proliferation of integration of national economies in the following words:

> The number of IGOs [inter-governmental organizations] … has grown tremendously since World War II. There were 378 IGOs operating in 1986; their number may reach 450 by [the year] 2000.

In the industrialized world, for example, the desire for economic integration is reflected in the formation of such inter-governmental organizations (IGOs) as the European Free Trade Association (EFTA), the North American Free Trade Agreement (NAFTA) bloc of countries, and the European Union (EU), among many others. In the developing world, an interest in economic integration has been even more widespread. In Latin America, for example, it has given rise to such IGOs as the Andean Common Market (or the Andean Community), the Southern Common Market (or Mercosur), the Organization of American States, and the nascent South American Community of Nations.

And in Asia, the desire for integration has resulted in the creation of the Arab Common Market and the Association of Southeast Asian Nations (ASEAN), while in Africa it is expressed in the formation of economic groupings like the Economic Community of West African States (ECOWAS), the Southern African Development Community (SADC), and the nascent Common Market for Eastern and Southern Africa (COMESA).

The primary rationale for economic integration derives not only from economic considerations; rather, it emanates from social, security, technological, and political factors as well. At the political level, for example, the basic motivation for integration, or at least economic cooperation, springs from the assumption that the process of socio-economic development requires some form of international cooperation or interdependence.

At the technological level, a country may, as insinuated in the *Southern Africa Political and Economic Monthly* (SAPEM) journal,[1] decide to integrate with others in order to gain unrestrained and protracted access to a larger market for any forms of advanced technology which may be conceived and/or developed in the country, as well as to benefit from joint scientific and technological development efforts and programs.

In the twenty-first century, African governments should not expect to make any headway in their quest for enhanced socio-economic development if they cannot briskly integrate their countries' national economies. The enormity of development

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1 'Towards the Southern African Development Community [SADC]: A Declaration by Leaders of Southern African States,' *SAPEM*, August 1992, p. 29.

hurdles facing much of the continent (including limited domestic markets, inaccessible foreign markets, lack of investment capital, and unfavorable terms of trade with industrialized nations) certainly call for what may be referred to as 'South–South' economic cooperation if they are to rid their countries of what Mr Bill Clinton characterized (in November 2000) as the 'astonishing poverty'[2] currently facing the continent just before the end of his two-term tenure as US president.

In short, meaningful socio-economic development in Africa is, as African heads of state and government have unanimously concluded, 'contingent upon the integration of [the continent's national] … economies.'[3]

Let us now turn to savant Mistry for an observation that provides a general rationale for African countries to relentlessly seek stronger and permanent membership in regional economic blocs, and simultaneously work towards consolidating the operations of the nascent 'African Union'—proclaimed in Libya in March 2001, assented to by member-countries in Ethiopia in May 2001, created in Zambia in July 2001, and formally launched in South Africa in July 2002—to replace the Organization of African Unity (OAU):

> African countries no longer have the luxury of avoiding the imperatives [associated with] … integration, which is inescapable for most of them if they are to … [succeed in their socio-economic pursuits and endeavors]. On their own, they will not be able to arrest and reverse the slide toward marginalization in the global economy … and to realize their potential to become more efficient and competitive economies.[4]

Now that the African Union (AU) is born, the immediate and mammoth task 'for all Africans … [is] to translate this political commitment into concrete action.'[5] And, as Bamford and Winter have contemplated, 'People on the streets of cities from Cape Town to Cairo will be waiting to see what difference [the Union will] … make to their everyday lives.'[6]

Particularly, one would expect the AU to both facilitate and expedite the attainment of the United Nations Millennium Development Goals (MDGs), and the incorporation of the imperatives associated with the attainment of the 'highly indebted

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2 Clinton, B., 42nd president of the United States of America.

3 Excerpted from a declaration made by the heads of state and government of the Organization of African Unity (OAU) member-countries during the Thirty-Sixth Ordinary OAU Session in Lomé, Togo, July 10–12, 2000.

4 Excerpted and adapted from Mistry, P.S., 'Africa's Record of Regional Cooperation and Integration,' *African Affairs*, Vol. 99, No. 397, October 2000, pp. 570 and 571.

5 Salim, S.A., former OAU Secretary General, quoted in Shabolyo, N., 'African Union Born,' http://www.daily-mail.co.zm/, July 10, 2001; and Zamnet Communication Systems Limited, 'AU Launch Great Achievement for Africa,' http://www.zamnet.zm/, July 10, 2001. (Note: Dr Salim was succeeded by Mr Amara Essy of Cote de Voire, who became the first Secretary General of the newly constituted African Union.)

