CONFLICT OF INTERESTS IN AFRICAN REGIONAL ECONOMIC COOPERATION: THE POLITICS OF COSTS AND BENEFITS DISTRIBUTION IN THE PREFERENTIAL TRADE AREA (PTA) FOR EASTERN AND SOUTHERN AFRICA

BY

MIRIAM MAKENA MWITHIA

A thesis submitted in partial fulfillment of the Degree of Masters of Arts at the University of Nairobi.

1993
DECLARATION

This thesis is my original work and has not been submitted for a degree in any other university

MIRIAM MAKENA MWITHIA
(CANDIDATE)

This thesis has been submitted for examination with my approval as University Supervisor

DR. AMUKOWA ANANGWE
(SUPERVISOR)
DEDICATION

To Gerald and Sarah Mwithia
to whom God gave the authority
to bring me up.

And to Pastor Don and Amy Matheny
to whom God gave the authority
to build me up.

Thank you for being the best.
I am grateful to my supervisor Dr. Amukowa Anangwe for his careful and diligent supervision and valuable input into this work. Dr. Anangwe your labour, from the beginning has been deeply appreciated. Thanks to Prof. Olewe-Nyunya, the former chairman of the Department of Government for his advice, support and words of encouragement, and to Dr. Korwa Adar for his interesting and catching introduction to African international relations.

Thanks to Mr G.Nguyni whose comments on my work as well as practical help and support since undergraduate level has been invaluable. Thanks too, to my classmates, particularly Musilli and Kivuva, for their "we-can-do-it" attitude, and for boiling in the same pot and not jumping out. I appreciate Mr. Fambaoga Myambo, the conselloor-commercial, Zimbabwe High Commission and Ms Patricia Wanzala, Librarian at the USAID staff library Nairobi whose assistance with my data collection was crucial.

My gratitude goes to friends and family: To my brother Murithi Mwithia for helping tirelessly with my statistics, to my sister Rose Mwithia not only for your help in printing this work but also together with Kinya Mwithia for bearing it when the lights stayed on far into the night. To Mwari and Kinanu, thank you for your help and support.

Special thanks to all those who helped correct, proof read, edit and print this work: To Miss Anne Mureithi for helping with my tables, to Mr. James Bukachi for helping with the printing, to William Gitobu, Dr. Julia Gitobu, and Mwenda Gitobu whose help with the formatting of
my diskettes was indispensable. Most of all thanks to Miss Anne Maina, who took on the task of editing this work and did an excellent job. To all of these and many others, I am greatly indebted for this work.
ABSTRACT

For a long time, the concept of African unity has evoked a widespread enthusiasm for cooperation from all segments of African society. Indeed, the promotion of economic cooperation in Africa is now a well accepted part of international development policy. Yet, regional cooperation in Africa is a subject which has continued to be characterized by a disturbing gap between aspirations and achievements. Progress has been impeded by various problems, the most contentious being that national interests have overridden regional objectives.

This problem has been expressed in the PTA by members states' lack of commitment to the regional objective of trade liberalization. The lack of commitment to regional cooperation in African cooperation schemes is inextricably linked to conflict over the distribution of costs and benefits of economic cooperation. Hence, the central focus of this study has been to analyse the relationship between the distribution of costs and benefits of cooperation and the degree of member states' commitment, in the PTA.

After setting the PTA in the historical context and the current scenario of economic cooperation, this study proceeds to identify areas where the commitment to implement treaty provisions is required from member states, and to show how this commitment has varied among them. Key treaty provisions have been singled out with the intention of establishing the extent to which they have been implemented by member states. Implementation has been seen to be generally characterized by postponements, revisions, and conflicts, which have
proved detrimental to the progress of cooperation in the PTA. We have then proceeded to assess key costs and benefits of the PTA scheme and have drawn out a connection between their distribution and the lack of commitment exhibited by members. In so doing we have presented a comprehensive analysis of the politics of costs and benefits distribution in the PTA. One hypothesis was generated to provide a suitable approach to this issue: that if the distribution of costs and benefits in the PTA is found to be equitable, then member states will exhibit commitment to the regional goal of cooperation. The converse of this hypothesis is also true.

The realist concept of national interest constitutes the conceptual framework for this study. Central to this concept is that interest is the essence of politics and that states will ignore national interest only at the risk of self-destruction. Regional cooperation is expected to result in gains, and these gains are expected to be distributed equitably among member states. The national interest of PTA members is the equitable distribution of the inevitable costs and expected gains. We have therefore examined the conflict over the distribution of costs and benefits in order to reveal the clash of interests that exists between regional and national interests. This clash of interests has culminated in a lack of commitment to the regional goal. Finally, we have observed that Kenya's and Zimbabwe's predominance in the scheme has been resented by other members, a resentment that has in turn negatively affected the implementation of trade liberalization protocols.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declaration</td>
<td>(i)</td>
</tr>
<tr>
<td>Dedication</td>
<td>(ii)</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>(iii)</td>
</tr>
<tr>
<td>Abstract</td>
<td>(v)</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>(vii)</td>
</tr>
<tr>
<td>List of Tables</td>
<td>(xi)</td>
</tr>
<tr>
<td>Abbreviations</td>
<td>(xiii)</td>
</tr>
</tbody>
</table>

**CHAPTER ONE - Introduction**

1.1 Focus of Study ................................................................................. 1

1.2 Objectives of Study ........................................................................ 3

1.2.1 Main objective ........................................................................... 3

1.2.2 Specific Objective ..................................................................... 3

1.3 Review Literature .......................................................................... 4

1.3.1 Regional integration as a strategy for development .................. 4

1.3.2 The Optimistic viewpoint ....................................................... 6

1.3.3 The pessimistic Viewpoint ..................................................... 8

1.3.4 Commitment .............................................................................. 10

1.3.5 Costs and Benefits ................................................................... 12
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3.6 Conclusion: the national versus the regional objective</td>
<td>14</td>
</tr>
<tr>
<td>1.4 Justification and Scope of Study</td>
<td>15</td>
</tr>
<tr>
<td>1.5 Theoretical Framework</td>
<td>16</td>
</tr>
<tr>
<td>1.5.1 Functionalism, Neo-functionalism and Federalism</td>
<td>18</td>
</tr>
<tr>
<td>1.5.2 Dependency Theory</td>
<td>22</td>
</tr>
<tr>
<td>1.5.3 The Realist Theory: The concept of National Interest</td>
<td>24</td>
</tr>
<tr>
<td>1.5.4 The Customs Union Theory</td>
<td>28</td>
</tr>
<tr>
<td>1.5.5 What is the regional objective?</td>
<td>28</td>
</tr>
<tr>
<td>1.5.6 Defining national interests</td>
<td>30</td>
</tr>
<tr>
<td>1.5.7 Conclusion</td>
<td>32</td>
</tr>
<tr>
<td>1.6 Hypothesis</td>
<td>33</td>
</tr>
<tr>
<td>1.7 Operationalisation of Key Concepts</td>
<td>34</td>
</tr>
<tr>
<td>1.8 Methodology</td>
<td>35</td>
</tr>
<tr>
<td>1.9 Chapter Layout</td>
<td>36</td>
</tr>
</tbody>
</table>

CHAPTER TWO - Regional Economic Cooperation: Attempts in Sub-Saharan Africa.

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Introduction</td>
<td>42</td>
</tr>
<tr>
<td>2.2 The Setting: Africa in Crisis</td>
<td>43</td>
</tr>
<tr>
<td>2.3 The Options: Which way Africa?</td>
<td>46</td>
</tr>
<tr>
<td>2.3.1 The Lagos Plan of Action (LPA)</td>
<td>47</td>
</tr>
<tr>
<td>2.3.2 Accelerated Development in Sub-Saharan Africa</td>
<td>48</td>
</tr>
<tr>
<td>2.4 Economic Cooperation in Africa: The origins</td>
<td>51</td>
</tr>
</tbody>
</table>
CHAPTER THREE - Commitment of PTA Member States: The Scenario

3.1 Introduction .................................................. 74

3.2 Intra-PTA Trade: General Aspects and Trends ............................................ 76

3.3 Commitment of Trade Liberalization: The Scenario .................................. 86

3.3.1 Tariff Reductions ........................................... 87

3.3.2 The Rules of Origin ........................................ 93

3.3.3 Contributions of the PTA Budget ............................................ 97

3.3.4 The PTA Clearing House: Utilisation ........................................... 103

3.4 Conclusion .................................................... 109
LIST OF TABLES

Table No | Page
---|---
3.1 | PTA states intra-regional Trade as a percentage of total | 77
3.2 | Intra-PTA Trade (Annual averages) 1984-90 (US$) | 79
3.3 | Percentage share of each country's intra-PTA trade (exports plus imports) calculated against total PTA Trade (annual averages) 1984-90 US $ | 81
3.4 | PTA: Trends in total and intra-regional trade, 1974-1980 (in million, US $) | 83
3.5 | Kenya: Trade with African countries | 84
3.6 | The PTA schedule for the reduction of customs duties | 88
3.7 | Revised PTA tariff reductions timetable | 91
3.8 | Revised formulae for the implementation of the rules of origin: The Three-tier systems | 95
3.9 | Basis for contribution to the PTA budget | 97
3.10 | Revised formula for contributions to the PTA budget | 98
3.11 | Statement of contributions to the 1990 clearing House budget as at September 30, 1990 | 100
3.12 | The PTA multilateral clearing House: Net Credit and debit limits, February, 1984 (in UAPTA 000's) | 104
3.13 | Intra-PTA Trade transacted through the clearing house | 107
4.1 | Some Basic Economic indicators of PTA countries (1965 to 1990) | 119
4.2 | Percentage share of Import studies of Government Recurrent revenue | 123
4.3 | PTA Customs revenue as a % of total government revenue and its loss as a % of total government revenue for selected years | 124
4.4 Loss in government revenue following the first tariff reductions as a % of total recurrent government revenue ................................................................. 126
4.5 Contribution by member states to the 1989 PTA Budget in relation to % intra PTA trade share ........................................................................................................... 133
4.6 The PTA operational budgets for 1985-1989 in UAPTA ............................................. 134
4.7 PTA clearing house: Cumulative Transactions .......................................................... 137
4.8 Net credit and Debit Limits of PTA states .................................................................. 139
4.9 Net settlement in foreign exchange as % of gross intra-PTA trade financed ............ 141
4.11 Percentage share of each PTA country in intra-PTA trade (1984-90. Annual averages) ........................................................... 145
4.12 Main export and import commodities of PTA member states ................................ 155
4.13 Industrial and Agricultural sectors as a % of total GDP for PTA northern corridor states ........................................................................................................ 158
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of South-East Asian Nations</td>
</tr>
<tr>
<td>CARICOM</td>
<td>Caribbean Community Council</td>
</tr>
<tr>
<td>CEAO</td>
<td>Communauté des Etats de l’Afrique de L’ouest</td>
</tr>
<tr>
<td>CL</td>
<td>Common List</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>EADB</td>
<td>East African Development Bank</td>
</tr>
<tr>
<td>EASCO</td>
<td>East African Common Services Organization</td>
</tr>
<tr>
<td>ECA</td>
<td>Economic Commission for Africa</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>Economic Community for West African States</td>
</tr>
<tr>
<td>EURATOM</td>
<td>European Atomic Energy Community</td>
</tr>
<tr>
<td>EEC</td>
<td>European Economic Community</td>
</tr>
<tr>
<td>FRELIMO</td>
<td>Frente da Libertação de Mocambique (Mozambican Liberation Front)</td>
</tr>
<tr>
<td>GATT</td>
<td>General Agreement on Tariff and Trade</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>LAFTA</td>
<td>Latin American Free Trade Area</td>
</tr>
<tr>
<td>LDC</td>
<td>Least Developed Countries</td>
</tr>
<tr>
<td>LPA</td>
<td>Lagos Plan of Action</td>
</tr>
<tr>
<td>MAU</td>
<td>Magreb Arab Union</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>MNR</td>
<td>Mozambique National Resistance Movement</td>
</tr>
<tr>
<td>MRU</td>
<td>Mano River Union</td>
</tr>
<tr>
<td>MULPOC</td>
<td>Multinational Programming and Operational Center</td>
</tr>
<tr>
<td>NIEO</td>
<td>New International Economic Order</td>
</tr>
<tr>
<td>NTBs</td>
<td>Non-tariff Barriers</td>
</tr>
<tr>
<td>OAU</td>
<td>Organization of African Unity</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PTA</td>
<td>Preferential Trade Area for Eastern and Southern Africa</td>
</tr>
<tr>
<td>SACU</td>
<td>South African Customs Union</td>
</tr>
<tr>
<td>SADCC</td>
<td>Southern African Development and Coordination Conference</td>
</tr>
<tr>
<td>SDR</td>
<td>Special Drawing Rights</td>
</tr>
<tr>
<td>STABEX</td>
<td>Stabilisation of Exports Fund</td>
</tr>
<tr>
<td>TAZARA</td>
<td>Tanzania Zambia Railway line</td>
</tr>
<tr>
<td>UDEAC</td>
<td>Union Douaniere des Etats de l'Afrique Centrale</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UAPTA</td>
<td>Unit of Account of the Preferential Trade Area</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNITA</td>
<td>Union for the Total Independence of Angola</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
</tbody>
</table>
1.1 FOCUS OF STUDY

The Preferential Trade Area (PTA) for Eastern and Southern African States, was inaugurated in 1983 amidst much hope and enthusiasm. It's ultimate goal is the establishment of a full trade area that would gradually form a common market and ultimately an economic Community.

The PTA Treaty states its aim as being to promote co-operation and development in sectors of economic activity such as trade, customs, industry, transport and communication, agriculture, natural resources and monetary affairs. The deadline of the PTA after its inauguration was to establish a common market by the year 1992 and an economic community by the year 2000.

The PTA has no doubt recorded notable progress since its inception. In fact it is hoped that the PTA will become an influential sub-regional Common Market in the Continent. This progress has, however, not been flawless and the pace of integration is slow. Seemingly, the political and economic obstacles to integration are insuperable.

Trade liberalization constitutes the central focus of the first stage of economic co-operation in the PTA sub-region. Article (13) of the PTA treaty emphasizes the reduction and elimination of trade barriers. The tariff reductions on selected commodities on the common
list (CL) were scheduled to begin from 1st July 1984. Each PTA member, by this date, was expected to have reduced its tariff rates by the percentage allocated to it. These percentages would range from 10% to 30% for luxury and food items, and 60% to 70% for non-agricultural materials, intermediate capital goods and consumer goods. The aim was to reach a zero-tariff level by the year 1992.

However, by July 1984¹, only four countries had complied with the tariff reduction requirements, although not even these four had complied fully. Kenya and Malawi excluded from their rates at least 20 commodities in the CL. Only Zambia and Zimbabwe complied fully. Uganda published her reduced tariff rates six months late, while Burundi, Somalia, Ethiopia and Rwanda delayed at least for a year. By December 1985, other States such as Lesotho and Swaziland had not complied with the requirements at all². By 1991, only nine countries had published preferential tariff rates, and only these may trade with each other on a preferential basis. States that have not yet published the required tariff rates cannot presently benefit from preferential intra-PTA trade.

The PTA Council of Ministers has derogated the tariff reductions process and postponed the zero tariff level deadline from 1992 to the year 2000. Consequently the deadlines for an eventual common market and economic community have been postponed to (as proposed by Ethiopia and Somalia), the years 2005 and 2014 respectively. These postponements reflect serious conflicts and major underlying problems in the PTA.

Clearly, the question is - why this half-hearted commitment to trade liberalization? Why are
the PTA governments unwilling or unable to reduce or eliminate trade barriers against fellow members? A satisfactory response to these questions requires an examination of invariable commitment of these nations to regional co-operation in relation to the distribution of benefits accruing from intra-, PTA, co-operation.

1.2 OBJECTIVES OF STUDY

1.2.1 Main Objective:

A lack of commitment to the, PTA integrative goal may be attributed to many factors. This study posits that such lack is primarily the result of the predominance of national rather than regional interest. Thus, the main objective of our study is to show how national interest has overridden regional interest in the PTA, with specific reference to the costs and benefits of regional cooperation. This study will show the clash of regional versus national interests which results from the inequitable distribution of costs and benefits of regional cooperation in the PTA, and how this clash of interests has undermined the regional goal of cooperation.

1.2.2 Specific Objectives

1. To show that the commitment of PTA member states to reduce or eliminate trade barriers against fellow members, varies.

2. To demonstrate the existence of inequity in the distribution of costs and benefits of
regional cooperation in the PTA in order to show the relationship between these and the lack of commitment to the regional goal of cooperation.

1.3.1 REVIEW OF LITERATURE

1.3.1 Regional integration as a strategy for development

Writers and Scholars in the field of African cooperation have studied regionalism in African from different perspectives and persuasions, some of which will be reviewed in this section. In this context, regionalism, refers to the various forms and contents of economic integration arrangements (common markets, free trade areas, and areas of policy harmonisation) prevailing, or proposed at both regional and sub-regional levels.

Scholars such as R. Green and Ann Seidman, commenting on the fragmented retarded and underdeveloped nature of African economies that is characterised by a relationship of dependency with the industrialised world, argue that radical changes in the structure of these economies is absolutely necessary in order to sustain development and raise standards of living in the Continent. These scholars argue further, that an attempt at economic reconstruction by individual African States can only meet with partial if not complete frustration.

Literature regarding the background factors leading to an era of regionalist euphoria conclude that politicians, academics and policy makers, both in and out of Africa, mostly agree that increased economic and political co-operation is necessary to achieve sustained development.
Claude Ake points out that while several strategies towards sustained development in African have been suggested over the years, (such as the increase and diversification of export commodities, import substitution, and integrated rural development) the strategy of regional co-operation through self-reliance has gained much popularity. Claude Ake asserts.

In the past, regional integration was regarded more as a supportive measure rather than a development strategy. What is new now is that regional integration is being talked about as a grand strategy for breaking out of under-development and dependence.

It is this awareness that ultimately led to the adaptation of the Lagos Plan of Action (LPA) as a framework within which to approach integration in Africa. The LPA, which Susan Hall refers to as 'Africa's own domestic brainchild', is, an organisation of Africa Unity (OAU) strategy of integration aimed at ensuring economic, social and cultural integration in the Continent, by promoting collective accelerated self-reliant and self-sustaining development among member states. To this end, sub-regional common markets are to be established in specified parts of Africa to later merge into a continental African economic community by the year 2000.

Elliot Berg also observes that almost all politically aware Africans favour closer economic ties within the region. He argues that the conviction that the continent needs more economic and political unity is undoubtedly the single most shared idea in circulation, presently, in Africa.
In fact, report after report on the economic scenario of Sub-Saharan Africa emphasizes the urgent need for economic integration.

However, regardless of the strong intellectual appeal of integration in the region, there is less integration than there was thirty years ago. Nearly all commentators on African integration argue that judging from the past, the future of regionalism in African is at crossroads. Two divergent views have emerged to dominate the discussion of the issue of regionalism as a strategy towards development in Africa: one group is pessimistic and the other optimistic. Their arguments are not however, flawless.

1.3.2 The Optimistic Viewpoint

Scholars such as Mazzeo and Hazlewood are optimistic about the success, the benefits and the future of regionalism in Africa. While these scholars admit that there are many unseen factors which make outright prognosis about the present and future state of regionalism in Africa difficult, they argue that there is reason to believe in its precarious future.

Hazlewood asserts that one reason for this optimism is that much more is known about the problems of African economic cooperation than in the past, and issues have been clarified even if the lessons have not been implemented in the existing schemes. There is a general awareness that the simple removal of barriers to intra-group trade and the establishment of preferences is not in itself a recipe for success. Positive measures to make an integrated market work and to offset dis-equalising influences are accepted as essential.
In comparing the LPA with the World Bank's *Accelerated Development in Sub-Saharan Africa* popularly known as the Berg Report, the optimists hail the LPA as superior, arguing that whatever the merits of the agenda for accelerated development as postulated by the Berg Report, the LPA constitutes a more useful strategy. Green, Ndegwa and Mureithi argue, that while simple over optimism regarding how much can be achieved, how fast, must be avoided, there is reason to expect practical cooperation to grow. They assert in this respect, that Africa's future can still be grasped and remade by Africans.

The optimists concede that a realistic approach to regional economic cooperation must start with the recognition that cooperation is an instrument for the realisation of desired ends rather than an end in itself. Regional integration must start from the premise that the prerequisites for cooperation do not presently exist but must be created, and that a timetable for accelerated integration is unrealistic unless these prerequisites exist. These prerequisites are: a similar political culture, good communication links, elite complementarity and similar levels of economic development.

The optimists are divided regarding a strategy towards the creation of these prerequisites: Sesay et al recommend a functionalist approach where areas of profitable mutual cooperation are identified and carried out by experts in the particular fields. This approach would exclude the participation of politicians from cooperation activities, and in so doing transcend concern with national interest.

On the other hand, Ojo, Orwa and Utete advocate a political union from the onset, and argue
that given the extreme nationalism in Africa, more complex supra-national institutions with a wider decision-making scope, will be needed to evolve a comprehensive cooperation scheme. Those who hold this view have given it emphasis by pointing to the commitment of the Southern African PTA States to SADCC as opposed to the PTA. They observe that whereas the PTA is an example of painstaking development from below, the SADCC was much a deliberate act of political will carrying the personal initiative of its presidents and prime-ministers. The optimistic viewpoint is not helpful to the extent that it fails to capture adequately the phenomenon of cooperation.

1.3.3 The Pessimistic Viewpoint

As opposed to the optimists, scholars who are pessimistic towards the regional cooperation in Africa contend that the LPA lacks the engine of development. They argue that prospects for successful regional cooperation are likely to be undermined by the method advocated by the plan; the universal effects of the common markets in the Third World regions has been to increase interstate inequalities.

These scholars, who include John Ravenhill and Elliot Berg, argue that while greater economic Cooperation in Africa is desirable, the LPA whose initial target dates for trade liberalization have already passed, provides little beyond a statement of faith to convince observers that it can and will be realised.

John Ravenhill observes that there is little sympathy with the demands of the Lagos Plan,
which appears to be stuck in the groove of "new Economic International Order Rhetoric", for massive transfers of resources and technology. Ravenhill dismisses the LPA as 'visionary', a utopian document, largely lacking in practicable prescriptions. Other scholars such as Stephen Burgess and Michael Wilson, dismiss the argument that regional integration is the way forward for Southern Africa. They assert that this argument assumes a mythical Pan-Africanist Unity of political forces which cannot presently be achieved. Basing their assessment on the experience of the defunct East African Community (EAC) and integration experience in East Asia, these scholars contend that regional integration cannot really play an important role in Africa's transformation process.

Scholars, whose stance is pessimistic, put the blame of the failure of most regional arrangements in developing countries on the geographical attempt to integrate both 'giant' and 'pygmy' economies, inter alia. Joseph Nye, has actually asserted that this diversity among integrating states in developing countries seems to produce not a process of gradual politicization but of over politicization. This assertion is related to the low level of development of partner states in African regional organisations. Studies on the EAC's experience point out that factors leading to the disintegration of the EAC, namely the maldistribution of benefits, institutional weaknesses, inter-country political fights, and external defence; all had a common origin, the low level of development in partner states.