6 Bamford, D. and Winter, J., 'Farewell to the OAU,' http://news.bbc.co.uk, July 9, 2001.

poor countries' (or 'HIPC') Completion Point into national, development-related policies and programs—including the pursuit of projects and programs set forth in the Poverty Reduction Strategy Paper (PRSP) relating to the following: expenditure management and control; education and training; economic liberalization; and HIV/AIDS, tuberculosis, malaria, and other matters concerning health care.

Finally, we would perhaps do well to share the following admonition excerpted from the National Anthem (third verse) of the Republic of Zambia:

> Africa is our own Motherland,
> Fashion'd with and blessed by God's good hand,
> Let us all Her people join as one,
> Brothers under the sun,
> All one, strong and free.

Appendix A

36th OAU Assembly: The Lomé Declaration[1]

We, the Heads of State and Government of the Organization of African Unity (OAU) member-countries meeting at the Thirty-Sixth Ordinary Session of our Assembly in Lomé, Togo, from 10th to 12th July, 2000:

Firmly committed to the fundamental principles and objectives of the OAU Charter adopted by our founding fathers—that is, political independence, respect for the sovereignty and territorial integrity of sovereign states, and promotion of peace, security, cooperation, development, and human and peoples' rights;

Conscious of the persistence of conflict situations and acts of violence which are seriously undermining the security and stability of our nation-states, and gravely hampering our development efforts;

Convinced of the need to work towards the maintenance of regional and international peace and security, in accordance with the United Nations (UN) and OAU Charters;

Noting with concern that the reform of the UN Security Council aimed at aligning its membership and functioning to new exigencies is long overdue;

Deploring the fact that the international community has not always accorded due attention to conflict management in Africa as it has consistently done in other regions of the world, and that the efforts exerted by Africans themselves in the area of peace-keeping, as provided for under Chapter VII of the United Nations (UN) Charter, are not given adequate financial and logistical support;

Gravely concerned by the growing number of refugees and displaced persons on the African continent, as a result of all these conflicts;

Also deploring the growing deterioration of the prices of raw materials and the obstacles militating against access of African countries to international markets;

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1 This appendix reflects a few changes made to the original Declaration with respect to punctuation, syntax and semantics.

Further gravely concerned by the negative effects of indebtedness on African economies, and by the persistent decline of Official Development Aid (ODA) and foreign direct investment (FDI) in our countries;

Recognizing that Africa's progress and economic and social development are contingent upon the integration of African economies, as stipulated in the Abuja Treaty establishing the African Economic Community (AEC);

Considering the pressing need to strengthen African economies in order to enable them to benefit from the globalization process;

Stressing the importance of the international community's contribution to efforts by African states for sustainable development, which is a prerequisite for peace and security;

Further stressing the importance of technology transfer for Africa's industrial development;

Further recognizing that misery, poverty, hunger, disease, injustice, illiteracy, and war constitute major impediments to the development and advancement of our peoples;

Recalling the importance of education, training, and capacity-building in Africa's development process;

Also recognizing the preponderant place and role of African women in economic, social, human, and cultural development, as well as in the edification of a harmonious and prosperous African society;

Further considering that cross-border criminality—including drug trafficking, corruption, terrorism, and illicit proliferation of, circulation of, and trafficking in small arms and light weapons—constitute serious threats to security and stability, and hamper the harmonious economic and social development of the continent;

Bearing in mind our Decision AHG/Dec. 137 (LXXV) of July 1999 on the illicit proliferation of, circulation of, and trafficking in small arms and light weapons;

Further noting with concern that the plight of millions of African children is worsening by the day due to war, their conscription into armed conflicts, and their abusive exploitation in many respects;

Further recalling the need to implement the UN Convention on the Rights of the Child and the African Charter on the Rights and Welfare of the Child;

Also gravely concerned by the widespread incidence of HIV/AIDS and the ravages caused by other pandemics like malaria, which seriously undermine Africa's development efforts;

Further concerned with the devastating effects of natural disasters in Africa on the lives of the continent's peoples, and on national and regional economies;

Aware that development, democracy, respect for fundamental freedoms and human rights, good governance, tolerance, and a culture of peace are essential prerequisites to the establishment and maintenance of peace, security and stability;

Further convinced that cultural diversity and dialogue among civilizations are sources of enrichment and progress; and

Reiterating our faith in the Sirte Declaration of 9th September, 1999:

1) Reaffirm our strong resolve to make the year 2000 a year of peace, security and solidarity in Africa, in accordance with Declaration AHG/Decl.2 (XXXV) which we adopted at our 35th Ordinary Session held in Algiers from 12th to 14th July, 1999;

2) Commit ourselves to intensify our actions for peace, and to support efforts aimed at the peaceful settlement of conflicts in Africa, particularly through the strengthening of the OAU Mechanism for Conflict Prevention, Management and Resolution, and of African capacities for conflict management and the maintenance of peace and security;

3) Strongly advocate cooperation in the area of peace-keeping and security between the UN, the OAU and African Regional Organizations;

4) Recognizing the expansion of UN peace-keeping activities and the need for adequate resources for rapid and efficient deployment of peace-keeping operations, we affirm the importance of taking necessary steps to ensure an adequate system of financing for all UN peace-keeping activities;

5) While recalling that maintenance of international peace and security is the primary responsibility of the UN Security Council, we urge the UN and the international community to pay necessary attention to the management and resolution of conflicts in Africa and actively support the initiatives deployed under Chapter VII of the UN Charter;

6) Reaffirm further the need to pursue efforts aimed at achieving comprehensive and complete disarmament, including nuclear disarmament, as a means of attaining the objectives of regional and international peace and security;

7) Commit ourselves further to tackle the root causes of the problem of refugees and displaced persons, and to create conditions that are conducive to voluntary repatriation of refugees and return of displaced persons to their places of origin;

8) Are determined to preserve Africa as a nuclear-free zone in conformity with the Pelindaba Treaty signed in Cairo, Egypt, on 11th April, 1996, and reaffirm our resolve to leave no stone unturned to ensure timely enforcement of this Treaty;

9) Also commit ourselves to resolutely combat cross-border criminality—including drug trafficking, corruption, terrorism, and illicit proliferation of, circulation of, and trafficking in small arms and light weapons;

10) Welcome the moratorium on import, export and manufacture of small arms and light weapons in Africa introduced by Economic Community of West African States (ECOWAS) member-countries, and encourage the establishment of similar mechanisms in other regions;

11) Emphasize the need for African countries to take an active part in the 2001 World Conference on Illicit Trade in Small Arms and Light Weapons in all its aspects;

12) Solemnly appeal to member-states to speed up the ratification process of the OAU Convention on the Prevention and Combating of Terrorism signed in Algiers on 14th July, 1999;

13) Reaffirm our determination to continue to promote respect for, and protection of, human rights and fundamental freedoms, democracy, rule of law, and good governance in our countries;

14) Also reaffirm the need to accelerate the reform of the UN Security Council, and ensure that its membership is more reflective of its universality—a prerequisite for its increased credibility;

15) Are firmly resolved to hasten the African integration process, particularly through: (a) dynamic cooperation among the continent's Regional Economic Communities (RECs); (b) enhancement of intra- and inter-regional trade, and (c) rationalization and optimum use of existing regional training and capacity-building centers in Africa in conformity with the 1991 Abuja Treaty establishing the AEC;

16) Recall with satisfaction the successful holding on 3rd and 4th April, 2000 of the Africa-Europe Summit in Cairo, Egypt, as a historic effort to strengthen cooperation and develop a new strategic partnership between the two continents and urge that efforts be sustained to implement the decisions contained in the Cairo Declaration and Plan of Action;

17) Further reaffirm our commitment to the Libreville Summit Declaration and Plan of Action and the Social Summit of Copenhagen on the issue of widespread poverty and its reduction in Africa, and reiterate our pledge to implement this Plan of Action;

18) Call on the industrialized countries to take more purposeful and innovative initiatives aimed at the total cancellation of the debt owed by African countries;

19) Agree to reinvigorate the OAU Contact Group on Africa's External Debt in order to continue to search for suitable solutions to the excruciating debt burden;

20) Further call on the international community to do its utmost to ensure that globalization serves the interest of all countries without discrimination and, in particular, facilitate the effective participation of our countries in the global trade system, thereby helping us to lay the foundations for durable and equitable growth;

21) Further reaffirm our firm resolve to eliminate poverty, illiteracy and social inequalities in our countries and, in this regard, support efforts aimed at the establishment of a World Solidarity Fund;

22) Call upon member-states to strengthen measures designed to implement the Program of Action of the Decade of Education in Africa (1997-2006) and support the resolutions adopted by the Dakar UNESCO Conference on Education held from 24th to 28th April, 2000;

23) Advocate further the establishment and promotion of new communication and information technologies as invaluable tools for the promotion of culture, education and development;

24) Reaffirm finally our determination to implement all relevant UN and OAU Declarations aimed at the rapid and definitive elimination of all forms of discrimination and violence against women and urge for greater participation of women at all levels of management of public affairs and development;