In the Latin American Scenario, Saldago Phanaherrera and Miguel Wionczek have separately observed that vast differences between member states, in terms of economic development,
Since the mid-1960s, studies based on neo-functional and transactions approaches have concluded almost unanimously that for different reasons, integration efforts among developing countries are unlikely to be successful. Pessimistic argue that there is a lack of administrative and political skills, horizons are limited, and there is too great a pre-occupation with problems of developing locally. Hoffman contends that fully integrated and pluralistic social structures are prerequisites for successful integration\textsuperscript{17}. However, these are often absent in developing regions. For of Karl Deutsch\textsuperscript{18}, an important consideration is that in such environments domestic loads outweigh capabilities, therefore, the capacity for responsiveness will lag behind the demands created by cooperation schemes. Such conclusions may be incorrect, however, because of a pre-occupation among such theorists with building universal theories instead of evolving separate theories that are more relevant to the context of developing regions.

1.3.4 Commitment

The most formidable obstacles to the establishment of economic cooperation is the lack of commitment to that objective by partner states coupled with a consequent lack of effective political leadership to deal decisively with internal and external factors inhibiting the establishment of meaningful cooperation\textsuperscript{19}.

Economic cooperation requires that the governments would give up jurisdiction over wider areas of economic, social and other relevant policy in order to achieve policy harmonisation
of the sub-regions. Policy harmonisation in one sector calls for harmonisation in the other sectors. This loss of sovereignty is the price for gains in cooperation which may otherwise be lost due to uncoordinated policy frameworks. For example, governments' economic policy measures tend to create distortions which interfere with freedom of trade. Documents such as import and export licenses and certificates of origin, where required, can become real barriers to trade, due to the time and expense used in acquiring them. Policy harmonisation requires political will and commitment to removing obstacles against the cooperative objective.

Commenting on whether or not such commitment is present in Africa, John Ravenhill argues that two factors have vitalised the interest in regionalism among Africa's political leaders. The success of OPEC and the strong consensus that regionalism is the answer to reducing Africa's external vulnerabilities. The rhetoric of African leaders exhibiting political will and commitment to integration is impressive. What lacks is any action and practical economic thinking to back their faith.

Hazlewood singles out the lack of commitment as fundamental reason for the failure of past attempts at economic cooperation in Africa. This is observed to be especially true of the defunct EAC. He relates this lack of commitment to conflict over the costs and benefits of cooperation and the member states' unwillingness to bear the short term costs while waiting for the long term benefits.

In respect of the PTA, Peter Takirambudde attributes the scheme's small impact, so far, on intra-regional trade flow, to the member states lack of "seriousness, commitment and
enthusiasm. The general reluctance of the PTA members to remove tariff barriers indicates this lack. Takirambudde attributes this lack of commitment to the members' uncertainty as regards the schemes' ability to effect the anticipated flow of goods and services to every member.

It is widely accepted by scholars of the theory and practice of regional integration that the lack of commitment to the integrative goal is related to conflict over costs and benefits of integration. Analysts such as Ngunyi, Hall and Manundu have separately observed this relationship in the PTA Sub-region. However, no in-depth study has been made on the wider issue of costs and benefits of economic cooperation in the PTA, and particularly not in relation to member states' commitment to the cooperative goal, which is the focus of this study.

1.3.5 Costs and Benefits

Scholars in the field of economic cooperation single out the issue of costs and benefits distribution as one of the most important factors behind the failures of integration schemes in developing regions. These scholars, such as Saasa, Mazzeo and Mutharika, argue that as a result, both potential gainers and losers from integration schemes have become more and more hesitant to get involved.

Neo-classical theory asserts that common markets and expanded trade (the two principle components in neo-classical economic integration) have the potential to promote equity. These assertions on the markets' distributorial powers have however been challenged by many
theorists: that in nearly all regional economic cooperation schemes the beneficiary has been the more developed partner country. This is because the more developed country is able to attract more foreign and domestic investment because it possesses, among other things, relatively better physical and social infrastructure, as well as higher levels of economic growth.

The distribution of costs and benefits from cooperation is a widely discussed issue. Asante, Martin and Ojo have examined at least seven African regional organisations in reference to this problem. As regards the PTA, Hall, Ngunyi and Guy Martin have observed that Kenya and Zimbabwe are bound to benefit most from intra-PTA trade due to their relatively more developed industrial capacity.

Ngunyi argues that since the level of economic development among PTA states is very different, it follows that there exists a wide array of perceptions of benefits to accrue from intra-PTA trade. He asserts that while a PTA member is capable of perceiving certain possible benefits from intra-PTA trade, its capacity to realise them will depend on the power at its disposal. Ngunyi therefore juxtaposes PTA states power capacities in order to establish the existence of asymmetry in the power endowment among the conflicting states in the PTA.

As mentioned before, literature on the PTA lacks any studies underscoring the probable lack of commitment to the sub-regional body resulting from a maldistribution of costs and benefits or resulting from a failure to generate rapid gains in line with members' development priorities.
1.3.6 Conclusion: The National versus the Regional Objective

A review of literature reveals that scholars of African regional organisation generally connect conflict over costs and benefits with the problem of national objectives tending to override regional ones. Ojo, Orwa and Utete have observed that governments of states preoccupied with nation-building are usually poor partners for economic cooperation, as they cannot be relied upon to make vital decisions, because they are afraid of undermining control at home. For these governments, ceding power to regional institutions may mean sacrificing domestic economic growth and foregoing certain industries for the sake of regional partnership.

Although nation-building and diversification of national economies has made significant progress in Africa, in the last thirty years, the realisation of nation-building objectives will continue to be a major concern for African states. Mazzeo observes that even if this national concern and regional cooperation aim at alleviating the twin evils of underdevelopment and external dependence: the national concern seems to militate against the regional concern28. Thus, regional cooperation is impeded by the very evils it is supposed to cure.

No study so far has investigated the issue of national interest militating against regional interest in the PTA sub-region; and particularly not with reference to the politics of costs and benefits of cooperation and their influence on the degree of commitment to the goal of cooperation. This is, therefore, the gap we seek to fill.
1.4 JUSTIFICATION AND SCOPE OF STUDY

Policy Justification

The LPA, within whose framework the PTA was formed has been hailed by African leaders and thinkers, as well as her friends and creditors, as the correct path toward the economic development of Africa. One single theme runs through the thirteen chapters of the LPA:

Africa must collectively strive to reduce its dependence with a self-sustaining development strategy based on the maximum internal use on the continent's resources. This is referred to as a "Self reliant" strategy of development.

The LPA's avowed objective is to create an African economic community by the year 2000. However, most of the economic cooperation schemes envisaged within the LPA framework have recorded, generally, a very poor performance. In fact, it is in doubt whether an African Economic Community can be achieved by the year 2000.

While it is argued that African governments in general have showed reluctance in committing the necessary resources to regional cooperation, this study is optimistic about the viability of regional economic integrations as a strategy for counteracting Africa's economic weakness and dependency, if regional cooperation is adapted to Africa's needs and aspirations.

Our analysis will shed light upon issues that influence commitment to regionalism in Africa. This will provide policy makers and politicians in Kenya and in other African countries, with
insights into the problems facing the development of the continent. Valuable information will be provided that will be useful as a reference in the policy making, especially in respect of external trade and the implication of trade liberalization for Kenya and her partners.

Academic Justification

This study has the academic significance of contributing knowledge on the now three decades old debate, regarding the 'correct' path toward economic development in Africa.

Our focus is on the lack of commitment of member states to the PTA integrative goal generated by the politics of costs and benefits of regional cooperation. The manner in which these costs and benefits relate to individual development needs and priorities of the member states is analysed as another aspect that clarifies the relationship between the distribution of costs and benefits and commitment to the regional objective.

In reference to the time duration, we have chosen the years between 1979 and 1990, in order to cover most of the time the PTA has been in existence; and consequently provide a clear perspective of its progress. Our statistics will cover up till the year 1990 because this is the year up to which they are available. Data outside of this period will be used to illustrate points that statistics in our chosen period do not demonstrate.
Integration and disintegration are age-old concerns of the social sciences, and have been viewed as a state of affairs, an end product or a process. Integration and disintegration occur from all levels of analysis, ranging from the family to the international society. For our purpose, the nation state will be the unit of analysis, the level of analysis being the relations between these states.

Integration as a state of affairs may be realized when certain conditions are met and disintegration when such conditions are no longer obtained. As a process, integration is seen to occur when the units are seen to move from isolation toward complete integration. Ernest Haas defines integration as any inter-state activity designed to meet some commonly experienced need. It therefore involves movements towards collective action, based upon consensual values for the achievement of common goals in which the parties have long-term expectations of mutually compatible and acceptable behaviour. It is this movement that this study focuses upon in respect of the PTA.

The movement towards integration or cooperation in the PTA has been observed to be slow-paced, due to the member states general lack of commitment to the PTA integrative goal. This study advances the argument that the major contributory factors towards the general lack of commitment and the consequent slow paced progress towards integration, is that member states have preferred the pursuance and protection of national interest above regional interest.
Certain assumptions belie this position. The realist concept of national interest, coupled with insights from the developmental approach will be used to generate the theoretical premises in this study. Other theories of international relations have been found to be unsuitable for the purpose of this study; they are insufficient either to the extent that they do not emphasise factors other than economic (functionalism and neo-functionalism,) or tend to explain issues relating to the developed rather than the developing world (dependency). Other theories (Federalism) emphasise political factors, to the exclusion of economic factors, which constitute the priority focus of the organisation under study. Following is a brief analysis of each of the above mentioned theories, in order to illustrate our view.

1.1.5 Functionalism, Neo-functionalism and Federalism

Functionalism, Neo-functionalism and Federalism theorists see the process of integration as beginning at the intergovernmental or transnational levels when functional organisations are created to cope with problems common to the partners.

Functionalism, an integration theory advanced by Mitrany is based on the argument that the growing complexity of governmental systems had increased greatly the essential technical non-political tasks facing governments and that these call for trained specialists both at the national and international levels where collaboration would be among technicians rather than political elites.
The core of functionalism, is cooperation between states using specific economic tasks created outside the jurisdiction of national political leaders. Successful cooperation in a specific functional activity will lead to spill over into other areas of integration and ultimately into political integration. The emphasis here is what is called the "doctrine of ramification" That the development in cooperation in one area will lead to cooperation in another and then another. The functionalist strategy shifts attention to supposedly non-controversial technical functions, so that cooperation in these areas will give rise eventually and 'naturally' to political cooperation.

The theme of functionalism is referred to by David Mitrany as a working peace system. Hans Morgenthau accepts the functional approach as the best alternative towards transcending the state systems and thereby the conflict generated by them: even though functionalism sharply contrasts the realist theory

Neo-functionalism, propounded by theorists such as Etzioni, Haas and Schmitter is a product of the reformulation of functionalism resulting from the experience of the coal and steel community of Western Europe, the EURATOM and the European Economic Community (EEC). Neo-functionalism is the intellectual descendant of functionalism, and therefore the two approaches agree on several issues.

Firstly, neo-functionalism has in common with functionalism an acceptance of the determining nature of the economic, social and technological environment; secondly, both approaches emphasise economic welfare and technical cooperation; Thirdly, both stress on utilitarian
factors of community building and believe in a liberal pluralistic social setting in participating units.

Neo-functionalist thought is characterized by certain distinctive features: the role of loyalty in integration and the concept of spill over. The neo-functionalist school has also attempted to identify certain universal variables necessary to the integration process, although the school is beset with difficulties regarding how to quantify these variables. Ernest Haas has developed the most explicit neo-functionalist thought; in his work regarding the International Labour Organization, Haas brings together the functional analysis of general systems theory and refines the 'spill over' concept of Mitrany's writings (doctrine of ramification), in a model of integration. Neo-functionalism, as observed in his works, is concerned with the extent to which an international organization can transcend national boundaries and by so doing transform the international system.

The functionalist and neo-functionalist approaches are useful as tools in describing, explaining and predicting relationships in studies of economic cooperation. However, for our particular analysis, these approaches are found wanting not only because of their insufficient emphasis on factors other than economic, but also their general orientation to the developed rather than the developing world. Additionally, the phenomenon of conflict is missing from the two models.

Federalism is the oldest best known tradition of thought regarding international integration. Federalism continues to dominate the field partly because of its simplicity and partly due to
the fact that the analogy from which it derives is very familiar. It aims at a supranational state having sufficient political authority and power to meet the member states corporate need for defence, internal security and economies of scale, while allowing each member to retain individual identity and local autonomy in relevant policy fields. A federal government is hence, a limited form of Hobbe's Leviathan including only enough supranationality as agreement and common needs will bear.

The federalist view of the integrative process is thus dramatic and revolutionary. Bargains are reached at the top against a background of rising popular sentiment resulting in a new set of institutions whose powers were previously possessed by the integrating states. In short, the federalist approach views cooperation as best attained by integrating the political system.

The federalist approach, however, is unsuitable for our analysis, because the PTA is an economic cooperation enterprise rather than a supreme political authority. Political unification in the PTA sub-region is not a priority and the PTA Treaty does not call for it.

In general, the three approaches to integration reviewed above, have been presented as operative approaches to a peaceful unified and cooperative world. They are more approaches to integration than they are theories because they are less concerned with the production of a range of hypotheses which are capable of verification or justification, in the style of modern science. The functional and political arrangements espoused therein, have little effect by themselves upon the eventual success or failure of efforts to establish complete integration. The outcome in each case is likely to depend on other conditions and processes; particularly,
on how rewarding or unrewarding were the experiences associated with the arrangements.

These approaches, therefore, do not offer us an analytical tool in examining the relationship between costs and benefits (rewards) and a states' commitment to cooperation, which is the main focus of our analysis in this study.

1.5.2 Dependency Theory

The dependency school, emphasizes the historical origins and subsequent growth of underdevelopment. Its basic tenet is that all contemporary societies are integrated into a single world economic system, - the capitalist system, and that international relations can only be understood in the context of a world system. Thus, dependency has sometimes been referred to as a world systems theory.

Dependency theory arose as an attempt to conceptualise the relationship between developing countries and the existing world order. Dependency theorists assert that some economies are conditioned in their development by their dependence on other countries. This dependency is seen to be structural and deeper than the relationship between societies differing in size but not in the level of socio-economic development. The relationship between Uganda and Britain may be described as dependent, but not so the relationship between Britain and France or between Kenya and Tanzania.

The concept of unequal exchange is central in this theory. The world capitalist centers are,
it is argued, linked to the national economies of developing countries in an unequal relationship. In this linkage, the center siphons off surplus from the periphery (developing countries). Underdevelopment is here seen as a result of this linkage and the way out is through a delinkage.

This school's support of regional cooperation rests on the premise that south-south trade in general and intra-regional trade in particular can occur on an equal exchange basis rather than the unequal exchange perceived to characterise contemporary north-south commercial interactions. However, this argument has been faulted by John Ravenhill who argues that trade is not necessarily equal when an impoverished African state imports from a wealthier neighbour.

The dependency school has received high acclaim for its part in contributing to our understanding of the mechanism of poverty and underdevelopment. However, scholars such as Ojo et al, argue that it ignores praxis (the unity of theory and practice) and exaggerates the pervasive and self-perpetuating character of the capitalist center with respect to the periphery, blaming everything that happens in Africa on a capitalist conspiracy.

It thus ignores the relative autonomy of the peripheral state as well as the peculiarity of its local history which is independent of its membership of the world system. Its emphasis on the analyses of relations between the developed and developing countries makes it irrelevant for this study whose focus is on relations between developing nations in one sub-region. The theory does not also, tackle the question of conflict arising as a result of inequitable shares of
sub-regional trade or the incompatibility of national with regional objectives.

1.5.3 The Realist Theory: The Concept of National Interest

The realist theory's intellectual roots may be traced in the olden political philosophy of the West and in the works of ancient, non western authors such as Mencius, the Legalists in China and Kantilya in India. Machiavelli also derived a theory of politics from studying the political practice of his time in which he emphasizes the need for a ruler to adapt a different set of moral standards from those of the individual in order to ascertain the survival of his state. Machiavelli's gloomy view of human nature, his pre-occupation with power and his assumption that politics is characterised by a conflict of interests, place him in the confines of realism.

Traces of realist thought in the writings of such scholars as Thomas Hobbes who saw power as crucial in human behaviour and in Hegel's works, which reveal a belief that the states highest duty is its own survival. In the twentieth Century, a number of theorists have contributed to the realist school. These include, Reinhold Neibuhr, Nicholas Spykman, Frederick L. Schuman Hans Morgenthau and E.H. Carr. Of these theorists, realism is associated most with two founding works, E. H. Carr's critique of idealism, "The Twenty Years' crisis", and Hans Morgenthau's "Politics Among Nations". Although it was Carr who called for a realist interpretation of world events in his critique of idealism, Morgenthau attempted the most explicit reformulation of principles upon which international relations should be studied. The following six principles of realism offer the clearest statement of the assumptions of the realist approach.
1. Political relationships are governed by objective rules deeply rooted in human nature. Since these rules are impervious to our preferences, men will challenge them only at the risk of failure.

2. Statesmen think and act in terms of interest defined as power and that historical evidence proves this assertion.

3. The meaning of the concept "interest defined as power" is acknowledged to be unstable. However, in a world in which sovereign nations vie for power, the foreign policies of all nations must consider survival as their minimum requirement. All nations are compelled to protect their physical political and cultural identity against encroachments by other nations. Thus national interest is identified with national survival.

4. Universal moral principles cannot be applied to the actions of states; the statesman's obligation to his citizenry requires a different morality from that of the individual.

5. Political realism does not identify the moral aspirations of a particular nation with the moral laws that govern the universe; and finally;

6. The autonomy of the political sphere is stressed.

Of these six principles, our study singles out the concept of national interest as the basis for
our analysis. The concept "national Interest" has endured considerable criticism. Critics argue
that it is difficult to operationalise this concept meaningfully, especially because different
politicians operating from diverse national experiences will interpret national interest
differently.

Two schools of thought (the elitist and the Aristotelian) have attempted a definition of this
concept. The elitist school, led by Plato has asserted that national interest definition is the
prerogative of a fair-minded, wise and well-informed philosopher king assisted by a few
advisers of his calibre. These would make prudent decisions for collective good; decisions
which would in turn be executed by loyal and obedient bureaucracies. The elitist approach
to national interest has been used to inspire paternalistic and authoritarian regimes.

The Aristotelian school believes that national interest is to be the sum total of the interest of
all individuals in the nation. Thus, the national interest is seen as the will of the majority
arrived at through a democratic process, and subject to review or reversal on the basis of
public discourse. This approach has gained much more applause than the elitist one.
However, its weakness is found in the fact that it is difficult to arrive at national interests with
input from all sectors of the nation. This is especially true of third world nations where the
public participates little in foreign policy making.

Our study will adopt Hans Morgenthau's definition of national interest, which is the outer most
limit of choice beyond which responsible statesmen must not trespass because to do so risks
the security and perhaps, even the survival of the state.
Morgenthau argues that interest is the essence of politics. Once the nation-state's survival is assured, it can be then free to pursue lesser interests. He asserts that states ignore national interest only at the risk of destruction. Therefore, he insists, all foreign policies must be subjected to rational scrutiny, which will determine their approximate position in the scale of national value. This scale of national values and priorities must be established in order to ascertain that all foreign policy decisions are both realistic and optimising, because no nation has the capacity to achieve all its desired ends at once. These values and priorities are their national interests which cannot be compromised in international relations.

How then does this relate to our study? Each member of the PTA, has national interests to pursue within the regional grouping. Where these interests are not being achieved, the member will become slack in commitment to the PTA cooperative goal, and where these interests are being realised, the member will be committed.

The politics of benefits distribution in the PTA must be seen within the framework of the members' national interests; that these national interests have predominated over the regional objective. In the following section, we will observe how the national interests of PTA member states are defined in terms of the members' shares of benefits from the cooperation scheme. Additionally insights will be gained from the customs union theory to clarify our position.

1.5.4 The Customs Union Theory
In order to identify the regional objectives and to clearly define the national interests pursued by members in the PTA we must examine the customs union theory, the theory by which integration in Africa has mainly been approached. The major exponents of this theory are Jacob Viner and R. G. Lipsey. Over the years, two divergent schools of thought have emerged: the traditional approach which we will use to identify the regional objective, and the developmental approach, upon which we will base our conceptualization of PTA member states' national interests.

1.5.5 What is the Regional Objective?

The traditional approach, an approach that receives the most attention in Africa, aims at establishing integrated regional markets by forming preferential trade areas (from free trade zones, to customs unions and ultimately common markets). This market integration approach is at the center of existing African "Economic Communities such as ECOWAS, the Mano River Union (MRU), the PTA, and the Southern African Customs Union (SACU).

According to this approach, a customs union is of benefit if it is, on the balance, trade creating and undesirable if it is trade diverting. The removal of trade barriers such as tariffs is viewed as trade creating. The traditional approach stresses on static effects and conceives economic integration as a branch of tariff theory. The emphasis is not on the problem of economic development, rather, the focus is on relatively marginal adjustments in productions and consumption patterns which results in either trade diversion or trade creation.
Countries will therefore join and stay in the union if they are benefiting by increased trade, and will generally lose the will to sustain the union if they do not benefit. Competition as a result of increased trade will lead to specialisation with each individual member producing and supplying the other partners with products in which it has comparative advantage. This would result in the tendency for the high cost industries in each country to be replaced by the low cost competitor and therefore each country will get what it requires from the lowest cost source.

Hazlewood, commenting on protectionism within customs unions argues that for any given level of protection, industries will operate more efficiently and at a lower cost if they are able to serve a wider market area created by a customs union, than if they are restricted to the market of a single country. The argument for integration is that, because of economies of scale and of specialisation between countries, then industrialisation to serve the unions' wider market is much more preferable than industrialisation to serve the national market.

Since the objective of establishing a preferential trade area such as the PTA would be to encourage trade within the union and discourage trade outside the union, the removal of tariffs and the harmonisation of economic policies would be necessary. This may result in losses especially in fiscal terms, as goods that previously carried duty would now be obtained without duty within the union. The assumption of customs union theory is that revenue lost in this way would be recovered from increased trade within the union.

This market integration approach has been criticised as unpromising on various grounds:
firstly, the approach has exhibited a poor track record in its patent failure to establish integrated economies through preferential trade arrangements. That is with the arguable exception of the EEC, the trade liberalization schemes have not achieved their objectives anywhere.

Elliot Berg asserts that the lessons from the Latin American Free Trade Area (LAFTA), the Andean Pact, the Caribbean Common Market (CARICOM), the Central African Common Market (CACM), Customs and Economic Union of Central Africa (UDEAC) and the PTA are the same: governments are rarely willing or able to tolerate trade creation which means the sacrifice of local smokes-stacks and local jobs; they have slightly more success in agreeing on the allocation of new regional industries; and conflicts over allocation of costs and benefits tends to undermine common purpose. It has also been argued that the market integration idea has its priorities all wrong. Since what is needed, first, is the production of tradables and the improvement of transport facilities; and that foreign owned multinationals benefit most from trade liberalization in Africa's present conditions.

Some of this criticism forms the basis for the developmental approach outlined below.

1.5.6 Defining National Interests

The developmental approach emphasizes that economic cooperation in developing countries should be examined within the context of development economics rather than as a branch of tariff theory. The approach grew out of a dissatisfaction with the prevailing theory and
practice of regional cooperation in Africa. Theorists in this school argue that the needs of developing countries must be distinguished from those of developed countries.

In analysing economic cooperation in developing countries the developmental approach emphasizes structural transformation as critical to increasing material output in Africa, changing the structure of production and trade and eventually evolving a new trade mechanism based on regional specialisation. The gains of interaction are here viewed to be derived from the change in economic structure rather than from the fusion of markets.