25) Exhort member-states to implement policies which contribute to the promotion and exercise of the rights of the child, as well as the full physical, intellectual and moral development of the child in an environment of peace, security and stability;

26) Also call on the international community to lend support to our efforts in the promotion of health care, particularly in the fight against malaria and HIV/AIDS, in accordance with the pertinent decisions and resolutions of the Assembly of Heads of State and Government and the Council of Ministers;

27) Strongly support the establishment of an African mechanism for the prevention and control of natural disasters and the strengthening of the relevant funds to mitigate their destructive effects in Africa;

28) Reaffirming that Africa's development devolves primarily on our governments and peoples, we are resolved to consolidate the foundations of equitable and sustainable development centered on humankind, and underpinned by viable economic policies, social justice, respect for human rights and effective management of public affairs, thereby enhancing the prospect of speedy structural transformation of our economies;

29) To these ends, we finally and solemnly commit ourselves to resolutely support all efforts geared to defending and promoting Africa's interests within the context of the African Union, as stipulated in the Sirte Declaration of 9th September, 1999, thereby make Africa a more united, more prosperous and stronger continent, fully responsible for its own destiny.

Done in Lomé, Republic of Togo, 12th July, 2000.

Appendix B

36th OAU Assembly: CSSDCA Declaration[1]

1) We, the Heads of State and Government of the member-states of the Organization of African Unity (OAU), meeting in Lomé, Togo, at the 36th Assembly of our Organization, have considered the report of the Ministerial meeting of the Conference on Security, Stability, Development, and Cooperation in Africa (CSSDCA) held in Abuja, from 8th to 9th May, 2000. The Ministerial Conference was convened pursuant to the decision taken in Algiers in July 1999, proclaiming 2000 as the Year of Peace, Security and Solidarity in Africa, as well as the Declaration adopted on 9th September, 1999 at our 4th Extraordinary Summit in Sirte, in the Great Socialist Peoples' Libyan Arab Jamahiriya, which, *inter alia*, decided on the establishment of an African Union and the convening of the Ministerial Conference.

2) We recall the Decisions we have taken, over the years, to promote political stability and economic development in our continent. In the realm of promoting stability, the African Charter for Popular Participation in Development and the Declaration on the Political and Socio-Economic Situation in Africa and the Fundamental Changes Taking Place in the World, were adopted in 1990.

3) In June 1993 in Cairo, Egypt, we adopted a Declaration establishing the Mechanism for Conflict Prevention, Management and Resolution to forge, within the OAU, a new institutional dynamism for the prevention, management and resolution of conflicts. In 1981 and 1998 respectively, the African Charter on Human and People's Rights and the Protocol on the establishment of the African Court on Human and People's Rights, were adopted. Both were important instruments for ensuring the promotion, protection and observance of human rights as an integral part of our Organization's wider objective of promoting collective security for durable peace and sustainable development.

4) In July 1997, during our Summit in Harare, we took a stand against Unconstitutional Changes of Government. This led to the Algiers Summit of July 1999 to adopt

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1 This appendix reflects a few changes made to the original Declaration with respect to punctuation, syntax and semantics.

a decision on Unconstitutional Changes of Governments to reinforce respect for democracy, the rule of law, good governance, and stability.

5) In the area of development and cooperation, the Lagos Plan of Action and the Final Act of Lagos were adopted in 1980; the Treaty establishing the African Economic Community (AEC) and the Cairo Agenda for Re-Launching the Economic and Social Development of Africa, were adopted in 1991 and 1995, respectively. The Sirte Declaration of September 1999 included measures for accelerating the process of economic integration and addressing the question of Africa's indebtedness.

6) We recall that these concerns were at the core of the initiative launched by the African Leadership Forum on the CSSDCA process. We note that the conference on Security, Stability, Development, and Cooperation in Africa as proposed in the Kampala Document was not conceived as a one-off event, but rather as a process.

The underlying thinking of the CSSDCA process as articulated in the four calabashes of the Kampala Document of 1991 was a recognition of the fact that the problems of security and stability in many African countries had impaired their capacity to achieve the necessary level of intra- and inter-African cooperation that is required to attain the integration of the continent and critical to the continent's socio-economic development and transformation.

In this regard, we have used both the revised Kampala Document and the working document elaborated by our experts in Addis Ababa to enrich our thinking on the CSSDCA process.

7) We note that all the major decisions taken by our Organization since its inception reflect the linkage between peace, stability, development, integration, and cooperation. We believe that the CSSDCA process creates a synergy of the various activities currently undertaken by our Organization and should, therefore, help to consolidate the work of the OAU in the areas of peace, security, stability, development, and cooperation. It should provide a policy development forum for the elaboration and advancement of common values within the main policy organs of the OAU.

8) We are convinced that the interactive approach embedded in the CSSDCA initiative should provide an invaluable tool for the pursuit of the agenda of the OAU in the new millennium, with particular reference to the issues of Security, Stability, Development, and Cooperation.

Declaration of Principles

9) In recognition of the importance of the CSSDCA, which shall encompass four major areas henceforth called Calabashes: Security, Stability, Development and Cooperation in furthering Africa's interests within the ambit of the OAU, we affirm the following general and specific principles:

General Principles

a) Respect for the sovereignty and the territorial integrity of all member-states;

b) The security, stability and development of every African country is inseparably linked to that of other African countries since instability in one country affects the stability of neighboring countries, and has serious implications for continental unity, peace and development;

c) The inter-dependence of member-states and the link between their security, stability and development make it imperative to develop a common African agenda based on unity of purpose and collective political consensus derived from a firm conviction that Africa cannot make any significant progress in the absence of peace and security;

d) The peaceful resolution of disputes, with emphasis on seeking African solutions to African problems;

e) The prevention, management and resolution of conflicts create an enabling environment for peace, security, stability, and development to flourish;

f) The responsibility for the security, stability and socio-economic development of the continent lies primarily with African nation-states;

g) While recognizing that the primary responsibility for the maintenance of international peace and security lies with the United Nations (UN) Security Council, the OAU—in close cooperation with the UN and Regional Economic Communities (RECs)—remains the premier organization for promoting security, stability, development, and cooperation in Africa;

h) Democracy, good governance, respect for human and peoples' rights, and the rule of law are prerequisites for the security, stability and development of the continent;

i) Africa's resources should be used more effectively to meet the needs of African peoples and to improve their well-being;

j) The fulfillment of the objectives of the CSSDCA requires the strengthening of Africa's solidarity and partnership with other regions of the world in order to meet the challenges of globalization and avoid further marginalization;

k) HIV/AIDS and other pandemics on the continent constitute a threat to human security as well as short- and long-term sustainable growth in Africa; and

l) member-states should adhere in good faith to all CSSDCA principles and ensure their implementation.

Specific Principles

Security

10) Recognizing that security should be seen in its wholesomeness and totality including the right of peoples to live in peace with access to the basic necessities of life, while fully enjoying the rights enshrined in the African Charter on Human and Peoples' Rights and freely participating in the affairs of their societies; and bearing in mind that Africa's security and that of its member-states are inseparably linked to the security of all African peoples;

We affirm that:

a) Security should be recognized as a pillar of the CSSDCA process. It is an indispensable condition for peace, stability, development, and cooperation. It underscores the organic links that exist between the security of member-states as a whole and the security of each of them on the basis of their history, culture, geography, and their common destiny. This implies individual and collective responsibilities exercised within the basic framework of the African Charter on Human and Peoples' Rights and all other relevant international instruments;

b) The concept of security must embrace all aspects of society including economic, political, social, and environmental dimensions of the individual, family and community, local and national life. The security of a nation must be based on the security of the life of the individual citizens to live in peace and to satisfy basic needs while being able to participate fully in societal affairs and enjoying freedom and fundamental human rights;

c) The security of all Africans and their states is indispensable for stability, development and cooperation in Africa. This should be a sacred responsibility of all African states—individually and collectively—which must be exercised within the basic framework of the African Charter on Human and Peoples' Rights and other relevant international instruments;

d) Member-states should, in times of peace, undertake the delimitation and demarcation of common borders;

e) There is a need to build and enhance Africa's capacity for peace support operations, emergency relief preparedness and natural disaster response at the sub-regional and continental levels, including the strengthening of regional efforts and initiatives;

f) Foreign intervention in the internal affairs of member-states, especially in situations of conflict, should be resisted and condemned by all member-states;

g) The problem of refugees and displaced persons constitutes a threat to peace and security on the continent and its root causes must, therefore, be addressed; and

h) Uncontrolled spread of small arms and light weapons as well as the problem of land mines pose a threat to peace and security in the African continent.