The developmental school has its origins in the teaching of classical western theorists from Ricardo to Keynes. This is the school that argues that the removal of certain deficiencies which account for economic underdevelopment in Africa would be adequate in securing development. These deficiencies are such as: lack of savings and inadequate capital formation, lack of technical know-how, lack of skills and insufficient infrastructures. Scholars have however, not agreed on the most suitable policies and strategies of economic development while some emphasised export-led growth, others stressed industrialisation, while yet others argued on whether light industries should take priority over heavy, or rural industrialisation over urban. Thus in the 1960s planning in Africa was a decade of disaster due to an array of conflicting policies and strategies, fundamentally founded on the wrong assumptions.

The socio-economic concerns of developing countries are more complex than those of developed countries. They concern basic development and the necessary creation of previously non-existing conditions and capacities for growth and distribution of wealth. These
different concerns thus call for different orientations, objectives and methods of regional cooperation. The major concerns for developing states are still nation building and the satisfaction of basic needs.\textsuperscript{54}

In the 1970s, the developmental school's emphasizes shifted from the concept of modernization and its related growth model towards the basic needs strategy. Implied, is a more self-reliant approach to development; the recognition that a local demand must be matched with local needs and local supply. This calls for greater mass involvement in the development effort and the social enlargement of the market within each country.

In that perspective, the state of priorities outlined by the basic needs strategy are the development of agriculture, infrastructures, and appropriate technology. This strategy though it does not exclude the regional dimensions, views development mainly in national terms. The assertion is that if regional cooperation has to serve as an instrument of development, it must conform to the above set of priorities. Thus, we see that national interest defined in terms of development priorities becomes a threat to the regional objective of regional integration. The developmental school, hence, questions the appropriateness of the market approach to regional integration.

1.5.7 Conclusion

The effectiveness of the PTA (which is formed along the arguments of the market approach) will be judged according to the extent that it facilitates efficient production and exchange within the region, and enhances development and improved terms of trade between the
members and the rest of the world. As Mazzeo asserts, if regional cooperation is to have any meaning, for these countries, it has to serve first of all as an instrument of national development.

R. H. Green et al, asserts that given Africa's current economic crisis, African States must concentrate on consolidation to lay a foundation before integration can be effective. Putting trade liberalization before consolidation is rather like trying to erect brick walls on shifting sands. The elements of consolidation encompass priority and urgent issues. In this perspective, there is no time to wait for the eventual benefits of trade liberalization which may not even adequately meet the priority needs.

Likewise, the maldistribution of such benefits will only cause irritation to members. This is because each country views and interprets the principle of equitable distribution in light of its own experience and expectations. Thus, according to our theoretical framework, there will be a clash of interests between the regional schemes' integrative goal, and the members if their national interest is not being serviced, causing the members to put their individual interests above the region's. It is this clash of interest that is being investigated in this study.

1.6 HYPOTHESIS

The following hypothesis has been generated to permit an in depth investigation into the clash of interests (politics) in the PTA Scheme.
If the costs and benefits of intra-PTA cooperation are found to be equitably distributed, then PTA member states will exhibit commitment to the PTA goal of cooperation.

The reverse of this hypothesis, as would be expected, will be found to be true: that where the costs and benefits of intra-PTA cooperation are inequitably distributed, member states will exhibit a general lack of commitment to the PTA goal of cooperation.

1.7 Operationalisation of Key Concepts

Politics: In this study, the Machiavellian definition of politics as "the Conflict of interests" is adapted, in conjunction with Morgenthau's assertion that, "interest is the essence of politics". Morgenthau emphasizes that as long as the world is divided into nations, national interest will be the last word in politics. National interests of the PTA member states has been defined in prior sections of this chapter as the individual states' share of intra-union benefits in relation to other members.

Benefits: Will refer to the increased gain accruing from intra-PTA cooperation. These will be indicated by gains from intra-PTA trade, the PTA Clearing House and the development sectors.
Costs: Will refer to losses in government revenue due to the removal of trade barriers or increased business transactions among PTA states. Three indicators will be used to measure this loss: customs revenue, contributions to the PTA budget and clearing house deficits.

Commitment: This is in reference to the PTA goal of cooperation and will be indicated by actions taken by member states to implement or not to implement key treaty provisions.

1.8 METHODOLOGY:

This study has been conducted through analysis of primary and secondary data. The secondary data has been obtained from:

a) Published works and researches on economic cooperation in the PTA sub region.

b) Unpublished papers and reports researched and written by students of regional cooperation.

c) Development reports, journal articles and supplements.

Primary data has been obtained from:

a) Annual reports and evaluations kept by the PTA secretariat and copied to coordinating ministries of each member. In Kenya, the Ministry of Planning oversees and co-ordinates PTA affairs.

b) Raw data obtained from different statistical year books. These include the Kenya Bureau of Statistics, Statistical Abstracts, and the Economic Surveys; the World Bank's Direction of Trade Statistical Year, Book (1984-90) and the World Development
Various other international trade Statistical documents have been used in obtaining data in this study.

This data has been mainly analysed by using tables to present trends, averages, percentages, and to rank member states in terms of their shares or participation in intra-PTA trade.

1.9 CHAPTER LAYOUT

In the first chapter of this thesis, we have given a definition of the problem under investigation and generated an hypothesis as a possible explanation to this problem. Additionally, we have reviewed the methodology of research and stated the objectives of study, as well as established a theoretical model within which our analysis falls. A review of the literature available on this subject has also been made with a view to identifying the gap on study seeks to fill.

Chapter two of our study forms a background, both historical and current, against which the analysis is made. Study is made of the historical origins of economic cooperation in sub-Saharan Africa, followed by a survey of African regional cooperation schemes, with emphasis being made on the saliency of costs and benefits distribution among members.

The third chapter begins with a survey of the PTA and an analysis of general aspects and trends of intra-PTA region. This analysis forms a background that will be repeatedly referred to in the entire thesis. There then follows an analysis of the member states' commitment to
the PTA goal of cooperation in order to establish the degree of commitment exhibition by member states to the regional interest. We have endeavoured to demonstrate in this chapter that there is a general lack of commitment to the regional interest among member states.

Chapter four deals with the politics of costs and benefits distribution in the PTA scheme. In this chapter we have attempted to show not only that costs and benefits of cooperation are unevenly distributed among member states, but also that this uneven distribution has resulted in a lack of commitment to the regional goal of cooperation. In this chapter we clearly reveal the clash of interests between regional and national interests, which has resulted in the lack of commitment of member states to regional interest.

Our last chapter summarises and concludes our analysis. Attempt is also made to present policy recommendations and to identify areas requiring further study.

ENDNOTES


11. Sesay, OP cit p. 254-257


29. Browne, R.S. and Cummings, R.J., The Lagos Plan Vs The Berg Report:
31. Ojo, Orwa and Utete, Po. Cit., p. 142
34. Ibid. p. 280
38. Senghor,J. Op cit p.20
40. Ngunyi, Op cit. p. 39
44. Dougherty et al, Op cit p. 67
45. Ibid. p. 99.
47. Ngunyi, Op cit p. 256.
54. Ibid., p. 50.
55. Marzeo, Op cit., p. 163
56. Green, R. H. et al, Op cit., p. 28-49
58. Ibid., P. 99-100
CHAPTER 2

REGIONAL ECONOMIC COOPERATION: ATTEMPTS IN SUB-SAHARAN AFRICA

2.1 INTRODUCTION

In this chapter, we seek to provide a background against which the rest of this study is presented. The historical roots of economic cooperation will be traced and the current scenario of African economic cooperation will be reviewed in order to place the PTA in a context and to elaborate on the propositions made in the first chapter.

Attempt is made to review the reality of Africa's current economic crises in order to identify Africa's development priorities for the 1990s. Africa's options will be examined and the strategy of economic cooperation identified as having become the most favoured strategy towards Africa's economic development.

A juxtaposition of the history of economic cooperation in Africa and the current scenario reveals that despite the strong intellectual appeal of economic cooperation, there is less cooperation now than there was thirty years ago. In fact there is a general observation that progress towards integration is slow and integration achievements too few to have made any real impact on the African economic development.
Economic performance in the 1980s varied widely among the countries and the continents. Sub-Saharan Africa economies recorded very low if not negative growth. Their economic performance has in fact ranged from chronically poor (Ghana, Sierra Leone, Sudan, Madagascar) to absolute declines (Uganda, Chad, Mozambique).

After the sharp global recession of the late 1970s and early 80s, the industrial nations proceeded to enjoy years of uninterrupted growth, while African countries faced crises of unprecedented magnitude and duration. Due to a lack of economic resources, the public sectors' ability to act has declined. In some countries, such as the poorer francophone ones, civil servants are commonly having to do without monthly salaries for up to periods of three months. Most Sub-Saharan economies have serious external debt problems. Such indebtedness is mostly to the World Bank, the IMF, and foreign governments.

Sub-Saharan Africa is therefore characterised by mass poverty, unsustainable population growth (averaging 3% per year), havoc-wrecking drought, as well as decreasing food production. Additionally, the problem of unemployment has increasingly become chronic in these economies, while shortage of domestic savings has resulted in a low investment capacity. Africa's growth export volumes are as low as 2.8% compared to 6.5% of developed nations: import lines are 1.1% compared to 6.9% of the developed nations.

The reality in most African states is one of impending, partial or actual collapse. One needs
only to look squarely at the size of trade, budget, food and housing deficits to realise that structural changes to new priorities and not marginal cuttings and choppings are needed in action now and not in the verbal declarations of tomorrow.

The priorities of the 1990s in sub-saharan Africa are those required to limit collapse and achieve consolidation. These include:

a) Maintaining existing human and physical capital stock, and not allowing it to wear out or rust away.

b) Regaining plausible utilisation levels for basic productive sectors (industry, agriculture, and transport) and for basic services (health, education, water).

c) Raising foreign exchange earnings (exports) through more production, especially of food, and reducing imports through imports cuts.

d) Subordinating acquisitions of new capital stock to maintenance and use of what exists until consolidation is achieved.3

The above are harsh priorities which involve cutting parts to save the whole. The consolidation of African economies seems to follow a strategy of day to day crisis management, an element that leaves little room for commitment to long term goals such as those postulated by most African regional organisations. Benefits commensurate with integration must cater for the immediate need, or they will lose attraction for African states in dire economic straits, and
become irrelevant in the face of urgent priority issues. Cooperation based on necessity will be central to any successful African efforts to contain collapse, to consolidate a base for recovery and to re-launch development on more indigenous and sustainable lines.

Africa's poor economic development has been attributed to both external and internal factors. The OAU, taking the dependency approach argues that Africa's economic malaise is the legacy of an exploitative economic system that is characterised by unequal terms of exchange in the industrialised world. Thus, the cause is outside the control of African governments. The World Bank, however, points to internal factors and lays the blame squarely on Africa's shoulders. More specifically, the World Bank has argued that Africa's economic crisis is as a result of the poor performance of African governments.4

Africa has been particularly vulnerable to foreign trade fluctuations in recent years, a state that has required domestic policy reactions. Academics comment that Africa's options are, to be sure, severely constrained by the structure of the international economy. Yet it is entirely incorrect to suggest that governments do not enjoy autonomy from international forces. Policy choices and their implementation do matter, and these have to be choices that are effective and efficient in a competitive world capitalist system.

Clearly, Africa must opt for either planned change designed and agreed on by African decision makers, professionals and their peoples; change enforced by the IMF and World Banks as the price for loans; or random change as lack of resources causes production to fall, infrastructure to deteriorate, public services to collapse and only prices, malnutrition and unrest to rise.
Two major strategies have dominated recent debates on possible scenarios for the future of Africa. This is the Accelerated Development (AD) proposed by the World Bank. The AD claims to be first and foremost a short-run crisis management program designed to lay the foundation for the LPA. Ensuing debates, criticism and counter criticisms of these two documents, have resulted in other documents such as the "African Alternative to Structural Adjustment" succeeding the LPA. The following overview, however, only covers the two original strategies.
2.3.1 The Lagos Plan of Action (LPA)

African states realised that in isolation, each is very constrained to attain a structural adjustment of their individual economies, let alone of the world economy. In the past cooperation was regarded more as a supportive measure than a development strategy. Now regional cooperation is being seen as a grand strategy for breaking out of under-development and dependence. Politicians academics, as well as policy makers both in and out of African mostly agree that increased economic and political cooperation is necessary to achieve sustained development in Africa.

The LPA, adopted by the OAU extra-ordinary session of 1980, Lagos, Nigeria, was a reflection of the above sentiments. Objectives of the LPA are;

1. To establish an African economic community by the year 2000.

2. To ensure economic, social and cultural integration of the continent.

3. To promote collective, accelerated, self-reliant and self sustaining development of member states, cooperation among these states, and their integration in the economic, social and cultural fields.

The LPA was really more a statement of the recognition of the necessity, the urgency, and the importance of cooperation more than it was a practical policy framework. Such a policy
framework had in fact already been provided by the United Nations' Economic Commission for Africa (ECA), that had already established regional programs. (The ECA constituted a United Nations's strategy for Africa's collective self-reliance, by creating sub-regional groupings in the North, South, West, East and Central Africa). It was within this framework that organisations such as the PTA, ECOWAS and others were formed. The potential membership of the proposed African economic Community spans almost all African states except South Africa, Sudan, Algeria, Egypt, Libya, Morocco, and Tunisia.

With the LPA came the realisation that economic cooperation calls for urgent attention. The idea was now to be treated as a necessity rather than a nicety for showing good neighbourliness in continental conferences. This would need practical and committed action, as well as a firm willingness to implement regional decisions.

2.3.2 Accelerated Development in Sub-Saharan Africa

As the Lagos Plan was under formulation, the excessive dependence of the African economies on the industrialised nations was being exposed with a starkness no longer possible to ignore. Soaring oil prices and stagflation in the industrialised countries had raised the prices of Africa's necessary imports while reducing the volume and prices of many of her exports, the monetary reserves were quickly drying up while the balance of payments moved heavily into the deficit.
African finance ministers, in their capacity as governors of the World Bank, requested the Bank to prepare a special report on the economic development problems of African countries. The World Bank's response was contained in a document titled, "Accelerated Development in Sub-Saharan Africa, and popularly known as the Berg Report". To many, the Berg Report, whose publication coincided with the 1981 annual meeting of the World Bank and the IMF, appeared to be the World Bank's program for Africa in the eighties.

The report placed the blame for Africa's economic deterioration mainly with the inappropriate policies pursued by many African nations. It also offered policy prescriptions which were in many cases politically difficult for the African leadership to implement. The main themes of these prescriptions are outlined as below:

a) Address the exchange rate problem and the need for economic stabilisation to which it is related.

b) Agricultural development has to be given renewed priority. The main focus should be on smallholders - though there are obvious cases where larger farmers are critically important (for example, Zimbabwe, Zambia, Cameroon and Malawi).

c) Better Economic management, especially since new sources of public revenues will be hard to find.

The Report calls for more aid and appeals for better donor co-ordination: without co-ordination
it is asserted, reform-related assistance would not be feasible. Its wide range of recommendations and the intellectual controversy that has always surrounded the underlying issues have caused the report to generate criticism on a wide front.

Some critics object to some of the above prescriptions, branding them neo-colonial. These see the African economy as being relegated to inferior roles in the international division of labour. Other observers argue that increased commodity production is not feasible because if all African states were to follow this strategy, it would backfire because increased production of coffee, cocoa, timber, metals and other raw materials everywhere would lead to the depression of world prices and a great decrease in export earning for these countries. The recommendations regarding the privatization of public enterprises has generated the most heated debate. Many argue that there is no genuinely viable private sector that can be turned to except the foreign private capitalists. Nevertheless, as Browne and Cummings argue, despite the shrillness of most commentators' criticism, most find much to agree with the Berg Report, and are in many cases quibbling over emphasis rather than substance.

A former governor of the Central Bank in Kenya, Mr. Philip Ndegwa vigorously castigates the report's failure to examine the external causes for Africa's economic crisis. Ndegwa emphasises that national aims and programs in Africa can only make sense within the larger framework of continental aims and programs, and that the ideology for achieving this cooperation is Pan-Africanism. Anything less, such as separate development strategies, based on what he calls 'imported' ideologies, is doomed to failure, and would only serve to perpetuate dependency.
ECONOMIC COOPERATION IN AFRICA: THE ORIGINS

The need to coordinate production activities in order to enhance efficiency and economies of scale was realised even by classical economists. Thus economic cooperation is an age-old institution, and not the creation of modern day economists. In Africa, efforts towards economic cooperation did not begin a decade ago with the formulation of the LPA, but may be traced as far back as the late eighteenth century. Initiative towards economic cooperation in Africa may be divided into two phases; the effort of colonial powers before independence and secondly, the search for African unity by Africans both in Africa and the diaspora, before and after independence. While the colonial initiative was limited to the colonial powers' respective areas of jurisdiction, the African initiative may be said to have taken a more continent-wide thrust.

2.4.1 The Colonial Initiative

The balkanisation of the African Continent after the scramble for Africa following the Berlin Conference of 1884-85, resulted in the existence of small colonies and territories whose domestic markets were so limited, they could not permit the level of economic activity necessary to achieve even the lowest rate of economic development. The political boundaries of modern Africa were drawn up by the colonial powers, with little consideration for geographical, ethnic, economic or sociological realities. Divided resources resulted in unrealistic resource usage and this in turn led to duplication, inefficiency and weakened bargaining power. Great differences resulted in disparities in the levels of development between the colonies, both within the same administration or between two different
administrations. This was mainly due to the differences in the economic, political and other objectives of colonial powers.

Basically, colonial policy was such that development of the colonies was designed primarily to boost up economic activities in the metropolitan countries. Hence, events taking place from the early days of European settlement and subsequent colonisation of Africa, until the time of independence affected, profoundly, the development of the current political, social and economic institutions of the African countries. External influences through out the colonial period not only hindered the rate of development of African economies, but also resulted in disparities in economic thinking, political ideologies, and cultural outlook among the Africans.

Most of Africa was until the 1960s still politically and economically closely linked with the European powers. These formed some limited forms of economic cooperation between groups of African colonies under their control. Their aim was to ease the problems of administration and financing of colonial budgets. Where the predominant motive was economic, the development of the economies was geared mainly towards the production of primary commodities and other raw materials to be exported to the metropolitan countries.

The following is an overview of economic cooperation efforts initiated by colonial powers amongst their respective colonies in Africa.

a) The French West and Equatorial Africa
Two federations were established by the French administration in this region: the West Africa federation and the Equatorial Africa federation, each having institutions for managing its own budget.

They also established separate monetary systems for both these areas. These monetary and federal arrangements, however, collapsed as the countries approached independence. Their collapse was mainly due to the fact that independence was given to individual countries separately rather than to the federation as a whole.

Strangely, this break-up was supported by, especially, the wealthier countries who were naturally the major contributors to the federal fund and who now felt unwilling to continue this role. Later on, the countries did begin to consider the re-establishment of the old economic links, in order to safeguard trading and other interests that had developed between them. Thus, by 1964, links such as those establishing the monetary systems were restored and two central banks backed by French reserves were established.

b) British West And East Africa

The British approach was considerably different from that of the French. In West Africa, the British established various types of integrated economic systems amongst groups of her colonies, with joint administration being confined to limited areas. These common systems covered areas such as the monetary policy, income tax policy, administration and education programs. However, after independence, like the francophone states, the former British
colonies chose to follow individual policies. No incentives seemingly existed for these states to seriously consider continued economic integration.

The East African experience, however, was unique. Cooperation between the three East African states namely, Kenya, Uganda, and Tanganyika, can be traced as far back as 1917 when Kenya and Uganda established a customs union. Tanganyika, (later Tanzania after her union in 1964 with Zanzibar) joined the union in 1927. The East African High Commission (EAHC) was established in 1948 to consolidate the three economies into a closely knit economic unit.

Problems similar to those faced by other efforts of economic cooperation in Africa, arose for the East African Common Market with the approach of independence. The foremost question was in respect of equalizing industrial development, as well as equalizing the general rate of development among the three countries, issues that were part and parcel of the distribution of economic benefits of cooperation. These issues will be dealt with in greater detail in a later section of this chapter. For now, it suffices to say that the eventual East African Community collapsed in 1977 amidst a host of differences and disagreements among the partners.

c) Others

Other cooperation efforts in Africa include the federation of Rhodesia and Nyasaland (Malawi) which broke up in 1963, a year before their individual independence. Likewise, the Rwanda-Urundi Union, encompassing the present day Rwanda and Burundi broke up with the coming
of independence, into the separate states.

2.4.2 The African Initiative

Cooperation among African Countries has for a long time been accepted as an effective means for consolidating the African stand vis-a-vis advanced nations of the world, as well as facilitating development and self-reliance in the continent. Evidence regarding the origins of the movement towards African Unity can be traced back to as early as the 19th Century in the black diaspora. Two movements, Pan-negroism and Pan-Africanism developed in the West Indies and North America.

Pan-Negroism started as a cultural and political movement to unite blacks both in the diaspora and in Africa against white domination, oppression and racial discrimination. The objective was to create a united black world. The first Pan-African conference met in London on 23rd July, 1900. Pan-Africanism, nurtured the concept of African brotherhood and solidarity. It laid the foundation for African nationalism (macro-nationalism) and inspired the struggle for independence, also indirectly inspiring the quest for African Unity.

The turning point in this quest was marked by the Manchester Congress of 1945. When leaders' attitudes began to shift from the radical pan-Africanist idea of an African state, to favouring, in general, some form of inter-African integration. In their varied views, such integration would take a federalist, functionalist or neo-functionalist framework. The late President Kvarne Nkurumah of Ghana was until 1965, the most vocal proponent of federalism.
He however, stood alone against a host of African leaders for whom federalism entailed unacceptable constitutional or legal obligations. For these leaders, functionalism was the best option as it called only for moral commitments on non-political issues.

Thus between 1960 and 1962, Africa was polarised into two political camps: the Brazaville-Monrovia camp and the Casablanca camp. The Brazaville-Monrovia group consisted of twenty conservative and moderate African states. These rejected the idea of a continental political union and endorsed inter-African functional cooperation. This group which later in 1962 became the Lagos group first met in Brazaville in 1960 and Monrovia in 1961.

The Casablanca group, comprising of seven states arose in opposition to the Brazaville group. In 1961, they met in Casablanca and drew up a charter which they referred to as "The African Charter of Casablanca". They aimed to advance the idea of an African state, although they rejected the idea of drawing up a constitution for an African union because it would create unwanted legal obligations.

Obviously, Pan-Africanism, however well conceived it might have been, failed to bring the African states together in the form originally envisaged. In fact, its moving spirit continued only up to the acquisition of independence because following independence, as has been observed, the spirit of Pan-Africanism failed to override the new African nations' passionate desire to protect their national sovereignty, and their right to self-determination. Pan-Africanism was therefore a political instrument rather than a tool for economic cooperation. Still, it constitutes the first continent wide effort by Africans to cooperate.
However, all was not lost; in May 1963, thirty one African heads of states and government met in Addis Ababa, Ethiopia and signed a charter establishing an all-African international organisation - the Organisation for African Unity (OAU). The OAU charter reflected the politics of compromise, catering for the diverse views on African unity represented. Although hope for economic integration remained, the spirit of cooperation did not surface practically again until the adaptation in 1980 of the, LPA. The LPA represented the growing acceptance of regional economic cooperation as the most effective method of ensuring economic development in developing countries.

This drive towards closer cooperation among developing countries; and African states in particular, was motivated by three major factors. Firstly, the necessity of establishing multinational industries so as to avoid the wasting of the meager resources when individual countries establish uneconomic industries. Second, in order for African states to expand their exports of manufactured goods to the developed countries, industries which are competitive with those in the developed and the developing world must be set up. Thirdly, that concrete measures to increase intra-African trade need to be taken in order to expand external trade for individual African countries.

In the following section, we will present a survey of some of the current African regional cooperation efforts with a view to presenting the scenario in respect of economic cooperation in Africa. Also examined are the general constraints to economic cooperation in Africa.

2.5 AFRICAN REGIONAL COOPERATION SCHEMES
African Regional Organisations which deal with economic cooperation are, by and large economic communities, or intended to be so even when referred to by different labels. Although economic cooperation has gained ground, doubts still exist among African States regarding whether or not such cooperation is appropriate enough to meet their individual goals. This is especially so in Africa due to differences in the levels and rates of economic development.

Differences in the levels of economic development result in a number of problems in the search for economic cooperation. Foremost, because individual countries' dependence on certain sectors is different, with some depending more on either agriculture, or mining or industry, their priority schedules will naturally be different. What results therefore is conflict between the short-run priorities of individual partner states and the long-run priorities of the cooperation effort. Although in the long run, all African countries aspire to industrialise, in the short-run, the development of the sector they depend on, such as agriculture will have more appeal than the long-run priorities of regional cooperation. This results in difficulty for the planners in endeavoring to harmonise the different sets of priorities.

Secondly, due to the fact that some countries are more industrialised than others, they have better opportunities to develop new industries. This is because they already will have developed external economies such as better financial institutions, transport facilities and the availability of by-products. Such countries tend to benefit more than their poorer partners in any economic cooperation scheme.
Thirdly, differences in factor endowment, availability of financial resources, and productivity of labour and capital, mean that some partners will be able to implement cooperation plans faster than others. Again this results in disparities in costs and benefits distribution, a state of affairs that tends to make further agreements difficult to make.

On all three aspects, disparities in the levels of economic development result in disparities in the accrual of benefits from cooperation. The issue of the distribution of costs and benefits has therefore become a common root of contention among African regional cooperation schemes, all of which bring together nations at different levels of economic development.

Following is a survey of some integration efforts of particular interest because of their historical and continuing impact on African international relations. An examination of their successes and failures provides insights into the problems of integration efforts in Africa, as well as lessons for other schemes. We outline here four of them and examine the fifth in greater detail. On the basis of the insights gained from these, we will outline the development and assess the prospects of the PTA, the regional cooperation scheme upon which this study is focused.

2.5.1 Customs and Economic Union of Central Africa (UDEAC)

The UDEAC's origin can be traced to the federation of French Equatorial Africa which broke up in 1956. Congo (Brazaville), Gabon, Central African Republic (CAR), and Chad opted to maintain their economic links in the form of a Customs Union, by a treaty in 1959. In July,
1961 the Federal Republic of Cameroon joined the Union. The UDEAC was formerly established by a treaty in January 1966, and was renegotiated in 1974.

No significant achievements have been made since 1966. In fact, the Union may be said to have remained dormant except for the unification of tariffs and import duties, a steady growth in intra-union trade, and the attraction of more foreign aid than would otherwise have been the case. Little or no progress has been made in the other areas of cooperation and a customs union has certainly not been achieved. Despite unified tariffs and import duties, members still impose a "complimentary import duty" to supplement their budgets. Individual countries also use discriminatory tax to protect their industries against similar industries in partner states.

This stagnation is mainly a product of the scheme's inability to distribute the costs and benefits of the union fairly or equitably between the member states. Chad and the CAR, the two poorest members, persist in their complaint that Cameroon benefits the most from the union. Although concessions have been made in the area of industrial allocation (to favour the less advantaged partners), these amounted to little in practical terms, because the more developed Gabon and Cameroon were reluctant to subsidize their poorer partners.

Frustrated by the UDEAC, and beginning to see their more powerful Nigerian and Zairian neighbours as alternatives, Chad and the CAR withdrew membership and joined Zaire to form the Union of Central African states (UEAC). Chad however, soon reconsidered her stand and returned to the UDEAC.
2.5.2 Communautés des Etats de L'Afrique de L'ouest (CEAO) and Economic Community of West African States (ECOWAS)

The CEAO began as a customs union of seven states, namely Benin, Niger, Senegal, the Ivory Coast, Mali, Upper-Volta and Mauritania. The CEAO treaty was signed in 1973 and it provided free trade in certain commodities, free movement of persons, a common external tariff to be established over a two year period, and a community fund for compensation of the less advantaged partners.

The CEAO has recorded significant progress since its establishment: There has been a notable increase in trade among its members while steps have been taken to achieve free trade in non-industrial goods, and to offer preferential tariffs to certain manufactured goods. However, tensions remain on the issue of the relative share of intra-regional trade, and progress in the area of co-ordination and harmonisation of industrial and development plans is negligible. What now seems likely is that the CEAO functions may become eclipsed by the larger grouping, ECOWAS.

The ECOWAS was inaugurated in May 1975, a breakthrough after a long series of efforts to establish a cooperation scheme embracing the entire West African region. ECOWAS ambitiously bridges the Anglophone and Francophone States. The ECOWAS treaty aims to achieve an economic community over a fifteen year period in three stages.

The founding fathers of this organisation anticipated the problem of inequitable gains, and
agreed in principle to have compensatory and corrective measures. However, before the necessary protocol could be drawn out and implemented, the issue of potential polarisation as a result of the unequal gains began to be evident. Sensitivity towards disproportionate distribution of gains and the resultant antagonism against Nigeria, the core state, has somewhat slowed the scheme's progress.

2.5.3 Southern African Development Co-ordination Conference (SADCC)

In 1979, the meeting of ministers in Arusha, prepared the foundation for the 1980 summit of Heads of States which created the SADCC. The SADCC is comprised of eight Southern African States; namely Angola, Botswana, Mozambique, Lesotho, Swaziland, Zimbabwe, Zambia and Malawi, and one East African state, Tanzania. The following are the aims and objectives of SADCC as set down at the Lusaka summit in 1980.

a) The reduction of economic dependence, particularly but not only on the Republic of South Africa;

b) The forging of links to create a genuine and equitable regional integration;

c) The mobilisation of resources to promote the implementation of national, inter-state and regional policies;

d) Concentrated action to secure international cooperation within the framework
The SADCC has no treaty providing for binding rules and regulations. Instead, the organisation whose emphasis is on action not institutions, claims to be pioneering a radically different superior institutional framework, which is innovative in three main ways:

1. Respect is paid to the sensitivities of members to infringements on their national sovereignty;

2. The degree to which responsibility for operational programs has been devoted to national governments\(^\text{14}\). 

3. The balance of power between the political and bureaucratic organs.

SADCC states address the issue of disparities in development levels and the need to contain polarisation effects through the concept of decentralisation of responsibilities: functional responsibilities have been given to specific member states for co-ordination. The role for the small secretariat in Botswana is primarily administrative\(^\text{15}\).

The performance of SADCC will not be covered since trade promotion is not one of its major objectives. Instead SADCC was set up to facilitate the co-ordination, with help from donors of measures that would lead to the reduction of dependence upon South Africa. In 1992, the SADCC treaty was renegotiated and the organisation was transformed into an economic
2.5.4 The East African Community (EAC)

The EAC treaty was signed in 1967, bringing together Kenya, Uganda and Tanzania within the framework of an economic community. Prior to the EAC, there had been the East African Common Services Organisation (EASCO), which had been introduced in 1961, but had always been regarded as a transitional organisation to be taken over by a federation, as soon as Uganda and Kenya gained independence. Tanganyika even offered to delay her independence to await Kenyan and Ugandan independence. The EAC's primary objective was to promote accelerated harmonious and balanced development and sustained economic expansion of economic activities with the benefits thereof being equitably shared.

However, the federation failed to materialise because the negotiations expected to lead to its formation broke down, mainly because Uganda was opposed to the high level of centralisation that its partners wanted to build into a federation. Instead of the federation, an economic community was formed. The most applaudable effort by newly independent African States to establish an economic Community by treaty lasted ten years. The common services collapsed by 1977 and the Kenya/Tanzania border was closed. The border closure had the effect of halting all economic activity between the two countries. Tanzania also became involved in border clashes with Uganda leading to a full-scale war between 1978-79.
Four main factors have been singled out as accounting for the disintegration of the East African Community. Of these, the polarisation and perception of unequal gains coupled with inadequate compensatory and corrective measures are singled out as the most salient by such scholars as Mazzeo, Orwa, Ojo and Utete. Following is an overview of all four factors:

a) Institutional Weakness Mazzeo sees this as a major contributory factor to the collapse of the EAC. Personalisation of power in the Community's authority is seen to have increased the danger of instability and of transforming personal rivalries into national and intra-regional conflicts. The authority which was composed of the three heads of states was the supreme decision making body, and therefore the fate of the community tended to depend on the whims of these three individuals.

b) Ideological Differences Kenya became increasingly capitalist, Tanzania increasingly became socialist and Uganda straddled the fence; a state of affairs that clearly widened the rift between the partners by magnifying the already existing stresses. The widening economic gap, resulted in the economic nationalism of the partner states, thus reinforcing their differences.

c) External Actors and Influences Kenya tended to view Western partners such as the United Kingdom, the United States and Germany as a much more attractive alternative to the EAC. She therefore proceeded to develop close relations with these while paying half-hearted attention to the Community. Likewise, Tanzania developed similar relationships with both Western and the Socialist blocs while Uganda pursued Arab financial support and Soviet arms. Here we have a demonstration of the gradual eroding of the political will to sustain the
d) Inequitable gains and Inadequate Compensatory measures Perceived uneven distribution of benefits among the member countries, and in particular the unequal distribution of industrial development constantly threatened the survival of the EAC. The EAC's primary objective as has been mentioned, was to promote "the accelerated harmonious and balanced development and sustained economic expansion of economic activities the benefits where of shall be equitably shared"\textsuperscript{18}, an objective the community failed to realise. Kenya, due to the presence of white settlers during the colonial days had attracted more colonial investment than the other East African colonies. Upon independence, therefore, Kenya had an early start in development which proved to be an advantage under the EAC.

The Community's Common External Tariff (CET) benefited Kenya by protecting her industries against outside competition, while guaranteeing her a ready market in the Community. Tanzania and Uganda, whose industries were fewer and less efficient could not compete against Kenya. They had no alternative but to buy Kenyan goods at higher prices than they would have had to pay had the CET not effectively blocked similar goods from outside the Community. Additionally, foreign firms wanting to establish industries within the Community (in a bid to beat the CET) preferred to invest in Kenya due to her already existing industrial base and better infrastructure.

For Tanzania and Uganda, this situation was increasingly becoming intolerable. Had the EAC allowed the free flow of capital and labour, these would have moved from Tanzania and
Uganda to the relatively more prosperous Kenya, magnifying her advantages and worsening the disparities. It became necessary to deal with the issue of uneven distribution of gains among the partners. Normally the issue would have been addressed by the application of compensatory and corrective measures. In the case of the EAC however, such measures proved grossly inadequate, resulting in frustration, suspicion and mutual acrimony. The EAC's demise hinged on the question of the distribution of what little benefits accrued.

After the 1973 oil crisis, the balance of payments situation between partner states worsened and they began to take unilateral actions against each other that undermined the very aims of the cooperation effort. Tanzania and Uganda withheld funds meant for transfer in foreign exchange to the railways headquarters in Kenya. Partner states began to dismiss and deport community workers, and in 1977, after attempting to undercut Kenya's monopoly of the tourist trade, Tanzania closed her borders with Kenya. It was then that the 60-year old effort at cooperation in East Africa ended.

2.5.6 Obstacles in Intra-Regional Trade

In presenting an overview of African regional cooperation schemes we have emphasised the fact that differences in the levels of economic development have become a major obstacle to cooperation arrangements in Africa because it gives raise to a number of problems. Among these problems is one of disparities in costs and benefits distribution because some partners have greater ability, in resources, to implement integration plans faster and more effectively.
However, as may be learned from the defunct EAC, its collapse was not in itself caused by unequal distribution of benefits, but by the failure to find effective means of solving the problem satisfactorily and fueled by other problems facing the Community. Among these problems, as Peter Robson notes, is the failure by most African regional schemes to address issues in the right order. He argues that these countries continue to give priority to policy areas which are of little or no immediate relevance to the individual member states. Following is a brief outline of some obstacles to intra-PTA trade. The difficulties faced by the PTA are characteristic of African regional economic cooperation efforts in general.

Poor Transport and Communication Links African countries at independence inherited a transport and communication network that was developed with the ultimate purpose of moving exports to Africa's ports for transporting to Europe. Thus, links among the PTA states are minimal and inadequate to enable successful intra-regional trade. Improvement of the basic infrastructure will be a lengthy undertaking. It has been given priority after intra-regional trade liberalisation and feasibility studies on viable transportation projects in the regions have been made and submitted to donors for consideration.

The northern PTA corridor seems to be faring better than the Southern corridor on this issue. Several negotiations among Rwanda, Burundi and the former EAC members have served to reinstate the network existing before the collapse of the EAC. Poor Communication in the sub-region also extends to trade facilitating services such as banking, insurance, customs regulations and documentation procedures.
This obstacle is detrimental because it nullifies the thrust of preferential trade ad intra-regional trade liberalisation by obstructing the movement of such trade. Obviously, the improvement of transport and communication links among the PTA in particular and other similar regional organisations in Africa should be a priority above trade liberalisation because poor communication network severely undermines intra-regional trade. The importance of effective transport and communication links remains basic to successful integration.

**Limited export Commodities and Non-Complementarity of Production:** Most PTA states heavily rely on one or two export commodities, and these, due to preferences accorded to the African states under the Lomé conventions and the EEC, are increasingly being exported to the EEC markets. These exports largely take the form of primary products with the exception of exports from Zimbabwe. This non-complementarity of production means that intra-regional trade is mainly limited to non-traditional products especially manufactures and basic food stuffs. This has given rise to a skewed benefits structure that favours Kenya and Zimbabwe. Additionally, primary products exports have continued to face problems of price instability, worsening terms of trade and competition from substitutes produced by technologically advanced countries.

**High tariff barriers:** Most states in the sub-region have continued to maintain high tariff barriers in order to protect their local industries. Consequently, heavily protected local industries have, complacently, not diversified production or improved quality and have thus remained uncompetitive against suppliers from outside the sub-region. In fact the PTA states, with the exception of members of SACU, did not give or receive preferences prior to joining
the PTA. Thus states that heavily rely on customs duties for government revenue are reluctant to reduce tariffs.

**Inadequate Foreign Currency**: This is a major obstacle to trade expansion in African regional groupings. Currency convertibility is an effective mechanism that enables trade between states. In the PTA, the inadequacy of foreign currency is only partially solved by the PTA Clearing House. Import capacity is reduced by the unavailability of foreign currency and this is reflected in lower industrial output and lower intra-regional trade volumes\(^2^2\).

Thus, trade in manufactured consumer goods in many PTA states is almost non-existent, despite the existing potential demonstrated by the numerous cases of smuggling. The ideal solution to the problem of financing trade in any cooperation arrangement is the unification of currencies to form a common one. In this way, the problem of foreign exchange shortage and foreign exchange risks would be eliminated.

Clearly, in the longer term, changes in the level of intra-African trade will result from changes in the production sphere. Trade can only be in respect of goods and services produced in the sub-region; with such trade being complemented by an effective transport and communication system. Considerable developments must therefore be planned and implemented in these areas. Only then will significant and lasting changes in the structure of exports and imports be seen, and only then will preferential trade regimes begin to make sense.

**2.6 Conclusion**
This chapter has attempted to briefly review the experience of economic cooperation in Africa. One thing that clearly emerges from this analysis is that, despite the initial enthusiasm that heralded economic cooperation in Africa, the road towards progress has been rough and bumpy. Further, the African regional cooperation schemes we have surveyed testify to the fact that if regional cooperation is to be acceptable to all parties, it must ensure that all members equitably benefit from it. All members must feel better off after coming together than before, and that net benefits are equitably distributed so as to reduce developmental disparities.

END NOTES


6. Ibid., p. 21-28
7. Ibid., p. 52
8. Ibid., p. 22
9. Ibid., p. 210
11. Ibid., p. 383
18. Ibid., p. 159
19. Ibid., p. 161
21. Ibid., P 273
Introduction

The purpose of this paper is to examine the effects of member states on the PTA schemes. More specifically, the aim is to identify areas where restrictions in trade are required from the member states by the PTA schemes, and to examine how this can be achieved through bilateral or multilateral arrangements. The analysis relates to the regional context of intra-regional trade.

The PTA Treaty specifies procedures for how member states are to work together to implement. While the treaty presents major principles and procedures relating to the areas of cooperation within the PTA, this study will only examine those rules that are key to effective trade liberalization. Trade liberalization is the basis of the first stage of cooperation in the PTA sub-region. These provisions cover areas such as tariffs, technical assistance to the member countries, and the relevance of the PTA clearing house.
CHAPTER 3

COMMITMENT OF PTA MEMBER STATES: THE SCENARIO

3.1 INTRODUCTION

Our attention in this chapter focuses on the commitment of member states to cooperation in the PTA scheme. More specifically, the aim is to identify areas where commitment is required from the member states by the PTA schemes, and to examine how this commitment has been exhibited. Commitment, according to our theoretical framework is the member states' interest in regional cooperation. It is what the scheme expects from member states, and is indicated by actions taken by member states to either remove or retain barriers to intra-regional trade.

We will identify from the PTA Treaty specific provisions which member states are supposed to implement. While the treaty contains many provisions and protocols related to diversified areas of cooperation within the PTA, this study will only examine those rules and provisions that are key to effective trade liberalisation: Trade liberalisation is the emphasis of the first stage of cooperation in the PTA sub-region. These provisions cover the areas of tariff reductions, implementation of the 'Rules of Origin', contributions to the PTA budget, and the utilisation of the PTA clearing house.

The total number of states invited to the PTA is now 23. These include Angola, Botswana, Burundi, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Seychelles, Somalia, Swaziland, Tanzania, Uganda, Zambia,
Zimbabwe, Zaire, Sudan and Namibia. Of these 23, Botswana, Madagascar and Seychelles have not yet applied for Membership. Mozambique acceded to the treaty in 1989, while Angola applied for exemption from some of the provisions of the treaty in view of her economic problems. This exemption was granted by the PTA heads of state summit in December 1989, clearing the way for Angola's membership alongside Sudan in 1990. Zaire applied for membership in 1990 but has so far not signed the treaty. The number of signatory members is, therefore, 18.

The PTA treaty is designed first and foremost to establish a preferential trade area. However, its ultimate objective is to promote economic cooperation in all fields of economic activity.

The case for economic integration in the PTA hinges on the fact that this will help the member states overcome the limitation of market size. The market size of a given area depends on its population, Gross Domestic Product (GDP) and its pattern of income distribution.

An examination of the PTA sub-region reveals that individual states have markets that are far from adequate to support meaningful economic development. The total 1985 population of the PTA sub-region, a year after the scheme was inaugurated, was 144.22 million while the GDP was U.S. dollars 34.5 million only.

Benefits from cooperation are expected to emerge overtime, as a result of exploitation of dynamic economies of scale. These anticipated dynamic benefits are however not automatic and member states must work actively to get them. It is expected that in the PTA, increased volume of inter-state trade will create possibilities for exploiting
complementaries among production units in different member states and for promoting inter-country specialisation on the basis of comparative advantage. It will also contribute to increase in volume of traffic between the PTA states, thus making the rehabilitation, upgrading, construction and harmonisation of our transport services, roads, railways, air transport, inland water transport services and maritime transports, more feasible in economic terms.

The development of infrastructure is therefore viewed in the treaty, as a consequence of trade liberalisation, rather than as a precedent to trade liberalisation. Thus trade liberalisation is given priority in the treaty, above the development of infrastructure.

Our attention now turns to some general aspects and trends in intra-PTA trade. Later in our analysis, we will use this information to show how trade patterns in the PTA have affected the distribution of costs and benefits and how this has, in turn, affected commitment to the PTA scheme.

3.2 INTRA-PTA TRADE: GENERAL ASPECTS AND TRENDS

Intra-regional trade in the Eastern and Southern African sub-region as a percentage of total regional trade has never been high. In fact trade among the PTA sub-region accounted for only about 4% of total intra-regional between 1973-80. Table 3.1 below reveals that the percentages have varied across countries since trade within the region has tended to be uneven.
<table>
<thead>
<tr>
<th>Country</th>
<th>World Trade Total Million US $</th>
<th>Total PTA trade Million US $</th>
<th>PTA trade as % World Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>1322.7</td>
<td>6.78</td>
<td>0.51%</td>
</tr>
<tr>
<td>Botswana</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Burundi</td>
<td>289.7</td>
<td>26.447</td>
<td>9.13%</td>
</tr>
<tr>
<td>Comoros</td>
<td>84.98</td>
<td>4.74</td>
<td>5.58%</td>
</tr>
<tr>
<td>Djibouti</td>
<td>329.2</td>
<td>37.63</td>
<td>11.43%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1515.8</td>
<td>32.43</td>
<td>2.14%</td>
</tr>
<tr>
<td>Kenya</td>
<td>2876.4</td>
<td>233.13</td>
<td></td>
</tr>
<tr>
<td>Malawi</td>
<td>629.78</td>
<td>53.973</td>
<td></td>
</tr>
<tr>
<td>Mauritius</td>
<td>177.89</td>
<td>14.581</td>
<td>0.82%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>769.91</td>
<td>59.277</td>
<td>7.7%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>457.75</td>
<td>103.262</td>
<td>22.56%</td>
</tr>
<tr>
<td>Somalia</td>
<td>451.9</td>
<td>24.282</td>
<td></td>
</tr>
<tr>
<td>Sudan</td>
<td>1618.58</td>
<td>30.114</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>1255.33</td>
<td>44.826</td>
<td>3.57%</td>
</tr>
<tr>
<td>Uganda</td>
<td>740.9</td>
<td>108.82</td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td>1546.83</td>
<td>88.127</td>
<td>5.7%</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>2192.5</td>
<td>169.336</td>
<td>7.72%</td>
</tr>
<tr>
<td>Total</td>
<td>17,859.34</td>
<td>1037.76</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled from the Direction of Trade Statistics book (IMF) 1991
Table 3.1 indicates that each PTA state can be placed on continuum from 22.56\% for Rwanda to a meager 0.51\% for Angola. Africa as a whole is highly dependent on foreign trade, more so than any other developing nation in the world. The goal of orienting the external trade of the PTA states toward their sub-regional partners would require a massive structural change within the region.