Stability

11) Noting that stability requires that all States be guided by strict adherence to the rule of law, good governance, peoples' participation in public affairs, respect for human rights and fundamental freedoms, and the establishment of political organizations devoid of sectarian, religious, ethnic, regional, and racial extremism;

We affirm that:

a) The executive, legislative and judicial branches of government must respect their national constitutions and adhere to the provisions of the law and other legislative enactments promulgated by parliaments. No one should be exempted from accountability;

b) The active and genuine participation of citizens of every country in the decision-making processes and in the conduct of public affairs must be fostered and facilitated;

c) All rights and freedoms of citizens should be promoted and protected;

d) There shall be no hindrance to the promotion of political pluralism. All forms of extremism and intolerance foster instability; and

e) Terrorism, in all its manifestations, is inimical to stability.

Development

12) Noting that the attainment of self-reliance, sustainable growth and economic development will be facilitated by the promotion of economic cooperation and integration; that effective diversification of the resource and production base is vital for rapid social and economic transformation; that popular participation, equal opportunity, transparency in public policy-making, and partnership between government and peoples are necessary for the achievement of development; that improved access to resources and markets for Africa's exports, as well as debt

cancellation and capacity-building in all fields of human endeavor are crucial for Africa's development;

We affirm that:

a) The accelerated economic development of our countries is at the center of our national policies and, in this regard, comprehensive programs will be put in place at the national and regional levels to address capacity constraints, infrastructural problems and weak industrial and technological bases;

b) Self-sustaining economic growth and development must be grounded on self-reliance and diversification of the production base of African economies;

c) Unilateral imposition of economic sanctions and blockade are unjust and constitute a serious constraint to development;

d) Rapid physical and economic integration of the continent through the AEC and RECs is vital for Africa's economic recovery and development, and for enhancing prospects to achieve competitiveness in a globalizing world;

e) The principles of popular participation, equal opportunity and equitable access to resources for all people must underlie all development objectives and strategies;

f) Partnership, trust and transparency among leaders and citizens will be critical to ensure sustainable development based on mutual responsibilities and a shared vision;

g) An effective solution to Africa's external debt problem, including total debt cancellation in accordance with the mandates given to the presidents of Algeria and South Africa, is crucial to supporting Africa's program on poverty eradication; and

h) The inalienable sovereign right of African countries to control their natural resources must be respected.

Cooperation

13) Noting the importance of regional and sub-regional cooperation and integration to the development of our continent, and the efforts so far made in this connection to implement the Abuja Treaty establishing the AEC, as well as the various initiatives of RECs; and stressing the need to articulate and harmonize the macro-economic policies, strengthen the institutions for regional integration and build regional infrastructural networks, particularly in the transport and communication sectors;

We affirm that:

a) Member-states should further intensify efforts at economic integration to compete better in the global economy and work towards a shortened timetable for the realization of the AEC;

b) Member-states should act jointly and collectively to develop, protect, manage, and equitably utilize common natural resources for mutual benefit;

c) Taking into account the growing global inter-dependence, African countries must seek to explore opportunities for beneficial cooperative relations with other countries worldwide;

d) In pursuing closer cooperation and integration, African countries will need to transfer certain responsibilities to continental or sub-regional institutions within the framework of the AEC and the RECs;

e) The promotion of North–South and South–South cooperation is an important strategy in Africa's development effort, particularly in addressing issues which impact on Africa's development—such as Official Development Assistance (ODA), foreign direct investment (FDI) flows, external debt, and terms of trade (TOT); and

f) The process of regional and continental integration will be facilitated by an enhanced effort aimed at harmonization and coordination of economic programs and policies of RECs.

Plan of Action

14) Having identified the General and Specific Principles that will guide the CSSDCA process and having reached a consensus on the need to put in place measures for the implementation of those principles, we, the Heads of State and Government of the Organization of African Unity, have agreed on the following Plan of Action.

Security

We agree to:

a) Reinforce Africa's capacity for conflict prevention, management and resolution by strengthening the OAU Mechanism for Conflict Prevention, Management and Resolution through mobilization of additional resources and logistical support for the operational activities of the Mechanism and the enhancement of the effectiveness of the Central Organ;

b) Strengthen the capacity of the OAU mechanism for negotiation, mediation and conciliation, *inter alia*, through the use of African statesmen and eminent personalities in overall efforts to prevent, manage and/or resolve conflicts;

c) Establish modalities for more effective cooperation, coordination and harmonization between the OAU and other organizations worldwide on the one hand, and between the OAU and the UN on the other—especially in relation to peace-building, peace-making and peace-keeping;

d) Adopt confidence-building measures based on trust, transparency, good neighborliness, and respect for the territorial integrity and security concerns of nation-states and non-interference in their internal affairs. In this regard, a high priority is to be accorded to negotiations for the delimitation and demarcation of disputed borders, exchange of information and cooperation at the sub-regional level on security matters—especially on issues relating to terrorism, cross border criminal activities and joint military training—as well as emergency relief preparedness and natural disaster response;