Evidence from Table 3.2 below indicates that trade in the PTA is dominated by few bilateral flows. These bilateral flows are largely determined by the geographical proximity of the trading partners\(^4\). That is, member states mostly trade with their neighbours. For instance, Angola's trading partners in the region are Tanzania, Zambia, and Zimbabwe in the southern corridor and none in the northern corridor. The same case is observed in respect of Burundi, Djibouti, Rwanda, Somalia, Sudan and Ethiopia whose intra-regional trade is largely with members of the PTA northern corridor and relatively little is with members of the Southern corridor. The reverse is true in the Southern corridor states such as Zambia, Zimbabwe, Malawi, Mozambique, who have the bulk of their trade with one another and relatively much less with members of the PTA northern corridor. The exception is Tanzania whose unique geographical position as a link between Eastern and Southern Africa means that she has relatively more balanced trading links in both corridors.
<table>
<thead>
<tr>
<th>Country</th>
<th>Angola</th>
<th>Burundi</th>
<th>Comoros</th>
<th>Djibouti</th>
<th>Ethiopia</th>
<th>Kenya</th>
<th>Lesotho</th>
<th>Malawi</th>
<th>Mauritius</th>
<th>Mozambique</th>
<th>Rwanda</th>
<th>Somalia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>m</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burundi</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>1.1</td>
<td>0.04</td>
<td>2.75</td>
<td>0.003</td>
<td>0.27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comoros</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>2.01</td>
<td>1.44</td>
<td></td>
<td>2.41</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Djibouti</td>
<td>x</td>
<td>0.9</td>
<td></td>
<td>1.78</td>
<td>18.03</td>
<td>2.6</td>
<td></td>
<td>0.66</td>
<td>12.92</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethiopia</td>
<td>x</td>
<td>16.91</td>
<td>1.65</td>
<td></td>
<td>0.01</td>
<td>0.01</td>
<td></td>
<td>0.01</td>
<td>12.92</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td>x</td>
<td>20.91</td>
<td>2.57</td>
<td>2.67</td>
<td>3.8</td>
<td>6.3</td>
<td>5.7</td>
<td>35.56</td>
<td>3.22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malawi</td>
<td>x</td>
<td>0.01</td>
<td>0.1</td>
<td>0.02</td>
<td>9.78</td>
<td>0.02</td>
<td>0.02</td>
<td>8.99</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mauritius</td>
<td>x</td>
<td>0.003</td>
<td>1.32</td>
<td>0.004</td>
<td>0.007</td>
<td>0.49</td>
<td>0.05</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mozambique</td>
<td>x</td>
<td>0.024</td>
<td>0.19</td>
<td>0.76</td>
<td>0.007</td>
<td>0.2</td>
<td>0.01</td>
<td>0.19</td>
<td>0.0014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rwanda</td>
<td>x</td>
<td>0.27</td>
<td>0.0086</td>
<td>54.14</td>
<td></td>
<td></td>
<td></td>
<td>0.01</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Somalia</td>
<td>x</td>
<td>0.018</td>
<td>1.27</td>
<td>0.11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.014</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: m: miles, b: kilometers, x: data not available.
<table>
<thead>
<tr>
<th>Country</th>
<th>x</th>
<th>m</th>
<th>b</th>
<th>( \text{V} )</th>
<th>( \text{I} )</th>
<th>( \text{b} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania</td>
<td>0.13</td>
<td>0.014</td>
<td>3.5</td>
<td>21.6</td>
<td>0.14</td>
<td>2.81</td>
</tr>
<tr>
<td>Uganda</td>
<td>0.17</td>
<td>0.014</td>
<td>3.4</td>
<td>21.6</td>
<td>0.086</td>
<td>14.5</td>
</tr>
<tr>
<td>Zambia</td>
<td>1.63</td>
<td>0.014</td>
<td>2.11</td>
<td>2.87</td>
<td>0.054</td>
<td>11.69</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>4.54</td>
<td>0.014</td>
<td>2.08</td>
<td>2.87</td>
<td>0.054</td>
<td>11.69</td>
</tr>
</tbody>
</table>

Key: x = exports, m = imports, b = balance

Source: Compiled from the Direction of Trade Statistics Yearbook, IMF (1991)
Source: Compiled from the Direction of Trade Statistics Yearbook IMF (1991)

Key:
- x - exports
- m - imports
- b - balance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>x</td>
<td>m</td>
<td>x</td>
<td>m</td>
</tr>
<tr>
<td></td>
<td>b</td>
<td>b</td>
<td>b</td>
<td>b</td>
</tr>
<tr>
<td></td>
<td>x</td>
<td>m</td>
<td>x</td>
<td>m</td>
</tr>
<tr>
<td></td>
<td>b</td>
<td>b</td>
<td>b</td>
<td>b</td>
</tr>
<tr>
<td></td>
<td>x</td>
<td>m</td>
<td>x</td>
<td>m</td>
</tr>
<tr>
<td></td>
<td>b</td>
<td>b</td>
<td>b</td>
<td>b</td>
</tr>
<tr>
<td></td>
<td>x</td>
<td>m</td>
<td>x</td>
<td>m</td>
</tr>
<tr>
<td></td>
<td>b</td>
<td>b</td>
<td>b</td>
<td>b</td>
</tr>
</tbody>
</table>
Table 3.3 below, shows that members of the defunct EAC (Kenya, Uganda and Tanzania) are the main trading partners in the PTA. Together they account for 37% of total intra-PTA trade (Exports plus imports).

Table 3.3: Percentage Share of each Country's Intra-PTA trade (exports plus imports) calculated against Total PTA-trade Annual Averages (1984-9) million US $.

<table>
<thead>
<tr>
<th>Country</th>
<th>Intra-PTA trade million US $</th>
<th>% Share of Intra-PTA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>6.78</td>
<td>0.65%</td>
</tr>
<tr>
<td>Burundi</td>
<td>26.447</td>
<td>2.55%</td>
</tr>
<tr>
<td>Comoros</td>
<td>4.744</td>
<td>0.46%</td>
</tr>
<tr>
<td>Djibouti</td>
<td>37.63</td>
<td>3.36%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>32.43</td>
<td>3.13%</td>
</tr>
<tr>
<td>Kenya</td>
<td>233.13</td>
<td>22.46%</td>
</tr>
<tr>
<td>Malawi</td>
<td>53.97</td>
<td>5.6%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>14.581</td>
<td>1.4%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>59.28</td>
<td>5.71%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>103.26</td>
<td>9.95%</td>
</tr>
<tr>
<td>Somalia</td>
<td>24.28</td>
<td>2.34%</td>
</tr>
<tr>
<td>Sudan</td>
<td>30.11</td>
<td>2.97%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>44.83</td>
<td>4.32%</td>
</tr>
<tr>
<td>Uganda</td>
<td>108.82</td>
<td>10.47%</td>
</tr>
<tr>
<td>Zambia</td>
<td>88.127</td>
<td>8.49%</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>169.336</td>
<td>16.32%</td>
</tr>
</tbody>
</table>

Source: Compiled from Direction of Trade Statistical Yearbook (IMF, 1991)

Data for Lesotho and Swaziland is not available.
Among these East African economies, Kenya has retained her dominant role, with her intra-regional trade amounting to approximately US dollars 233.00 annually (22.46% of intra-regional trade) compared to Uganda's 108.8 US dollars and Tanzania's 44.8 US dollars per year (10.49% and 4.32% of intra-regional trade respectively.)

Kenya's trade with Africa is significant but decreasing. In fact her trade is skewed against the region and in favour of the EEC. Her trade within the PTA is best examined within the defunct EAC's context. Until its collapse, the EAC's trade among its members accounted for 3/5s of total intra-PTA trade, excluding Zin.oabwe. Kenya's trade which had maintained favourable balances against the other EAC countries recorded declines after the first oil price increase of 1973 and the collapse of the EAC in 1977: when the EAC collapsed, and the Kenya/Tanzania border was closed. Kenya lost not only the Tanzanian market but also the Zambian one as well. Tanzania's and Uganda's share of intra-regional trade also dropped precipitously. Table 3.4 below shows the decline of intra-regional trade shares since 1974.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Trade Exports</td>
<td>11367</td>
<td>10559</td>
<td>10429</td>
<td>12325</td>
<td>14012</td>
<td>16750</td>
<td>2099</td>
</tr>
<tr>
<td>Total Trade Imports</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intra-PTA Trade</td>
<td>691</td>
<td>590</td>
<td>613</td>
<td>556</td>
<td>407</td>
<td>579</td>
<td>851</td>
</tr>
<tr>
<td>Share of Intra-Regional trade</td>
<td>6.1</td>
<td>5.6</td>
<td>5.9</td>
<td>4.5</td>
<td>2.9</td>
<td>3.5</td>
<td>4.1</td>
</tr>
</tbody>
</table>


The border closure nevertheless, turned out to be a blessing in disguise, for Kenya embarked on a search for new regional markets and eventually increased exports to Rwanda, Burundi, Sudan and Zaire. By 1980, as Table 3.4 indicates, Kenya's share of intra-union trade had climbed back to its 1977 level. So far, Kenya is one of a few PTA member states with significant trade links with almost all the PTA member states, irrespective of geographical location. (See Table 3.5). The other states with comparable trade links include Tanzania, and Zimbabwe.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total P.T.A.</td>
<td>132444</td>
<td>148256</td>
<td>155982</td>
<td>157092</td>
<td>169982</td>
<td>171502</td>
<td>246042</td>
<td>280560</td>
<td>342270</td>
<td>352360</td>
<td>472560</td>
<td>528280</td>
<td>5572</td>
<td>5572</td>
<td></td>
</tr>
<tr>
<td>OTHER AFRICAN COUNTRIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sudan</td>
<td>20999</td>
<td>30062</td>
<td>21450</td>
<td>22225</td>
<td>21774</td>
<td>2397</td>
<td>12</td>
<td>77</td>
<td>132</td>
<td>62</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>3712</td>
<td>6808</td>
<td>11389</td>
<td>11575</td>
<td>10714</td>
<td>1413</td>
<td>2543</td>
<td>1337</td>
<td>963</td>
<td>586</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td>4293</td>
<td>1156</td>
<td>1997</td>
<td>10424</td>
<td>9065</td>
<td>155</td>
<td>14</td>
<td>701</td>
<td>2327</td>
<td>1083</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Algeria and Libya</td>
<td>1860</td>
<td>13016</td>
<td>5021</td>
<td>6855</td>
<td>10045</td>
<td>10045</td>
<td>10045</td>
<td>10045</td>
<td>10045</td>
<td>10045</td>
<td>10045</td>
<td>10045</td>
<td>10045</td>
<td>10045</td>
<td>10045</td>
</tr>
<tr>
<td>Ghana and Nigeria</td>
<td>110</td>
<td>374</td>
<td>1417</td>
<td>1089</td>
<td>1436</td>
<td>56</td>
<td>293</td>
<td>1</td>
<td>41</td>
<td>753</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reunion</td>
<td>3871</td>
<td>2867</td>
<td>3000</td>
<td>3093</td>
<td>5795</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madagascar and Seychelles</td>
<td>3114</td>
<td>4000</td>
<td>2310</td>
<td>453</td>
<td>1860</td>
<td>101</td>
<td>5</td>
<td>25</td>
<td>1928</td>
<td>23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Other African Ctries</td>
<td>8086</td>
<td>3059</td>
<td>4842</td>
<td>6013</td>
<td>1808</td>
<td>692</td>
<td>463</td>
<td>463</td>
<td>2199</td>
<td>1451</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>68106</td>
<td>61673</td>
<td>51613</td>
<td>62536</td>
<td>64024</td>
<td>48089</td>
<td>3452</td>
<td>2645</td>
<td>7994</td>
<td>5572</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Percentage of all imports/imports | 26.1 | 25.5 | 21.4 | 27.8 | 25.4 | 2 | 2.3 | 2.6 | 3 | 3 |

* Provisional

Source: The Economic Survey 1989, p87
In the southern corridor, Zimbabwe predominates with intra-regional trade averaging 169 US dollars per year, 16.32% of total intra-PTA trade. This is relative to others such as Zambia, Mozambique and Malawi whose average share of intra-PTA trade has been 8.49%, 5.71% and 5.6% respectively, from 1984-1990.

The intra-PTA trade is concentrated in the PTA northern corridor. Perhaps due to the fact that cooperation among these states began long before independence, while the southern PTA corridor began economic cooperation recently. In addition these Southern African States' dependence on the Republic of South Africa accounts, *inter alia*, for the low level of trade in the Southern corridor.

As table 3.2 has shown, trade flows in the PTA sub-region are highly imbalanced. Most PTA states are net importers mainly from Kenya and only Kenya and Zimbabwe run significantly favourable balances against the other states in the region. Bilateral trade deficits are for the most part not offset by bilateral trade surpluses. Kenya's surpluses range from US $ 2.6 million against Comoros, to US $88.7 million against Uganda, whilst for Zimbabwe the surpluses range from US $1.2 million against Lesotho to US $32.9 million against Mozambique. Surprisingly, Ethiopia is a net exporter. This is probably because of Djibouti's dependence on the Ethiopian commodities.

Uganda suffers the largest regional trade deficit due to its heavy reliance on Kenya for both imports and transit goods. Other countries that have trade deficits include Burundi, US $16.7 million, Mozambique, US $52.7 million, Somalia US $21 million and Sudan US $29.3 million. Although Comoros, Mauritius and Angola have relatively low trade deficits, this should not be misinterpreted to mean that they are more advantaged than the
others, because these three states also have the lowest shares of intra-regional trade: 0.46%, 1.4% and 0.65% of total PTA trade, respectively. These three states are therefore included with others in the list of the Least Advantaged Countries (LACs) in the PTA.

Clearly, two economies dominate intra-PTA trade: Kenya and Zimbabwe. This dominance can be explained, in part, by the competitive nature of PTA economies. Most of intra-PTA trade is restricted to non-traditional products such as manufactured goods because most economies in the sub-region are producers of primary products which they export to the industrialised west. It follows that Kenya's and Zimbabwe's relatively developed industrial sectors have given them advantage over their partners. The manufacturing sectors of the two states accounts for the GDP up to 13% for Kenya and 27% for Zimbabwe.

3.3 COMMITMENT TO TRADE LIBERALISATION: THE SCENARIO

Seven protocols in the PTA Treaty are devoted to the machinery leading to the development of regional cooperation. These protocols, most of which are related to trade liberalisation outline the process towards a free zone, a customs union, a common market and an economic community. The trade related protocol reflects an entrenchment of the traditional norms of a liberal trade regime including openness, reciprocity and non-discrimination.

The essence of the PTA is trade liberalisation. The basic objectives of the PTA as incorporated by articles 12, 13, 16 and 29 of the treaty are:

a) to gradually reduce and eventually eliminate customs duties and non-tariff barriers to trade conducted among PTA member states.
b) to gradually evolve a common external tariff in respect of all goods imported from third world countries with a view to the eventual establishment of a common market.7

The program for the achievement of the above objectives as stipulated in article 13 and 16 and supplemented by article 29 would be finalised within a period of ten years after the coming into force of the treaty in September 1982. Following the stipulated time frame, the target date for removal of all tariff and non-tariff barriers to intra-regional trade was September, 1992. In the subsequent sections, we will observe how PTA member states have performed in the implementation of the PTA provisions aimed at achieving the regional objective. Since the current focus of the PTA is trade liberalisation, we will assess selected treaty provisions that are key in operationalising trade liberalisation in the PTA. If the PTA Treaty commits members to implement provisions in order to achieve the regional objective of trade liberalisation, the member states' commitment can be assessed in terms of how they have implemented these treaty provisions.

3.3.1 TARIFF REDUCTIONS

The Treaty commits member states to the reduction and eventual elimination of customs duties and non-tariff barriers for all goods in the Common List (CL). The common list is defined as:

The list of commodities which shall have originated in the member states which are of both export and import interest to the member states8.
All goods on the CL are divided into sub-categories and allocated their percentage of reduction in customs duties in accordance with their significance to national development. Member states were committed to the reduction and elimination of tariffs regarding all commodities in the CL within a period of ten years.

Paragraph 1 of Article 4: (Annex 1), sets out the sub-groups of commodities and percentages for reduction of customs duties as follows:

Table 3:6 The PTA Schedule for reduction of Customs Duties

<table>
<thead>
<tr>
<th>GROUP</th>
<th>PARTICULARS</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food (excluding luxury items)</td>
<td>30%</td>
</tr>
<tr>
<td>2</td>
<td>Raw material</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Agricultural</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>b) Non-agricultural</td>
<td>60%</td>
</tr>
<tr>
<td>3</td>
<td>Intermediate goods</td>
<td>65%</td>
</tr>
<tr>
<td>4</td>
<td>Manufactured goods (excluding luxury items)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Durable consumer goods</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>b) Non Durable Consumer goods</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>c) Highly competing Consumer goods</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>d) goods particularly important to economic development</td>
<td>70%</td>
</tr>
<tr>
<td>5</td>
<td>Capital goods (including transport equipment)</td>
<td>70%</td>
</tr>
<tr>
<td>6</td>
<td>Luxury goods</td>
<td>10%</td>
</tr>
</tbody>
</table>


Special provision is made in respect of Comoros and Djibouti to reduce their customs
duties by 25% only. The original intention was to increase the commodities in the CL to include eventually, all goods produced by the PTA members by 1992. By this year all customs duties should have been abolished.

The issues regarding which commodities to place on the CL and under what conditions were strongly contested by the less developed states from the start. Even though the contesting states signed the treaty, most of them failed to implement the technical measures that are required in order to signify their membership in the PTA. By 1986, Comoros, Djibouti, Ethiopia, Mauritius, and Somalia had not yet published reduced or preferential tariff rates. Tanzania's tactic was different; she refused to sign the treaty until additional agricultural and mineral products of particular interest to her were included in the CL.

The treaty provides for the expansion of the CL by adding new items to the list. This process has been however, one of the most sticky points in the process of cooperation. Kenya and Zimbabwe continued to oppose the requirement that an item must have export interest from at least one country and import interest from at least another before it can be added. In 1985, an amendment was passed which allowed the addition of goods of either rather than both export and import interest. Ethiopia and Tanzania had reserved their positions on this amendment. It was reported that some of the less developed PTA states continued to approach the issue as if such commodities must not duplicate the goods manufactured in the importing states. The question was settled in the Bujumbura Summit of 1986, when the heads of state decided that the export and import interest would be retained for five years.

Nevertheless, more conflict surfaced. The argument prevailed that the original wording in
the treaty was restrictive and negated other objectives, especially, the establishment of a common market and a zero intra-PTA tariff level by 1992. It was argued that all items traded within the sub-region should be on the CL before the date. Thus in June 1987, the Council of Ministers meeting agreed that:

Commodities for which trade was already taking place among member states should be submitted for inclusion in the CL since there was already an import and interest\textsuperscript{11}.

This automatic inclusion of commodities already being traded spelled a rapid expansion of the CL and a greater loss in customs revenues due to tariffs reduction. Thus, 3 studies have been undertaken by the PTA Secretariat in an effort to fix an acceptable timetable for the elimination of intra-PTA customs duties. Originally tariffs were to be reduced by 25\% every 2 years so that a zero-tariff level could be reached by 1992. By December 1985, some members had already began to question the feasibility of this goal, and the council called for a second study. Up to this point only four states, (Burundi, Zimbabwe, Zambia, and Uganda) had fully adhered to the initially approved tariff reduction rates and the requirement to publish new and preferential rates by July 1985. Since the majority had not yet published their rates, the feasibility of any program aiming for 1992 as a zero-tariff level target date was already in question, and this had made the process late by four years.\textsuperscript{12}

While the study to investigate the feasibility was in progress, the original date for first further reductions came and went. All the member states had not yet even published the basic reductions and Ethiopia was arguing for delay. When this second study was
presented to the Inter-governmental Commission of Exports (ICE), Ethiopia insisted that it was flawed for various reasons. The council of ministers approved it anyway, but the heads of state, in the interests of unity overruled the council's recommendations and called for a third study.

The council therefore agreed to postpone the deadline for the complete elimination of tariffs to the year 2000. The new timetable looked as below according to the 10th meeting in Addis Ababa in 1987:

**TABLE 3:7 REVISED PTA TARIFF REDUCTIONS TIMETABLE**

<table>
<thead>
<tr>
<th>Percentage of Reduction</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% Reduction</td>
<td>October 1988</td>
</tr>
<tr>
<td>10% Reduction</td>
<td>October 1990</td>
</tr>
<tr>
<td>10% Reduction</td>
<td>October 1992</td>
</tr>
<tr>
<td>10% Reduction</td>
<td>October 1994</td>
</tr>
<tr>
<td>10% Reduction</td>
<td>October 1996</td>
</tr>
<tr>
<td>20% Reduction</td>
<td>1998</td>
</tr>
<tr>
<td>30% Reduction</td>
<td>2000</td>
</tr>
</tbody>
</table>


The 20% and 30% tariff reductions by 1998 and 2000 respectively are subject to another
Tanzania indicated that she would publish the first further reductions by June 1988. Burundi, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Zambia, and Zimbabwe indicated that they would effect the first further reductions under the modified time frame, by 1st October, 1988.¹³

As of June 1989, only 7 member states had published the initial tariffs (Ethiopia, Kenya, Malawi, Mauritius, Uganda, Zambia and Zimbabwe) and six (all of the above except Kenya) had published the first tariff reductions. All other member states (including Comoros, Djibouti, Burundi Tanzania, Somalia, and Mozambique) had not yet published. By 1990, only two more, Somalia and Tanzania, increasing total members to nine, had published the first initial rates and first further reductions.¹⁴

The second further tariff reductions were to be published by October 1990 or by the 31st of March 1991, at the latest. In January, 1992, the 17th meeting of the council of ministers was informed that only Mauritius, Uganda and Zimbabwe had published the Second further tariff reductions. Burundi, Ethiopia, Kenya, Malawi, Mozambique, Rwanda, Somalia, Sudan and Zambia had not yet published. Most of these states except Rwanda and Burundi reported, however, that the tariffs would be processed or were being processed. Swaziland stated that consultations within SACU on this matter were being pursued. Lesotho's action also depends on the outcome of consultations within SACU.

Thus, almost all PTA member states have shown unsatisfactory commitment to implementing the tariff reduction schedule, excluding Uganda, Mauritius and Zimbabwe. The least satisfactory show of commitment has been recorded by Rwanda, Burundi,
Swaziland and Lesotho. In chapter 4, this unsatisfactory record of commitment will be discussed in light of the distribution of benefits of co-operation.

3.3.2 The Rules of Origin

The PTA treaty commits member states to adhere to the specified rules of origin in respect of commodities qualifying for inclusion on the CL and as a consequence, for customs reduction. According to the Treaty, goods may be included on the CL if they originate from a member state and, if they satisfy the agreed minimum levels of local input and value added. More specifically, commodities are disqualified from being added to the CL if they have not been produced by a member state by:

enterprises which are subsequent to management by a majority of nationals and to at least 51% equity holding by rationals of the member states or a government or governments of member states or institutions, agencies, enterprises or corporations of such government or governments.15.

The rule, was apparently designed to curb the loophole of multinational corporations and private foreign companies taking advantage of preferential treatment by directly putting in the market goods produced by sister companies within the PTA region, or by collaborating with member states in order to do so. The 51% rule intended to foster indigenous industrial production.

Although the protocol on the 'Rules of Origin' is one of the most crucial mechanisms for achieving the fundamental objectives of the PTA, its implementation has proved difficult.
Implementation problems arose because of the restrictive definition of the rules of origin in terms of the 51% minimum national ownership. Susan Hall argues that because of the reservations about the rules of origin, only 10 of the over 18 potential members signed the treaty. Within six months of the launching, of the operational phase of the PTA (July 1984), the question regarding the rules of origin was re-opened.

The 51% equity rule was a major headache for states who had so far operated relatively open economies resulting in a high degree of foreign capital. Such states include Kenya and Zimbabwe whose industrial bases are the most sophisticated in the PTA.16 Hence, derogations on this point were built into the treaty. The amount of equity holding applicable to firms in Comoros and Djibouti was set at a minimum of 25% for a five year period, to be negotiated thereafter. In the case of Mauritius firms, the minimum amount of equity holding applicable was set at 30% for a two year period, and 40% for the next two years to reach 51% by the end of 1989. The treaty also granted Botswana, Lesotho, Swaziland and Zimbabwe transitional periods for the progressive introduction of the requirement demanding 51% equity rule. These derogations were designed to reduce costs of implementation for countries that are highly dependent on goods produced by foreign-owned firms.

Two contending views exists regarding the conflict over the PTA rules of origin. One viewpoint was that the multinational corporations should be restricted from participating in the intra-PTA preferential trade by the immediate implementation of the rules of origin so that benefits of intra-PTA trade could accrue to the nationals of the sub-region. On the other hand, there was a viewpoint that pushed for the relaxation or even the complete deletion of the local equity rule and the value-added clause in the rules of origin because
such provisions restricted intra-PTA trade. While Kenya and Zimbabwe hold the latter view, Tanzania, Ethiopia and the other net importers in the sub-region hold the former view. This contention has significantly affected the implementation of this provision.\(^{17}\)

The council of ministers directed the PTA secretariat to undertake two successive studies on this issue, and these were submitted respectively at the 6th meeting (July 1985) and 7th meeting (December 1985) of the Council. No consensus was reached and the matter was referred to the PTA Authority. At its first extra-ordinary meeting of May 1986 in Bujumbura, the Authority agreed on a compromise formulae to be applied during a five year grace period. This formulae has been referred to as the three-tier system.\(^{18}\)

The three-tier system would be operated in such a way that during a five-year suspension period, preferential treatment would be granted to products traded among member states on the basis of local equity holdings in the production enterprises as follows:-

**Table 3:8 Revised Formulae for the Implementation of the Rules of Origin in the PTA: The Three Tier System.**

<table>
<thead>
<tr>
<th>Local Equity Holdings</th>
<th>Preferential Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>51% and above</td>
<td>100%</td>
</tr>
<tr>
<td>equal to or greater than 40%</td>
<td>60%</td>
</tr>
<tr>
<td>equal to or greater than 30%</td>
<td>30%</td>
</tr>
</tbody>
</table>


For those member states (Botswana, Lesotho, Swaziland, Comoros, Djibouti, Mauritius and Zimbabwe) that had already been granted derogations, it was decided that the three-tier
system would be applied on a *prorata basis*\(^9\) The three-tier system was vigorously opposed by smaller states, while bigger states such as Kenya simply resolved to wait for 1991 (when the derogation period expired) to lobby for the deletion of the rules of origin: which was her original pursuit.\(^{20}\)

In 1992, very little was done to restructure the PTA economic system to suit the local equity rule. The 17th meeting of the Council of Ministers in 1992 decided that the provisions on the majority national equity holding and majority national management should be deleted from the treaty with immediate effect in order to facilitate intra-PTA trade and investment. The Council decided that its deletion would simplify the implementation of the rules of origin.

Thus states such as Kenya and Zimbabwe have exhibited very unsatisfactory commitment to the implementation of the rules of origin. The reasons behind these shall be analysed in Chapter 4, in the light of their higher shares of intra-union trade benefits, and the high degree of foreign capital in these economies. States such as Botswana, Lesotho, Swaziland, Comoros Djibouti and Mauritius have also recorded unsatisfactory commitment to the implementation of the rules and have persistently pursued derogations to the rule. The rest of the PTA member states, especially Tanzania, Ethiopia and Somalia have exhibited a relatively high degree of commitment to this rule in opposition to Kenya and Zimbabwe. Again, the politics of benefits distribution shall be revealed in Chapter 4 in respect of this issue.

3.3.3 Contributions to the PTA Budget
The financial provisions of the Treaty stipulate that the PTA shall have a budget, resources of which shall be;

derived from annual contributions of the member states and such other sources as may be determined by the Council.\textsuperscript{21}

The Treaty thus, commits member states to annual contributions to the PTA budget. These contributions are based on 3 variables:

Table 3:9 Basis for contributions to the PTA budget

<table>
<thead>
<tr>
<th>Variable</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross domestic product</td>
<td>30%</td>
</tr>
<tr>
<td>GNP per capital</td>
<td>40%</td>
</tr>
<tr>
<td>Intra-PTA exports</td>
<td>30%</td>
</tr>
</tbody>
</table>


Complaints regarding the unsatisfactory implementation of this provision have been regular feature of the PTA Secretariat reports. The bone of contention was the formula for determining Contributions. Certain member states (notably Comoros, Djibouti and Mauritius) argued that this variable did not represent an equitable distribution of cost in terms of contributions. They asserted that the method of assessment produced figures
which were not justified by either economic strength of individual states or the benefits derived from membership in the PTA.\textsuperscript{22}

This issue became the subject of five successive studies by the PTA secretariat. The latest of these studies, submitted to the 13th meeting of the Council of Ministers in Arusha, Tanzania (1988) and adopted by the Authority at its 7th meeting in Arusha (1988), recommended a new formula for contribution to the PTA budget based on four variables:

Table 3:10 Revised Formula For Contributions to the PTA Budget

<table>
<thead>
<tr>
<th>Variable</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNP</td>
<td>35%</td>
</tr>
<tr>
<td>GNP per capital</td>
<td>15%</td>
</tr>
<tr>
<td>Intra-PTA exports</td>
<td>42%</td>
</tr>
<tr>
<td>Intra-PTA imports</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

The experts also suggested that the average of the last years' data be used for each parameter and that the formulae be applied with effect from 1st January 1989. On the basis of this new formulae, only, the largest contributor would be Kenya with UAPTA 455,373, and the smallest would be Comoros with UAPTA 37,628.

The 15th meeting of the Council of Ministers (Nairobi, Kenya) in 1989 was informed that the status of member states' contributions as at September 1989 was unsatisfactory. Only UAPTA 1,209,919 had been received out of total assessment of UAPTA 2,552,525. UAPTA 37,661 was still owed by two member states for 1986/1987 financial years, while UAPTA 240,862 was owed by 4 member states for the 1988 financial year. In 1989, almost all the member states had not fulfilled their commitment.

However, since publication of the report, Burundi, Djibouti, Ethiopia, Kenya, Mauritius, Tanzania, Uganda, Zambia and Lesotho paid arrears of contributions. In fact, the 1991 PTA Clearing House Executive Secretaries Report has revealed that by September 1990, all member states, except Somalia, paid their contributions to the 1990 budget. Djibouti paid her contributions to the 1990 budget but her contributions to the 1987 to 1989 budgets were still outstanding (see table 3.11).
Table 3.11 Statement of Contributions to the 1990 clearing house budget as at September 30, 1990 (Amounts in UAPTA)

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount Due</th>
<th>Amount Paid</th>
<th>Outstanding</th>
<th>1*</th>
<th>2**</th>
<th>3***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>6,341,00</td>
<td>6,341,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Comoros</td>
<td>2,019,00</td>
<td>2,019,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Djibouti</td>
<td>9,754,00</td>
<td>9,754,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>8,481,00</td>
<td>8,481,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Kenya</td>
<td>40,387,00</td>
<td>40,387,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Lesotho</td>
<td>2,019,00</td>
<td>2,019,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Malawi</td>
<td>9,067,00</td>
<td>9,067,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mauritius</td>
<td>2,322,00</td>
<td>2,322,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Rwanda</td>
<td>20,254,00</td>
<td>20,254,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Somalia</td>
<td>5,170,00</td>
<td>764,00</td>
<td>4,40600</td>
<td>—</td>
<td>333,60</td>
<td>—</td>
</tr>
<tr>
<td>Swaziland</td>
<td>2,847,00</td>
<td>2,847,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Tanzania</td>
<td>11,106,00</td>
<td>11,106,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Uganda</td>
<td>31,381,00</td>
<td>31,381,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Zambia</td>
<td>23,101,00</td>
<td>23,101,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>27,685,00</td>
<td>27,685,00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>201,93400</td>
<td>197,52800</td>
<td>4,40600</td>
<td>—</td>
<td>333,60</td>
<td>—</td>
</tr>
</tbody>
</table>

*1990 Contributions received. **Interest due and unpaid.
***Latest payment interest received.
Source: Reproduced from the PTA Clearing House
The contention regarding contributions has recently taken a new dimension as an issue between the Secretariat and the member states. Dissatisfaction has arisen in respect of the Secretariat's perceived poor management of the finances. In the 7th meeting of the Administrative and Budgetary Sub-committee, (1989), a concern was expressed that the Secretariat seems to be managing the limited resources at its disposal in an irresponsible manner. Criticism has been leveled at the Secretariat in the following areas.

1. The Secretariat exploits ambiguities in the Treaty provisions in order to push through the back door such items as the establishment of new posts, promotions and in total disregard of the often expressed view of the Council, that is, that annual increase in the PTA budget should not exceed 5%.

2. In the area of studies; the member states have observed that the studies carried out by the Secretariat are not always succinct and thorough enough to facilitate practical formulation of relevant decisions.

3. With regard to consultancies, member states observed that these cost 10% of the PTA budget. Concern was expressed that the consultants employed by the PTA have not always justified their heavy cost, especially since in the past, the council has rejected consultants reports as they were found totally wanting in addressing the technical issues at hand.

4. Other areas of criticism included the issue of visits by the Secretariat to member states, of which member states generally felt that the entourage of the Secretariat as well as the number of visits could be substantially reduced without compromising the
Discussions however established that delayed implementation of the decision of policy organs by member states has forced the Secretariat to undertake follow up visits and in so doing incur costs which could have been otherwise avoided. It was also noted that members should work for the early resolution of tricky issues during the meetings of policy organs. The committee noted that for example, conflict over the formulae for the contribution to the PTA budget took 3 years to resolve, during which, five studies were undertaken and after which implementation delays have still continued.

It appears however, that this dissatisfaction by member states over the management of resources amounts to no more than mere bickering due to the fear that an increased PTA budget would translate into increased member state contributions. The Administrative and Budgetary Sub-committee report identifies the root cause of this contention in the following statements:

The question of providing prompt financial back up continues to dog the organisation and indeed the perceived poor management of finances on the part of the Secretariat is no more than a reaction by member states to the paucity of the financial resources.

Commitment to the implementation of this provision on members' contributions is satisfactory in respect of all members except Somalia. It should be noted, however, that commitment became satisfactory only after the revision of the formulae for contribution to match perceived benefits. Before then, commitment to implement this provision had been exhibited by all except Comoros, Djibouti and Mauritius, although during the duration of the conflict regarding the formulae, all member states did not fulfill their commitment.
to pay their contributions until the formulae was revised.

3.3.4 The PTA Clearing House: Utilisation

The PTA clearing house was established in 1984 within the provisions of Article 22 of the treaty. This provision on 'clearing and payments arrangements' commits the members *inter alia* to:

a) encourage the use of national currencies in the settlement of eligible transactions between themselves.

b) establish adequate machinery for the settlement of payments among themselves; and

c) reduce as much as possible the use of foreign exchange by all states in their inter-state transactions.\(^{28}\)

The clearing house was established using the facilities of the reserve Bank of Zimbabwe, with the understanding that at a later date the clearing house would become an independent and autonomous institution. Since, a new monetary unit has been created, the UAPTA (The unit of Account of the PTA), similar in concept to the IMF's Special Drawing Rights (SDR). The UAPTA is pegged to the SDR and is quoted daily against the currencies of the member states. The UAPTA travellers cheques have also been introduced to facilitate regional interactions among the nationals of the PTA sub-region.

Each member has a net debit limit (the amount up to which it can owe other states) and
A net credit limit (the amount up to which it can be owed). The UAPTA is used to trade debits and credits among states. The credit limit is 25% of the average value of a state’s total annual sub-regional trade (exports and imports) for the previous three year period. The debit limit is 20% of that annual average. Thus the limits for the first year (1984) of the PTA were as below:

Table 3.12 The PTA Multilateral Clearing House: Net Credit and Debit Limits
February 1984, (in UAPTA 000's)

<table>
<thead>
<tr>
<th>Country</th>
<th>Credit limit</th>
<th>Debit limit</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>5.310</td>
<td>4.248</td>
<td>2.8</td>
</tr>
<tr>
<td>Comoros</td>
<td>1.110</td>
<td>0.888</td>
<td>0.6</td>
</tr>
<tr>
<td>Djibouti</td>
<td>13.963</td>
<td>11.170</td>
<td>7.4</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>9.635</td>
<td>7.708</td>
<td>5.1</td>
</tr>
<tr>
<td>Kenya</td>
<td>57.183</td>
<td>45.746</td>
<td>30.2</td>
</tr>
<tr>
<td>Lesotho</td>
<td>0.268</td>
<td>0.214</td>
<td>0.1</td>
</tr>
<tr>
<td>Malawi</td>
<td>10.280</td>
<td>8.224</td>
<td>5.4</td>
</tr>
<tr>
<td>Mauritius</td>
<td>4.203</td>
<td>3.362</td>
<td>2.2</td>
</tr>
<tr>
<td>Rwanda</td>
<td>11.193</td>
<td>8.954</td>
<td>5.9</td>
</tr>
<tr>
<td>Somalia</td>
<td>4.455</td>
<td>3.564</td>
<td>2.4</td>
</tr>
<tr>
<td>Swaziland</td>
<td>1.763</td>
<td>1.410</td>
<td>0.9</td>
</tr>
<tr>
<td>Uganda</td>
<td>28.255</td>
<td>22.604</td>
<td>14.9</td>
</tr>
<tr>
<td>Zambia</td>
<td>18.528</td>
<td>14.822</td>
<td>9.8</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>23.370</td>
<td>18.696</td>
<td>12.3</td>
</tr>
<tr>
<td>Total</td>
<td>189.516</td>
<td>151.610</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Angola, Tanzania, Mozambique and Sudan had not yet joined the PTA.

No funds actually pass through the clearing house. Rather, it records in UAPTA all transactions among the members, and balances the books every two months. Day to day business transactions are invoiced and paid through the local commercial banks with local foreign currency.

The central banks in any trading countries report this as either debit or credit to the clearing house which then records the transactions and balances amounts in UAPTA at the end of every two months. Ultimately, the Central Banks of the net debtor states are then required to settle their negative balances in hard currency through the US reserve bank in New York, within 15 days. Members face progressive rates of interest, suspension from the clearing house or whatever additional sanctions that may be contained in the rules and regulations prescribed by the committee (the clearing house and payments committee) if they fail to settle their accounts within the required period.

In the first two years, the clearing house recorded a very low volume of transactions. Most member states were slow to begin active participation in the PTA in general and the clearing house in particular. Only six states, Ethiopia, Malawi, Mauritius, Swaziland, Zambia and Zimbabwe used the clearing house facilities during the first six months of its operations.

The major problem in the PTA clearing house continues to be that payments of relatively few transactions have been channelled through the clearing house. At first, this was because only a few states had began to use the facility. There was also a prevailing lack of knowledge among the commercial banks and businessmen about PTA procedures. The derogation of the rules of origin in May 1986 contributed to an immediate increase in the
value of trade handled through the clearing facility. The value of trade for June 1987 UAPTA 8.9 million was in fact double the value for the prior month.\textsuperscript{10} This increase has since remained sustained.

Not all the increase can be attributed to trade. The Bujumbura Summit of 1986, in an effort to foster the use of the clearing house, increased the clearing house' services to cover any authorised transactions between member states (irrespective of preferences) including contributions and subscriptions of PTA institutions. Thus, accounts were opened in 1986, to receive and disburse member states contributions.

By 1987, nevertheless, there were still states that insisted on invoicing their exports in US dollars rather than in their own currencies, which precludes settlements through the house. Comoros, Djibouti and Somalia had by 1987, not yet began to use the clearing house, while Tanzania and Rwanda were not yet using the facilities to the expected extent. Others such as Uganda and Zambia had suffered from unstable currencies, so that in addition to their need for foreign currency, they preferred to avoid invoicing their exports in their own currencies. The value of Malawi's currency is also declining but her preference for dollars is due to her need to pay in hard currency for goods exported from South Africa.

In 1988, the then Secretary General, Bax Nomvete, deplored the fact that member states have not sufficiently utilised the clearing house. He lamented that they have increasingly resorted to the usage of convertible currency for settling net balances at the end of the transactions periods. According to the Secretary General, the volume of trade settled through the clearing house has progressed very slowly: Table 3.13 below shows the percentages of intra-PTA trade passing through the clearing house from 1984 to 1988.

106
Table 3.13: Intra-PTA Trade Transacted through the Clearing House 1984-88

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of Intra-PTA Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>9%</td>
</tr>
<tr>
<td>1985</td>
<td>10%</td>
</tr>
<tr>
<td>1986</td>
<td>15%</td>
</tr>
<tr>
<td>1987</td>
<td>20%</td>
</tr>
<tr>
<td>1988</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: Compiled from:

2. Report of the 14th Meeting of the PTA clearing and payments.(1989)

The table indicates that four years after the launching of the PTA clearing house (in 1987), 80% of intra-PTA trade was still being conducted outside the facility. Five years after, in 1988, about 60% was still being transacted outside the clearing house.

A clearing and payments committee meeting held in 1989, Arusha Tanzania thus, postponed the date for the establishment of an autonomous clearing house by one year to 1992, due to cost considerations and the low level of utilisation of the clearing house. All preparatory arrangements were therefore also postponed. Nevertheless, the use of the
clearing house has increased steadily since 1988 although an autonomous Clearing House has not been established to date (1993).

Another source of concern in the utilisation of the clearing house regards the UAPTA travellers cheques. The PTA issued UAPTA travellers cheques for use by the general public in travelling within the PTA, from August 1988. The 13th meeting of the Council of Ministers in November 1988, reported the successful introduction of the cheques. The only delays were by Djibouti and Kenya in implementing the decision on these cheques: and Kenya eventually introduced them in April 1989 and Djibouti by the end of 1989.

However, the next meeting of the Council of Ministers (June 1989) noted with concern that the PTA Bank had made a loss on the operations of the UAPTA travellers cheques by the member states. The 15th meeting of the council in November 1989, was also informed of problems relating to the use of UAPTA travellers cheques especially for payments of airport taxes and road transit charges. Although the Council had recommended that UAPTA travellers cheques be treated in the same manner as travellers cheques in any other convertible currency, member states had continued to discriminate against, instead of giving preference the UAPTA travellers cheques.32

Kenya, Burundi, Rwanda, Tanzania and Uganda were singled out as not accepting UAPTA travellers cheques for either road transit charges or airport tax. It was noted that while Somalia, Tanzania and Zambia were accepting UAPTA travellers cheques for payment of airport tax, they did not give change for the excess over the equivalent amount payable if one paid using UAPTA travellers cheques.33
By January 1992, in the Council of Ministers meeting, the situation was observed to be much the same. The utilisation of the UAPTA travellers cheques was still limited and as a result, the cheques had not had their desired impact.

The under utilisation of the PTA clearing house especially during the PTA's earlier years, coupled with the consequent postponing of the date for the establishment of an autonomous clearing house, indicates the unsatisfactory degree of commitment to the utilisation of the clearing house among member states. Nevertheless, while Ethiopia, Malawi, Mauritius, Swaziland, Zambia, Zimbabwe and Kenya have shown relatively greater commitment to this requirement, Comoros, Djibouti, Somalia, Tanzania, Burundi, Rwanda and Uganda have exhibited a relatively lesser degree of commitment. This scenario will be clarified in the next chapter in the light of the distribution of costs and benefits of cooperation in the PTA.

3.4 CONCLUSION

Attempt has been made in this chapter to present the scenario on the commitment of the PTA member states to trade liberalisation. We have identified four key aspects of trade liberalisation to which the PTA Treaty commits member states and have examined how PTA states have kept this commitment. These four aspects include tariff reductions, implementation of the 'Rules of Origin', contribution to the PTA budget and the utilisation of the PTA clearing house.

In the first part of this chapter we examined the general aspects and trends in intra-PTA trade as a background to the rest of the survey, and as a springboard for our analysis of
the politics of costs and benefits distribution in the following chapter. This part reveals that trade in the PTA is dominated by a small number of bilateral flows concentrated in the northern corridor, and more specifically, among the former EAC members.

Additionally, Kenya and Zimbabwe are found to be the two dominant economies having the highest shares of intra-PTA trade as well as running significant surpluses against the sub-region. The least advantaged countries in respect of intra-union trade benefits have been identified as Burundi, Mozambique, Somalia, Sudan, Angola, Comoros, and Mauritius. Uganda was also singled out as unique in that, she has a high percentage share of intra-union trade (third after Kenya and Zimbabwe), but has the highest trade deficit in the sub-region. This is because of her dependence on Kenya for imports and transit goods.

Implementation of the reduction of tariffs schedule has been painfully slow mainly characterised by postponements, revisions and conflicts between member states. We have observed that although all members tend not to publish tariff reductions on time, some members are worse off than others. Kenya, Ethiopia, Zimbabwe, Zambia, Uganda and Malawi generally lead in the publishing of reduced PTA tariff rates, while Burundi, Lesotho, Somalia, Comoros, Tanzania, Mozambique and Sudan are perennially being urged to keep their commitment. Indeed, poor performance on the part of member states in the implementation of this provision has resulted in the postponement of the zero-tariff level target date to the year 2000 from 1992. In fact Ethiopia and Somalia have already requested for a delay in the zero-level target date to the years 2005 and 2014, respectively, on the basis that, given the current scenario, year 2000 is not feasible.
We have observed that the implementation of the 'Rules of Origin' is rife with difficulties: with conflicts arising even before the formulation of the PTA treaty. These difficulties have led from the derogation of the rules to their deletion. Thus no real progress has ever been made in the implementation of the rules; its attempt to restrict benefits accruing from intra-regional trade especially in respect of foreign firms operating in the region, spelled doom for the 'Rules of Origin'.

The status of contributions to the PTA budget has been generally not satisfactory. The member states have exhibited more half-heartedness than promptness in paying their contributions. After the conflict over the formula for share assessment was resolved, performance in this area has improved. However, bickering over the Secretariat's use of the finances indicates that this is still a sensitive area and shows fear on the part of member states regarding the likely increases in contributions.

The PTA clearing house has been observed to be under-utilised, a fact that has resulted in the postponement of the date for the establishment of an autonomous clearing house. Reluctance in the usage of the clearing house is seen to be across-the-board, coming from both the less advantaged countries (in terms of intra-union trade shares) and the more advantaged countries.

What are the political underpinnings of this lack of commitment and enthusiasm on the part of the PTA member states? The investigation for the root causes of ambivalence and lack of commitment is the assumption that member states are national actors and they pursue regional cooperation as a means towards the achievement of tangible economic gains in the immediate future. Participation in regional cooperation ventures requires the making
of national sacrifices in the expectation that economic benefits will accrue to the participants through cooperation. When cooperation delivers the goods, then its usefulness and durability are never in doubt, but when the opposite is the case, the members perceive that the costs of maintaining the regime are unjustifiable.

In the following chapter we will attempt an assessment of the costs and benefits of the PTA scheme, in order to highlight the politics of costs and benefits distribution in the PTA that we are arguing to be the underlying factor behind the lack of commitment to the PTA objective.