e) Recommit ourselves to politically negotiated approaches for resolving conflicts so as to create an environment of peace and stability on the continent that will also have the effect of reducing military expenditure, thus releasing additional resources for socio-economic development;

f) Ensure that parties to conflicts commit themselves to fully cooperate with the efforts made within the framework of the OAU Mechanism for Conflict Prevention, Management and Resolution and of regional mechanisms;

g) Endorse the proposed OAU Early Warning System, which should be made fully operational expeditiously, to provide timely information on conflict situations in Africa. This should be complemented by a corresponding preparedness by our States to facilitate early political action by the OAU, based on early-warning information;

h) Enhance OAU's capacity for mobilizing support and resources for the reconstruction and rehabilitation of countries emerging from conflicts;

i) Implement the Decision of the 31st Summit on Ready Contingents within member-states for possible deployment by the United Nations (UN) and, in exceptional circumstances, by the OAU, as well as the recommendations of the meetings of the African Chiefs of Defense Staff;

j) Address the root causes of the problem of refugees and displaced persons on the continent, and work towards the mobilization of resources to provide adequate assistance for asylum countries to enable them to mitigate the impact of the refugee burden;

k) Address the phenomena of armed elements and political activists in refugee camps, impunity, crimes against humanity, child soldiers, and drug addiction, which have contributed to the state of insecurity in some parts of the continent;

l) Work towards ending the illicit proliferation and trafficking in small arms and light weapons, which have played a major role in perpetuating intra- and inter-state conflicts in Africa; and

m) Monitor progress and regularly evaluate the implementation of the Algiers Decision declaring the year 2000 as the year of peace, security and solidarity in Africa.

Stability

We agree to:

a) Intensify efforts aimed at enhancing the process of democratization in Africa. In this regard, the strengthening of institutions that will sustain democracy on the continent—including the holding of free and fair elections—should be encouraged;

b) Adopt and implement a set of guidelines for dealing with unconstitutional and undemocratic changes in national governments in Africa in line with the decisions that we took during the 35th Ordinary Session of our Assembly held in Algiers in 1999;

c) Encourage the participation and contribution of civil society in our nation-states, to the efforts to bring about further democratization in our continent;

d) Recommit ourselves to the promotion of good governance and a culture of peace and accountability by leaders and officials;

e) Encourage civic education on good governance and the promotion of African values in African institutions and schools;

f) Uphold and guarantee the rule of law, and the protection and defense of the rights of citizenship as acquired at independence and as provided for in national constitutions;

g) Vigorously combat racism, extreme nationalism, religious extremism, and xenophobic tendencies;

h) Promote and encourage cohesion, national solidarity and identity within African societies;

i) Protect and promote respect for human rights and fundamental freedoms, such as the freedom of expression and association, political and trade union pluralism, and other forms of participatory democracy;

j) Ensure the equitable distribution of national income and wealth, as well as transparency in the exploitation of Africa's resources. In this regard, the negative impact of external and internal interests in the exploitation of Africa's resources and corruption, which continue to fuel conflicts on the continent, should be addressed in a more cohesive and effective manner;

k) Promote greater burden-sharing in addressing refugee problems in Africa and, especially, reduce its negative impact on the environment and the economies of asylum countries; and

l) Condemn genocide, crimes against humanity and war crimes in the continent and undertake to cooperate with relevant institutions set up to prosecute the perpetrators. Similarly, we agree to take measures to prevent the occurrence of genocide on our continent, and encourage ratification of the protocol on the establishment of African Court on Human and People' Rights and the statute of the International Criminal Court.

Development

We agree to:

a) Accelerate the implementation process of the Abuja Treaty establishing the AEC;

b) Implement the Cairo Agenda for Re-Launching the Economic and Social Development of Africa;

c) Implement the Sirte Summit Declaration on the establishment of the African Union and other Decisions, including the establishment of a Pan-African Parliament;

d) Initiate action in cooperation with other developing countries to establish an open, rule-based, accountable, predictable, just, equitable, comprehensive and development-oriented global system of economic relations that takes into account the special situation of African economies;

e) Create stable and predictable economic environment that will allow for linkages between different economic sectors and dynamic local entrepreneurship, while establishing and reinforcing linkages between the formal and informal sectors;

f) Design programs for poverty eradication and the improvement of the living standards of African peoples;

g) Support the appeals made by Tunisia to Heads of State and Government at Regional and International Fora for the creation of a World Solidarity Fund to combat poverty;