END NOTES


2. Ibid., p.11


7. The PTA Treaty, Articles 12, 13, 16, and 29.
8. Ibid. Art 1, Annex 1
9. Takirambudde, P.N., "Regional Cooperation and Trade Liberalisation: The case of
PTA," in Saasa, O. (ed), Joining The Future: Economic Integration and Cooperation in
11. Ibid, p.36
12. Martin, G., "The Preferential Trade Area for Eastern and Southern Africa:
Achievements, problems and prospects." in Nyong'o, A.(ed), Regional Integration in
Africa Unfinished Agenda; (Nairobi: Academy Science publishers; 1990) p.168.
19. Ibid, p.49
21. PTA Treaty, Op., Cit, Article 36
23. Ibid., p.171
24. PTA/CM/XV/S(a) Report on Administrative and Budgetary Matters: 15th meeting of
the Council of Ministers (Nairobi: Nov-1989) p.9
25. Ibid, p.3-4
26. Ibid, p.5
27. Ibid, p.3
30. Ibid, p.25-27
32. PTA/CM/XV/5, Report of the fifteenth meeting of the Council of Ministers. (Nairobi Nov 1989) p.25
33. Ibid, p.26
CHAPTER 4

THE POLITICS OF COSTS AND BENEFITS DISTRIBUTION IN THE PTA

4.1 INTRODUCTION

The objective in this chapter is to present an analysis of the costs and benefits of cooperation in the PTA and their distribution among its members, in order to reveal their relationship with commitment, as observed in chapter three. Having so far defined the regional interest in terms of commitment of member states to implementing trade liberalisation requirements, we now turn our attention to the factors militating against this interest. In so doing, we will establish the existence of a clash between national interests and regional interests.

More specifically, we will focus our analysis in this chapter on the costs and benefits of the PTA scheme as identified by the study on Costs and Benefits in the PTA¹, conducted in 1987. Costs include government revenue lost as a result of the implementation of the tariff-reduction program and secondly, the member states direct contributions to the PTA budget. Expected benefits include those from intra-PTA trade, benefits from the utilisation of the clearing House as well as the development of the transport and production sectors. The PTA treaty deals with two main areas of cooperation: trade liberalisation and deliberate development in particular fields. The deliberate development protocols address themselves to transport and production in the agricultural and manufacturing sectors.
Equitable distribution of costs and benefits presumes that in any cooperation venture, participation states will derive benefits in accordance with the amount of capital and other resources they invest. The problem of equitable distribution in economic cooperation is nevertheless much more complex than the mere use of mathematical calculations based on the proportion contributed. The costs and benefits of economic cooperation include many items that are not readily quantifiable. For example; in a multi-national industrial project the benefits to be gained by member states will include increased employment opportunities, economies of scale, and consequently lower prices of the finished product, larger markets and the possibility of developing other industries. Although some of these benefits can be readily assessed, others emerge only as cooperation gathers momentum.

Problems of the distribution of costs and benefits arise in any plan where many nations are involved. In international economic cooperation, the distribution of costs and benefits has become a major problem largely because the establishment of a free trade area, common market or custom union implies that members will derive greater benefits as a matter of course. Thus states will be prepared to consider the establishment of an economic cooperation scheme if there are assurances that benefits will be shared equitably and that each member will gain clear advantages.

If three states are planning to cooperate in the development of three industries and one industry is allocated to each, then speaking in mathematical terms there will be a fair
allocation of the industries. Yet, the question that immediately arises is whether the advantages to be generated by these industries will be the same for all three states. While one industry may be labour intensive, providing more employment opportunities, another may be capital-intensive, and the profit margins may differ since the final products are not the same. Hence, the advantages from cooperation cannot be equal.

Additionally, because of their level of economic development and managerial skills some countries have the capacity to take advantage of the new opportunities created as a result of economic cooperation, by establishing subsidiary industries or reallocating sources. Such a country will obviously gain more from cooperation than its partners.

While the inequitable distribution of costs and benefits of cooperation is not inevitable, it is particularly likely to occur when the union is between countries of substantially different levels of development, with the more developed gaining the highest benefits. The attractions in a more developed state powerfully influence the polarisation of development in some parts of the union at the expense of the less developed. Dis-equalising evidence will increase where the less developed states do not or cannot produce goods imported by the more developed states. In these circumstances there will be little spillover of development from the more to the less developed members of the union. The consequent losses borne by the less developed may be relative or absolute. In some cases states may merely obtain less of growth than the others. While in other cases it is possible that they would grow more rapidly outside than inside the cooperation scheme.
In the PTA, Kenya and Zimbabwe are considered to be more developed. It may be noted that if by development one understands both growth and distribution of wealth, this interpretation of the situation in the PTA could be challenged. But in terms of the growth of notably those sectors more directly linked to cooperation, namely infrastructure and manufacturing, Kenya and Zimbabwe are clearly more developed.

Table 4.1 gives some basic socio-economic indicators of the PTA states.
Table 4.1 SOME BASIC ECONOMIC INDICATORS OF PTA COUNT

<table>
<thead>
<tr>
<th>Country</th>
<th>Pop size in millions</th>
<th>Size in Km</th>
<th>GNP at current price US Mr</th>
<th>GNP per capita US$</th>
<th>Annual Average Growth Rate of GNP per Capita (1965-90)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>5.4</td>
<td>27834</td>
<td>1160.0</td>
<td>238.0</td>
<td>1.8</td>
</tr>
<tr>
<td>Comoros</td>
<td>4.2</td>
<td>2236</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Djibouti</td>
<td>4.05</td>
<td>23200</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>51.2</td>
<td>1223600</td>
<td>4780.19</td>
<td>120.0</td>
<td>0</td>
</tr>
<tr>
<td>Kenya</td>
<td>24.2</td>
<td>580367</td>
<td>6016.6</td>
<td>340.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Lesotho</td>
<td>1.8</td>
<td>30355</td>
<td>665.4</td>
<td>491.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Malawi</td>
<td>8.5</td>
<td>118485</td>
<td>1138.2</td>
<td>178.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Rwanda</td>
<td>7.1</td>
<td>26338</td>
<td>1537</td>
<td>226.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Somalia</td>
<td>7.8</td>
<td>637657</td>
<td>1568.0</td>
<td>280.0</td>
<td>-0.3</td>
</tr>
<tr>
<td>Swaziland</td>
<td>7.8</td>
<td>17363</td>
<td>525.0</td>
<td>816.7</td>
<td>N/A</td>
</tr>
<tr>
<td>Tanzania</td>
<td>24.5</td>
<td>937087</td>
<td>5690.0</td>
<td>290.0</td>
<td>-0.3</td>
</tr>
<tr>
<td>Uganda</td>
<td>16.3</td>
<td>241139</td>
<td>3411.0</td>
<td>225.0</td>
<td>-2.6</td>
</tr>
<tr>
<td>Zambia</td>
<td>8.1</td>
<td>752614</td>
<td>2847.0</td>
<td>523.0</td>
<td>-1.7</td>
</tr>
<tr>
<td>Zimbambwe</td>
<td>9.8</td>
<td>390759</td>
<td>5671.0</td>
<td>771.7</td>
<td>1.2</td>
</tr>
</tbody>
</table>

The Gross National Product (GNP) and GNP per capita indicate the asymmetries in the level of development of different PTA national markets. Kenya has the largest GNP in the area, followed by Zimbabwe. Kenya's GNP per capita while not highest in the whole of the PTA sub-region, it is the highest in the northern corridor. The high levels of GNP in the southern PTA states may be explained by the fact that these states have, *inter alia*, the remittance that accrue to immigrant workers in South Africa. This table also reveals that the sectional breakdown of GDP in the PTA is composed of a very low percentage of manufactured goods.

There is no hard and fast rule regarding how the costs and benefits of cooperation can be distributed, and the problem varies from one sector of the economy to another. For instance, the allocation of industries in an industrialisation scheme, between the more and less advanced nations calls for a careful balancing in industrialization, so that the none industrialised states will not industrialise further while the least industrialised stagnate.

The question regarding the equitable distribution of costs and benefits does not only arise amongst partners of disparate development levels. Even where these levels appear fairly even, great concern may be placed at a disadvantage in a strategic economic sector. Yet, it should be understood that every partner is likely to be at a disadvantage in a given sector, while deriving greater advantages in other sectors. The main guiding principle here is striking a balance between anticipated losses and gains.

The other factor in the distribution of costs and benefits of economic cooperation is that each country usually views and interprets the principle of equitable distribution in light of its own
experience and expectations. This is the underlying assumption upon which the arguments in our analysis of the politics of costs and benefits distribution in the PTA, are based. It must be expected that a clash of interest sometimes will develop. The main consideration that persuades states to commit themselves to cooperate in the development of projects with other states is the expectation of benefits it will accrue from such projects. Mutharika argues that this presents a great problem since, if a scheme appears \textit{prima facie} to be less advantageous to a given state, it may not attract the cooperation of such a country\textsuperscript{5}.

Thus, Kenya and Zimbabwe’s predominance in intra-PTA trade has been resented by the other PTA member states. This resentment must also be understood in the light of Mazzeo’s argument that though differences in the development level of member states may be slim, the general low level of development in the developing regions, accentuates them, making small inequalities loom large\textsuperscript{6}: The low level of development affects inter-country cooperation pervasively, by making the salience of gains a very sensitive and untractable issue. It makes imperative a search for immediate results by all member countries, forcing them to take often uncompromising positions. The least developed members of the group find unbearable even a small loss of revenue from trade liberalisation, while the relatively more developed are usually not in a position to offer adequate compensation.

In the rest of this chapter we will further explore our argument that national interests have overridden regional interests in the PTA. We will demonstrate the existence of inequities in costs and benefits distribution in the PTA; and show the relationship between these inequities and the lack of commitment observed in chapter three. In so doing, we will observe that a
4.3 COSTS

Two major types of costs are being analysed in this study; the loss of revenue resulting from the implementation of the tariff reduction program, and the direct contribution to the PTA budget by member states. Later on in this chapter, the analysis of benefits of the PTA scheme will reveal that costs are implied by inequalities in benefits distribution. For instance, states that are net exporters in the PTA region generally must meet the cost of trade deficits against net-exporters. Thus in examining some of the benefits accruing from the PTA scheme, we will by the same token examine the distribution of costs suffered by the more disadvantaged states.

4.3.1 Revenue Losses

Revenue costs of preferences given to the other PTA members has been the subject of most concern expressed by the member states; most of whom earn a large percentage of government revenue from customs duties. Table 4.2 shows that the smaller states depend more heavily than the bigger ones on customs duties for government revenues. These smaller states include Comoros, Lesotho, Somalia and Swaziland. This dependence on customs duties has become a major sticking point in the implementation of the tariff reduction schedule and the implementation of the rules of origin, because they spell losses in revenue for the member
states. This indicates a clash between national and regional interests.

Table 4.2 Percentage Share of Import Duties of Government Recurrent Revenue

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>30.7</td>
<td>26.5</td>
<td>26.6</td>
<td>22.4</td>
<td>16.8</td>
<td>15.9</td>
<td>32.3</td>
</tr>
<tr>
<td>Comoros</td>
<td>-</td>
<td>-</td>
<td>41.8</td>
<td>44.7</td>
<td>55.4</td>
<td>47.1</td>
<td>46.2</td>
</tr>
<tr>
<td>Djibouti</td>
<td>4.4</td>
<td>4.6</td>
<td>6.6</td>
<td>6.9</td>
<td>6.2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>14.7</td>
<td>15.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Kenya</td>
<td>17.3</td>
<td>21.5</td>
<td>24.7</td>
<td>20.5</td>
<td>19.3</td>
<td>19.8</td>
<td>18.6</td>
</tr>
<tr>
<td>Lesotho</td>
<td>68.5</td>
<td>63.7</td>
<td>56.9</td>
<td>65.9</td>
<td>70.7</td>
<td>66.3</td>
<td>56.1</td>
</tr>
<tr>
<td>Malawi</td>
<td>22.0</td>
<td>23.5</td>
<td>22.6</td>
<td>21.2</td>
<td>19.6</td>
<td>24.3</td>
<td>18.7</td>
</tr>
<tr>
<td>Mauritius</td>
<td>35.4</td>
<td>34.4</td>
<td>31.1</td>
<td>35.3</td>
<td>37.8</td>
<td>40.0</td>
<td>43.9</td>
</tr>
<tr>
<td>Rwanda</td>
<td>23.2</td>
<td>31.2</td>
<td>31.6</td>
<td>28.7</td>
<td>32.2</td>
<td>32.5</td>
<td>26.2</td>
</tr>
<tr>
<td>Somalia</td>
<td>51.2</td>
<td>44.6</td>
<td>46.8</td>
<td>45.9</td>
<td>44.8</td>
<td>37.6</td>
<td>54.4</td>
</tr>
<tr>
<td>Swaziland</td>
<td>58.4</td>
<td>47.8</td>
<td>65.9</td>
<td>66.9</td>
<td>61.9</td>
<td>58.3</td>
<td>48.4</td>
</tr>
<tr>
<td>Tanzania</td>
<td>11.1</td>
<td>7.8</td>
<td>6.3</td>
<td>6.8</td>
<td>8.5</td>
<td>7.0</td>
<td>12.9</td>
</tr>
<tr>
<td>Uganda</td>
<td>9.5</td>
<td>18.8</td>
<td>20.9</td>
<td>12.1</td>
<td>10.3</td>
<td>8.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Zambia</td>
<td>8.3</td>
<td>7.6</td>
<td>8.7</td>
<td>4.9</td>
<td>7.6</td>
<td>13.1</td>
<td>-</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>4.4</td>
<td>9.1</td>
<td>11.1</td>
<td>15.0</td>
<td>14.8</td>
<td>17.8</td>
<td>16.4</td>
</tr>
</tbody>
</table>

Source: "The Cost-Benefit study of the PTA sub-regional economic cooperation arrangement." (PTA 1987) P.33

The first PTA feasibility study in respect of eliminating customs duties of April 1987,
attempted to project the losses in government revenue that would result from liberalisation of intra-regional trade. Table 4.3 below reproduces selected figures from the study. The percentage for 1985 incorporates the originally planned 25% reduction, and it also reflects the comparatively limited number of items currently on the Common List. The figures for 1992, show the PTA-related revenue losses as a percentage of total government revenue, assuming that PTA tariffs were eliminated completely by that date and that the Common List was to be expanded to cover all commodities traded within the sub-region.

Table 4.3 PTA Customs Revenue as a % of Total Government Revenue and its losses as a % of Total Government Revenue for Selected Years

<table>
<thead>
<tr>
<th>Country</th>
<th>As % of total</th>
<th>Loss as % total govt</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1985</td>
<td>1986</td>
</tr>
<tr>
<td>Burundi</td>
<td>1.6</td>
<td>0.56</td>
</tr>
<tr>
<td>Comoros</td>
<td>2.90</td>
<td>1.82</td>
</tr>
<tr>
<td>Djibouti</td>
<td>11.20</td>
<td>2.60</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>0.50</td>
<td>0.10</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.80</td>
<td>0.20</td>
</tr>
<tr>
<td>Lesotho</td>
<td>0.001</td>
<td>0.10</td>
</tr>
<tr>
<td>Malawi</td>
<td>1.50</td>
<td>0.40</td>
</tr>
<tr>
<td>Mauritius</td>
<td>1.0</td>
<td>0.25</td>
</tr>
<tr>
<td>Rwanda</td>
<td>6.30</td>
<td>1.48</td>
</tr>
<tr>
<td>Somalia</td>
<td>4.10</td>
<td>0.80</td>
</tr>
<tr>
<td>Swaziland</td>
<td>0.04</td>
<td>0.05</td>
</tr>
<tr>
<td>Tanzania</td>
<td>0.30</td>
<td>0.10</td>
</tr>
<tr>
<td>Uganda</td>
<td>3.30</td>
<td>8.40</td>
</tr>
<tr>
<td>Zambia</td>
<td>0.90</td>
<td>0.20</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>0.40</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Source: As reproduced by Hall, Susan (1987) P.38 from "The PTA study on the
Table 4.3 indicates that eight of the PTA states would have lost less than 1% of total government revenue in 1992 if the original 25% reduction would have been instituted as scheduled. The countries most significantly affected would therefore be Burundi, Comoros, Djibouti, Rwanda, Malawi and Somalia. The least significantly affected would be Kenya, Zimbabwe and surprisingly, Uganda. Lesotho and Swaziland would also lose a small percentage of government revenue, despite their heavy dependence on custom duties for government revenue because their trade with the PTA sub-region is very low.

When this study was presented to the PTA Technical Committee on Trade and Customs union in April/May 1987, all member states except Ethiopia and Somalia endorsed the recommendations that compensatory mechanisms be instituted with tariff reductions. Ethiopia called for another study, insisting that the selection of competent consultants had been flawed. A further study was undertaken in accordance with the decision of a council of ministers meeting in November 1987. This was in response to persistent expressions of concern from member states that the implementation of the PTA program of reducing and eventually eliminating tariff barriers to trade would result in losses of revenue to their countries. There was the continued expression of the fear that the small and less developed members may not gain sufficient benefits to offset losses in the PTA.

The second study's conclusions were much the same as the first study's. Burundi, Djibouti, Rwanda and Somalia were again identified as the least advantaged in terms of accruing the
most significant losses.

Table 4.4: Loss in Government Revenue following the first Tariff Reductions as a percentage of Total Recurrent Government Revenue

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>% LOSS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>1.36</td>
</tr>
<tr>
<td>Comoros</td>
<td>0.58</td>
</tr>
<tr>
<td>Djibouti</td>
<td>2.76</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>0.09</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.16</td>
</tr>
<tr>
<td>Lesotho</td>
<td>0.00</td>
</tr>
<tr>
<td>Malawi</td>
<td>0.49</td>
</tr>
<tr>
<td>Mauritius</td>
<td>0.24</td>
</tr>
<tr>
<td>Rwanda</td>
<td>1.69</td>
</tr>
<tr>
<td>Somalia</td>
<td>1.13</td>
</tr>
<tr>
<td>Swaziland</td>
<td>0.00</td>
</tr>
<tr>
<td>Tanzania</td>
<td>0.54</td>
</tr>
</tbody>
</table>


Table 4.4 above indicates that Ethiopia, Kenya, Malawi, Mauritius, Zambia and Tanzania...
suffer insignificant revenue losses mainly because their value of imports from the sub-region is small and the relevant tariff rates low. Uganda which has the largest share of its imports originating from the sub-region has a potential revenue loss of only 0.54%. This is however most likely an understatement of the actual potential loss because of factors including, low tariff rates, erroneous data and tax evasion.

The figures presented in the revenue losses in the earlier study are higher than those presented above. This is explained by differences in methodology used in calculating revenue losses. Whereas the second study concentrates on commodities on the common list, the first study used the proportion of total customs revenue arising from intra-PTA trade. Further, the second study did not project trade flows and revenue losses protesting that such an exercise would be merely academic.

Although both studies revealed that relative shares of revenue losses are actually small compared to total government revenues; the study teams observed that the fear of government revenue losses is still a reality and a key factor in approaching the issue of trade liberalisation in the sub-region, particularly when some member countries are not keen to become captured markets for others. Thus, we see national interest has taken precedence over that of the region because of fear of revenue losses.

How has this fear affected implementation of PTA provisions? As has already been alluded to the difficulty in implementing tariff reduction schedule arises from the fact that most PTA states use tariffs as a medium of taxation and hence customs revenue comprises a very
substantial percentage of government revenue. Since there is very little to tax from local sources in most PTA economies; their tax structure is such that tax on foreign trade, which is relatively easy to collect, dominates. PTA member states will therefore closely guard against even the slightest revenue losses in this area. Burundi, Djibouti, Comoros and Somalia who stand to lose the highest revenue are identified in chapter 3 as being among those states that exhibit foot-dragging in the implementation of the tariff reduction schedule.

These states have resorted either to non-implementation or to seeking to be granted derogations. Indeed, Comoros and Djibouti were granted by the treaty the right to reduce their customs duties in the first two years by only 25% of the PTA reductions with subsequent reductions to be renegotiated. Burundi has threatened to cancel PTA reductions altogether. Needless to say, these actions have militated against the PTA regional objective for a zero tariff level by 1992.

Additionally Comoros and Djibouti have continued to apply various internal taxes (home consumption tax, customs formalities tax, turnover tax, supplementary surtaxes) on all imported goods. While these two claim that such taxes are not customs duties, the Council of Ministers disagrees. Both countries have indicated their disagreement by late or non publication of their initial PTA tariff rates, and by refusing to reduce and eliminate the other charges of similar effect in their respective states.

At the 13th meeting of the council of ministers (1988) Comoros informed the council that PTA tariff rates for customs duties would be published by March 1989. Yet, she informed
the council that she would not publish the PTA tariff rates in respect of various internal taxes because of the adverse impact this would have on her economy. In the same meeting Djibouti insisted that cutting taxes would drastically reduce her revenues and have serious consequences on her economy too, as she relied entirely on revenues from these taxes.

Another example is that of Lesotho and Swaziland. Table 4.2 reveals that these two states highly depend on import duties for government revenue. Nevertheless, table 4.4 indicates that these two states will lose 0.00% revenue. This is because of a derogation which exempts them from implementing the tariff reduction program; a derogation that is quite unnecessary since their imports from the PTA region are very low. (see table 3.3). Nevertheless the two states felt it necessary to protect themselves from what would be negligible revenue losses by applying for exemption.

It is no wonder that in July 1987, the PTA council of ministers decided to derogate the whole tariff reduction process and postpone the zero tariff reduction program. In effect, the member states' concern with revenue losses had overcome the regional objective for a zero-tariff level by 1992. A case of national interest overriding regional interest.

Similar observations can be made in respect of the implementation of the rules of origin. The conflict over their implementation when critically examined, reveals that revenue losses have a bearing on it. Kenya, Zimbabwe and the other exponents of the dispensation of PTA rules of origin have a well diversified tax structure. Kenya's and Zimbabwe's percentage shares of import duties in government revenue, ranged on a continuum from 17.3% to 24.7% and 4.4%
to 17.8% respectively between 1980 and 1986; while for the advocates of the immediate implementation of the rules of origin such as Burundi, Tanzania, Rwanda and Somalia, the percentage shares average over 30%.

The implementation of the rules of origin and the consequent degree of trade liberalisation would therefore have far reaching effects: firstly, the common list would become greatly expanded, meaning that net importing states, that happened to be the same ones that highly depend on customs duties, would lose much more in government revenue, because preferential treatment would be extended to a limitless number of commodities.

Therefore, while states such as Kenya and Zimbabwe have much less to lose in terms of customs revenue because they are net exporters to the region, having negligible imports from the region (see table 3.2) - other smaller states that are also net importers face a deterioration in their revenue losses if the rules of origin are not implemented. These states have therefore vigorously advocated for the immediate implementation of the 'rules of origin' that would restrict Kenyan and Zimbabwean goods from flooding their markets freely.

In any case, the more developed members would easily derive compensation from any loss given their volume of exports into the PTA. On the other hand, even the industries of the advocates of the implementation of the rules of origin, are also the least developed in the PTA, at least compared to Kenya and Zimbabwe. This implies that complete trade liberalisation would put their economies in danger of being crippled by competition from the more developed members. These states must therefore bar further trade liberalisation by advocating...
the implementation of the restrictive rules of origin. Again we observe that national interest takes precedence over regional in the conflict over the implementation of these rules.