h) Build and nurture African solidarity and unity of action based on shared values and common development interests and goals for the benefit of Africa and its peoples. Such solidarity should be manifested in situations where African countries and peoples are subjected to external pressures and sanctions;

i) Encourage and strengthen work ethics as well as create the necessary conditions to stop brain drain, particularly, through increased development of African human resources and the establishment of a register of African experts;

j) Strengthen partnership between the State and the private sector and create the propitious environment for the development and expansion of our economies;

k) Develop the human resources of our continent;

l) Enhance relevant skills development through the optimal and efficient utilization of existing institutions and develop new centers of excellence, and where necessary draw on, *inter alia*, the diaspora to supplement existing capacities and facilitate technology and skills transfer;

m) Implement reforms to enhance economic development;

n) Ensure the enactment of appropriate national laws to extend equal opportunities with respect to health, education, employment and other civic rights to all citizens, especially women and the girl child;

o) Mobilize financial resources, pursue the objective of the cancellation of Africa's debt and of improved market access for Africa's exports;

p) Develop, as a priority, the main sectors of the economy, at all levels—such as agriculture, energy, industry, trade, transport and communication and human resources;

q) Give special emphasis to the empowerment of women to enable them actively and independently participate in activities aimed at promoting economic development;

r) Develop programs to improve the skills of youths, so as to facilitate their employment and enhance their role in development; and

s) Promote sustainable environmental policies, and sustained economic growth.

Cooperation

We agree to:

a) Pursue the implementation of the Abuja Treaty with vigor in order to establish the contemplated AEC;

b) Implement the Cairo Agenda for Re-Launching the Economic and Social Development of Africa;

c) Implement the Sirte Declaration of September 9, 1999;

d) Elaborate a strategy for the dissemination and popularization of the decisions of the OAU/AEC and RECs;

e) Improve coordination at the level of the OAU to ensure accelerated integration at the regional levels and improved coordination among the RECs, and between the OAU/AEC and RECs;

f) Promote financial cooperation and integration of financial markets;

g) Promote intra-African and international cooperation with a view to finding an effective solution to Africa's outstanding problems in the fields of debt, trade, investment, and the AIDS pandemic;

h) Implement the outcome of various studies undertaken on the establishment of self-financing mechanisms for the RECs;

i) Improve the modalities for undertaking regular review and the implementation of cooperation agreements, within Africa and between Africa and its development partners;

j) Improve various trade related facilities, including transport, communication, border formalities, to ensure the free movement of persons and goods at all levels;

k) Promote joint ventures between member-states and regional cooperative programs;

l) Take necessary measures to identify static and dynamic comparative advantage, through joint harmonization of regional policy framework, as the basis for the expansion of the production base in African countries and as a guide for cooperation between African countries in the areas of industry, trade, energy, transport, communication and human resources;

m) Strengthen RECs, and promote South-South cooperation and cooperation between Africa and industrialized countries;

n) Improve access to information and communication technologies; and

o) Forge close cooperation with a view to addressing problems related to natural disasters through the establishment of appropriate institutions and promotion of capacity building.

Implementation Mechanism

15) In order to implement the CSSDCA within the framework of the OAU, and to ensure the sustainability of the process, we agree to:

a) Establish a Standing Conference which should meet every two years during our summits. Provision should be made for African parliamentarians to make their contributions to the Conference through the Pan-African Parliament, while representatives of the civil society may forward their views and recommendations to the Standing Conference through the OAU General Secretariat;

b) Convene review meetings of Plenipotentiaries and Senior Officials of OAU member-states to monitor the implementation of the CSSDCA decisions, in-between Sessions of the Standing Conference. To this end, we request our Secretary General to work out the modalities and financial implications for realizing this objective;

c) Incorporate CSSDCA principles and guidelines in national institutions that would have responsibility for helping in the monitoring of the implementation of CSSDCA activities;

d) Request the Secretary General to initiate internal administrative arrangements for designating, within the OAU Secretariat, an organ to coordinate CSSDCA activities;

e) Take necessary measures to ensure that detailed discussions are undertaken on the various Calabashes in order to implement the CSSDCA process. In this regard, the Secretary General is requested to coordinate the consultations with a view to ensuring the convening of the meetings on the Calabashes;

f) Review the progress report of the Secretary General on the CSSDCA process during our next Extra-Ordinary Summit in Sirte, Libya, in 2001 and the conclusions of the discussions on the various Calabashes at our Summit in 2002; and

g) Review the agreements deriving from these meetings and discussions after considering the outcome of consultations to be undertaken by the Secretary General, during our Summit in Sirte, Libya, in March 2001.

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