4.3.2 Contributions

Contributions of member states to the PTA budget is a necessary cost designed to enable the secretariat to perform its duties. These contributions should be viewed as a necessary investment to the PTA process of cooperation. The study team who assessed the costs and benefits of the PTA scheme, asserted that if members are genuinely committed to the PTA and are convinced about the benefits described in the treaty, they will certainly pay their contributions without hesitation. However, concern arose from the start of the PTA in respect of members' contributions about the variables used in assessing each members' shares. The less advantaged states, in respect of shares in intra-PTA trade, notably, Comoros, Djibouti and Mauritius felt that the method for assessing the contribution of members' was not equitable. They contended that the method produced figures which were not justified by the strength of the countries' economies or by the benefits derived from membership in the PTA. In effect, member states who perceived their intra-union trade benefits were low felt that it was against their national interest to contribute more to their regional body than those with higher intra-union trade benefits. A study submitted to the council in 1988 resolved this conflict over costs and benefits in respect of contributions by recommending a new formula for contributions to the budget. This new formula based on new GNP, GNP per capita, intra-PTA exports, intra-PTA imports with the
respective weights of 35%, 15%, 42% and 7.5% was readily accepted by the member states.

This new formula put more weight on intra-PTA exports, so that the highest net exporters to the sub-region (Kenya and Zimbabwe) would contribute the highest, and the highest net importers would contribute relatively much less.

Table 4.5 reveals that the contribution shares for PTA member states are equitably distributed according to or in relation to trade benefits.
Table 4.5: CONTRIBUTION BY MEMBER STATES TO THE 1989 PTA BUDGET IN RELATION TO INTRA-PTA TRADE SHARES.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>CONTRIBUTION IN UAPTA</th>
<th>RANKING</th>
<th>% SHARE OF PTA TRADE</th>
<th>RANKING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>72,446</td>
<td>12</td>
<td>2.55</td>
<td>10</td>
</tr>
<tr>
<td>Comoros</td>
<td>43,20</td>
<td>13</td>
<td>0.46</td>
<td>13</td>
</tr>
<tr>
<td>Djibouti</td>
<td>129,82</td>
<td>8</td>
<td>3.63</td>
<td>8</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>218,79</td>
<td>3</td>
<td>3.13</td>
<td>9</td>
</tr>
<tr>
<td>Kenya</td>
<td>455,73</td>
<td>1</td>
<td>22.46</td>
<td>1</td>
</tr>
<tr>
<td>Malawi</td>
<td>113,64</td>
<td>9</td>
<td>5.6</td>
<td>6</td>
</tr>
<tr>
<td>Mauritius</td>
<td>129,01</td>
<td>7</td>
<td>1.4</td>
<td>12</td>
</tr>
<tr>
<td>Rwanda</td>
<td>107,52</td>
<td>10</td>
<td>9.95</td>
<td>4</td>
</tr>
<tr>
<td>Somalia</td>
<td>81,08</td>
<td>11</td>
<td>2.34</td>
<td>11</td>
</tr>
<tr>
<td>Tanzania</td>
<td>201,323</td>
<td>4</td>
<td>4.32</td>
<td>7</td>
</tr>
<tr>
<td>Uganda</td>
<td>182,868</td>
<td>5</td>
<td>10.49</td>
<td>3</td>
</tr>
<tr>
<td>Zambia</td>
<td>181,910</td>
<td>6</td>
<td>8.49</td>
<td>5</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>328,348</td>
<td>2</td>
<td>16.32</td>
<td>2</td>
</tr>
</tbody>
</table>

Source:

1. The cost Benefit study of the PTA sub-regional Economic Co-operation Arrangement (PTA 1987) p.36


The contributions though reportedly unsatisfactory in 1989 soon improved and all member
states except Somalia paid their contributions to the 1990 budget as table 3.7 shows.

The prompt action of PTA member states in paying their contributions after the assessment was done in the manner they perceived to be equitable supports the assertion that commitment is a function of the distribution of costs and benefits. States such as Djibouti, Comoros and Mauritius perceived that it was in their national interest to ensure a fair distribution of contribution shares against the regional interest of commitment to contributing to the PTA budget. After the question was resolved, national interest reconciled with regional interest thus invoking commitment to paying the contributions.

Nevertheless, as observed in chapter 3, concern with contributions has resurfaced in the form of dissatisfaction over what member states term as the mismanagement of financial resources by the secretariat. This has been attributed by the PTA secretariat to a fear of the member states founded on the scarcity of resources and the fear that members shares of contributions will increase as a result of increasing PTA budgets. The above assertion may be attested to by table 4.6 below, which shows that the PTA budget has been generally on the increase.

Table 4.6: The PTA Operational Budget for 1985 - 1989 in UAPTA

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (UAPTA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>2,219,774</td>
</tr>
<tr>
<td>1986</td>
<td>2,404,802</td>
</tr>
<tr>
<td>1987</td>
<td>2,424,300</td>
</tr>
<tr>
<td>1988</td>
<td>2,436,700</td>
</tr>
<tr>
<td>1989</td>
<td>2,598,900</td>
</tr>
<tr>
<td>1990</td>
<td>2,723,900</td>
</tr>
</tbody>
</table>
4.4 **BENEFITS**

4.4.1 **The Clearing House**

Most states in the PTA scheme face severe foreign currency constraints and are hard pressed to meet short deadlines to pay for trade deficits. The clearing House was established in 1984, to meet these constraints by enabling the use of local currencies in intra-PTA trade and by providing up to 75 days credit to importing countries. In so doing, the clearing house facilitates the saving of foreign exchange: the importer is relieved, ideally, of some of the consequences of foreign exchange shortages in his own country, and his country enjoys foreign exchange savings if it has maintained a general balance between imports and exports.

The 75 days of interest free credit given to net importers constitutes a two month transaction period and 15 days for settlement before they are required to pay their negative balances in hard currency. This serves to give them additional liquidity. On the other hand, the exporter benefits in that he invoices in his own currency and receives prompt payment, thus being protected from later fluctuations in exchange rates. Ultimately, these measures should facilitate increases in intra-regional trade.
However, a look at the clearing house statements generally reveal that net importing member states run high and chronic trade deficits against the sub-region that require settlement in foreign currency. On the other hand, net exporting states such as Kenya and Zimbabwe run favourable surpluses. This is well illustrated by table 4.7.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Cameroon</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Djibouti</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>0.0</td>
<td>551434.1</td>
<td>726394.0</td>
<td>3861593.0</td>
<td>1055536.5</td>
<td>21780645.5</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.0</td>
<td>0.0</td>
<td>139562.8</td>
<td>655153.7</td>
<td>2261571.8</td>
<td>5822924.0</td>
</tr>
<tr>
<td>Lesotho</td>
<td>0.0</td>
<td>0.0</td>
<td>14314.4</td>
<td>1458.2</td>
<td>1690.6</td>
<td>168815.0</td>
</tr>
<tr>
<td>Malawi</td>
<td>604299.5</td>
<td>1745482.1</td>
<td>336435.9</td>
<td>1965488.4</td>
<td>2967393.1</td>
<td>18180646.6</td>
</tr>
<tr>
<td>Mauritius</td>
<td>0.0</td>
<td>3033.0</td>
<td>0.0</td>
<td>8190.1</td>
<td>0.0</td>
<td>64860.2</td>
</tr>
<tr>
<td>Rwanda</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Somalia</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Swaziland</td>
<td>13652.0</td>
<td>5031956.4</td>
<td>159850.9</td>
<td>6718101.2</td>
<td>3148868.0</td>
<td>1679181.6</td>
</tr>
<tr>
<td>Tanzania</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Uganda</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Zambia</td>
<td>3029294.2</td>
<td>4324007.5</td>
<td>27256157.1</td>
<td>453755.9</td>
<td>9175898.3</td>
<td>3285593.6</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>6365418.4</td>
<td>25619725.0</td>
<td>3523529.5</td>
<td>38130129.7</td>
<td>19818261.7</td>
<td>21209098.8</td>
</tr>
<tr>
<td>PTA T&amp;D Bank</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>PTA Clearing House</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>PTA Secretary</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>37275624.2</td>
<td>37275624.2</td>
<td>49031617.6</td>
<td>49031617.6</td>
<td>59418156.7</td>
<td>59408156.6</td>
</tr>
<tr>
<td>Shs UAPTA Rate</td>
<td>15.187</td>
<td>17.738</td>
<td>19.135</td>
<td>23.429</td>
<td>25.029</td>
<td>28.387</td>
</tr>
</tbody>
</table>

This means that while the more advantaged states may be saving foreign exchange because their exports cover their imports, the less advantaged states such as Burundi, Ethiopia, Malawi, Lesotho, Tanzania, Zambia and Uganda save negligible if any amounts of foreign exchange because their imports are well over their exports. These trade deficits are anyway mostly owed to Kenya and Zimbabwe, a situation that does not help the already explosive issue of trade imbalances.

Thus when Zambia suffered a Us$ 12,000,000 deficit with Zimbabwe in the first six months of the clearing house operations, and Zimbabwe took no steps to increase its imports from Zambia, the latter retaliated by substantially reducing its imports from Zimbabwe. This step negates the goals of the PTA to increase trade.

The credit and debit limits are no comfort to net importing states because they are determined by the volume of intra-PTA trade channelled through the clearing house. This means that again Kenya and Zimbabwe are the most advantaged, a situation that intensifies resentment against them by the other member states because of the unequal benefits. Table 4.8 below shows the rankings of PTA member states in relation to the credit and debit limits accorded to them by the clearing house.
### Table 4.8 NET CREDIT AND DEBIT LIMITS OF PTA STATES

<table>
<thead>
<tr>
<th>Country</th>
<th>Credit limit</th>
<th>Debit limit</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>5.310</td>
<td>4.248</td>
<td>2.8</td>
</tr>
<tr>
<td>Comoros</td>
<td>1.110</td>
<td>0.888</td>
<td>0.6</td>
</tr>
<tr>
<td>Djibouti</td>
<td>13.963</td>
<td>11.170</td>
<td>7.4</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>9.635</td>
<td>7.708</td>
<td>5.1</td>
</tr>
<tr>
<td>Kenya</td>
<td>57.183</td>
<td>45.746</td>
<td>30.2</td>
</tr>
<tr>
<td>Lesotho</td>
<td>0.268</td>
<td>0.214</td>
<td>0.1</td>
</tr>
<tr>
<td>Malawi</td>
<td>10.280</td>
<td>8.224</td>
<td>5.4</td>
</tr>
<tr>
<td>Mauritius</td>
<td>4.203</td>
<td>3.362</td>
<td>2.2</td>
</tr>
<tr>
<td>Rwanda</td>
<td>11.193</td>
<td>8.954</td>
<td>5.9</td>
</tr>
<tr>
<td>Somalia</td>
<td>4.455</td>
<td>3.564</td>
<td>2.4</td>
</tr>
<tr>
<td>Swaziland</td>
<td>1.763</td>
<td>1.410</td>
<td>0.9</td>
</tr>
<tr>
<td>Uganda</td>
<td>28.255</td>
<td>22.604</td>
<td>14.9</td>
</tr>
<tr>
<td>Zambia</td>
<td>18.528</td>
<td>14.822</td>
<td>9.8</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>23.370</td>
<td>18.696</td>
<td>12.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>189.516</strong></td>
<td><strong>151.610</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


Periodic publications of the clearing house statements, served to confirm the fears of the less developed states that Kenya and Zimbabwe would dominate the PTA to the detriment of the weaker economies. Further more the high percentages of the foreign exchange required to settle the trade deficits also confirmed a significant imbalance of trade within the region.
There are also potential problems for the net exporting states. Firstly, although the individual exporters are protected from fluctuating exchange rates his state is not. Countries such as Kenya and Zimbabwe that maintain flexible exchange rates may suffer losses when their accounts are balanced with states' who maintain over valued currencies. Secondly, many firms in Kenya and Zimbabwe produce goods that contain high percentages of imported raw materials and components, which must be paid for in hard currency. In this case, it is not in their interest to invoice the importer in local currency. Ideally, PTA preferences should encourage these firms to increase their local inputs which would eventually reduce this problem.

However, the common view is that bartering goods through the PTA payments system constitutes a drain on foreign currency for both net exporters and net importers. The study on costs and benefits in the PTA have revealed that there is nothing to suggest that the PTA suppliers are accorded any preferences by foreign currency allocation authorities except in respect of the decision of the PTA organs which calls upon member states to earmark a percentage of their import finance for importers from within the PTA. Foreign exchange scarcity and consequently its allocation, has been identified as the principal non-tariff barrier to intra-PTA trade.
We observe that benefits accruing from the clearing House are skewed in favour of the net exporting economies such as Kenya and Zimbabwe, in terms of: saving foreign currency because their exports are more than imports; in enjoying higher debit and credit limits because their intra-PTA trade is higher; and in earning foreign exchange from the rest of the region because of their favourable trade surpluses at the end of each transaction period. The net importing states are similarly disadvantaged in these areas. Dissatisfaction in respect of this
inequitable distribution of Clearing House benefits has been reflected in the lack of commitment and enthusiasm in the utilisation of the clearing House. This has been singled out in chapter three as the main problem in the PTA Clearing House - its under-utilisation.

Firstly, it should be noted that in the first two years of the Clearing House, as table 4.9 shows, high percentages of intra-PTA trade were settled in hard currency: That is 81.07% for 1984 and 1985. In these two years a very low volume of transactions through the clearing House (9% and 10% in 1984 and 1985 respectively) was recorded. With the steady decrease of the percentage of intra-union trade settled with hard currency, the percentage share of intra-PTA trade has also increased. Thus the flow of transaction has progressed as below for the 1984 - 88 period.

Table 4.10 : Flow of transactions in the clearing House (1984-1988)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Settlement in foreign Exchange as (% of Gross Trade financed</th>
<th>Percentage of intra PTA trade transacted through the clearing House</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>81.07%</td>
<td>9%</td>
</tr>
<tr>
<td>1985</td>
<td>81.07%</td>
<td>10%</td>
</tr>
<tr>
<td>1986</td>
<td>51.68%</td>
<td>15%</td>
</tr>
<tr>
<td>1987</td>
<td>54.84%</td>
<td>20%</td>
</tr>
<tr>
<td>1988</td>
<td>50.07%</td>
<td>51.6%</td>
</tr>
</tbody>
</table>

Source: Complied from 1) PTA clearing House Executive Secretary’s Report

2) Martin Guy 1991 p.173
The above table shows that except for 1987, the less trade that was settled in foreign exchange, the more member states used the Clearing House facilities. This means that the general decrease in the utilisation of foreign exchange resulted in the general increase in commitment towards the clearing house. Foreign exchange savings are the key interest of the PTA member states in their utilisation of the Clearing House and their commitment to the Clearing House depends on how much it assists in servicing this interest. 1987 is probably unique (see table 4.10) in that the council had in the previous year increased the Clearing House services to include the payment of member states contributions.

Still, despite the increase in the utilisation of the Clearing House, both the table 3.9 and table 4.10 attest to the fact that the bulk of intra-PTA trade is still being transacted outside the framework of the Clearing House. This persistent under-utilisation of Clearing House may be seen here in relation to the imbalance in benefits distribution observed in this section. All the PTA member states which have been identified as showing the least commitment to the Clearing House in that they have not yet began to use or are not yet using the clearing House to the expected extent, are the same ones that run high trade deficits that require to be paid using hard currency. These include, Comoros, Djibouti, Somalia, Tanzania, Rwanda, Uganda and Zambia.

In fact Uganda, and Zambia are reported as preferring not to invoice their exports in their own local currencies because of the instability of these currencies. The growing sentiment that bartering goods and services using the Clearing House is a drain on foreign currency has also
affected the utilisation of the UAPTA travellers cheques. PTA member states derive foreign
currency easily and directly from airport taxes and transit charges. The usage of UAPTA
travellers cheques would mean the decrease in amount of hard currency earned by the PTA
governments in this area. Thus, states such as Kenya, Burundi, Rwanda, Tanzania, Uganda,
Somalia and Zambia have persistently refused to accept UAPTA travellers cheques for airport
taxes and transit charges.

Again we see the national interest of PTA member states defined in terms of scarce foreign
exchange, militating against the regional objective of the full utilisation of the Clearing House;
as a result the date for the establishment of an autonomous Clearing House has been

4.4.2 Intra-PTA Trade Benefits

Table 4.11 shows below a the percentage share of trade for each PTA member state. This
table reveals the existence of an inequitable distribution of trade benefits in the PTA.
### Table 4.11 Percentage share of Each PTA Country in intra PTA trade (1984-90 Annual Averages) (In million US dollar)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total PTA Trade</th>
<th>Total % Share</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>6.78</td>
<td>0.65</td>
<td>15</td>
</tr>
<tr>
<td>Burundi</td>
<td>26.45</td>
<td>2.55</td>
<td>12</td>
</tr>
<tr>
<td>Comoros</td>
<td>4.74</td>
<td>0.46</td>
<td>16</td>
</tr>
<tr>
<td>Djibouti</td>
<td>37.63</td>
<td>3.63</td>
<td>9</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>32.43</td>
<td>3.13</td>
<td>10</td>
</tr>
<tr>
<td>Kenya</td>
<td>233.13</td>
<td>22.46</td>
<td>1</td>
</tr>
<tr>
<td>Malawi</td>
<td>53.97</td>
<td>5.6</td>
<td>7</td>
</tr>
<tr>
<td>Mauritius</td>
<td>14.58</td>
<td>1.4</td>
<td>14</td>
</tr>
<tr>
<td>Mozambique</td>
<td>59.28</td>
<td>5.2</td>
<td>6</td>
</tr>
<tr>
<td>Rwanda</td>
<td>103.262</td>
<td>9.95</td>
<td>4</td>
</tr>
<tr>
<td>Somalia</td>
<td>24.28</td>
<td>2.34</td>
<td>13</td>
</tr>
<tr>
<td>Sudan</td>
<td>30.11</td>
<td>2.9</td>
<td>11</td>
</tr>
<tr>
<td>Tanzania</td>
<td>44.83</td>
<td>4.32</td>
<td>8</td>
</tr>
<tr>
<td>Uganda</td>
<td>108.82</td>
<td>10.49</td>
<td>3</td>
</tr>
<tr>
<td>Zambia</td>
<td>88.13</td>
<td>8.49</td>
<td>5</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>169.34</td>
<td>16.32</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>1037.76</td>
<td>100%</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: Direction of Statistics Year Book (1991)

Intra-PTA trade is skewed in favour of certain states. Kenya's percentage share is the highest, followed by Zimbabwe, Uganda, Rwanda and Zambia. The countries with the lowest shares are Angola, Comoros, Djibouti, Ethiopia and Malawi.

---

1 Due to round-up the percentage total is not exactly 100%

2 Figures for Lesotho and Swaziland are not available
are Mauritius (1.4%), Comoros, 0.46% and Angola (0.65%). Although the PTA states trade shares are ranked from highest to lowest, in Table 4.11, the ranking can be deceptive because the real difference between the highest and the lowest is enormous.

In fact the highest share (Kenya with 22.46%) is almost equal to all the shares of the last 9 states. (Comoros, 0.46%, Angola, 0.65%, Mauritius with 1.4%, Somalia with 2.34%, Burundi, 2.55%, Sudan with 2.9%, Ethiopia with 3.13%, Djibouti with 3.63% and Tanzania with 4.32%; their total share is 21.38%). The shares of the two states with highest shares after Zimbabwe and Kenya, that is Uganda and Rwanda, must not be interpreted to mean that these two states hold favourable surpluses against the sub-region. On the contrary, these two states have high deficits with Kenya, so that ultimately, their intra-PTA trade results in losses rather than profits.

Table 4.7 revealed a more detailed account of these imbalances in terms of debits and credits. The debit amounts shown in this table represent the total amount to be paid by each country in respect of imports to other states, while the credit amount represents the total amount owed to the individual country by the PTA states in respect of exports. The difference between the two amounts may show either profits or losses if the credit exceeds the debit, or vice versa. On the one extreme, Kenya and Zimbabwe not only have the largest shares of intra-regional trade, but they also consistently made high profits between 1985 and 1989. On the other extreme, Comoros, Djibouti, Burundi, Somalia and others not only have the lowest shares of intra-regional trade, but they also consistently made losses between 1985 and 1989. Clearly, intra-PTA trade benefits are inequitably distributed, with Kenya and Zimbabwe reaping the
highest benefits. While the rest of the PTA reap insignificant benefits. In fact most of the least advantaged countries (LACS) have to meet relatively high trade deficits against the region, and more specifically to Kenya and Zimbabwe.

The inequitable distribution of trade benefits has been a major factor in fueling dissatisfaction amongst some members within the PTA scheme; this has resulted in a lack of commitment that affects almost all aspects of cooperation. To begin with, some members have shown their dissatisfaction with the trade benefits distribution scenario by delaying or failing to implement the tariff reduction schedule. Leading in this show of hesitation are nations such as Burundi, Lesotho, Djibouti, Somalia, Comoros, Tanzania and Mozambique all of whom rank very low in the trade reward structure; they would also lose considerable government revenue if trade were liberalised.

As regards the rules of origin, Kenya and Zimbabwe continued to push for the relaxation and dispensation of the rules, while the LAC's advocated for the immediate implementation. Kenya and Zimbabwe opposed the rules of origin because they are net exporters, pursuing expanded markets for all goods produced by them. On the other hand, the advocates of the rules of origin are net importers and are seeking to protect their markets from being flooded with goods from Kenya and Zimbabwe.

Thus, with the derogation of the rules of origin in 1986 and the consequent increase in the number of commodities in the CL which was a clear victory for Kenya and Zimbabwe, the LACs resorted to non-publication of the PTA tariffs. In this way they would deny preferential
treatment to exports from Kenya and Zimbabwe as well as continue to earn revenue from customs duties on them. In effect, national interest has dominated regional.

As Susan Hall points out, the question now remains open as to how far and how fast the more advantaged states can push their own interests before the less advantaged states turn from foot dragging to withdrawal\textsuperscript{12}. As it is, Kenya's and Zimbabwe's insistence that the rules of origin be relaxed to accommodate foreign owned firms and their successful push for the expansion of the Common List, have met with non implementation of PTA provisions in some countries and threats of outright withdrawal from the PTA by others.

In the 1992 Council of Ministers meeting, Burundi protested that for two years she had found it difficult to continue to publish tariff reductions when her products were refused entry into the most important markets of the sub-region. Burundi's delegate to this meeting stated that his country would not publish the second further tariff reductions. At the moment, Burundi was making necessary arrangements to cancel the first PTA tariff reductions and the first round of the new series of tariff reductions, and intended no longer to issue licenses for imports originating from those countries said to have erected barriers against Burundi products\textsuperscript{13}. Burundi ranks number 12 out of 16 in the reward structure, and hence, her actions reflect the general attitude of the LACs to the PTA scheme.

Indeed, out of 15 countries visited by the study team assessing the costs and benefits of cooperation in the PTA, 8 expressed doubt that they should expect any immediate trade liberalisation benefits\textsuperscript{14}. These same countries (including, Ethiopia, Comoros, Lesotho,
Malawi, Mauritius, Somalia, Swaziland and Zambia) have retaliated by not giving immediate attention or commitment to the implementation of the PTA provisions. The clash of interest between the member states desire for a more equitable distribution of intra-PTA trade benefits and the lack of such equity therefore militates against the regional interest of commitment to the implementation of PTA provisions, a clash of interests that we are referring to as the politics of costs and benefits distribution in this study.

4.4.3 Cooperation in other fields

Cooperation in the PTA sub-region is not in trade liberalisation only. In addition to the traditional market integration provisions, the treaty has several development oriented protocols covering such key infrastructural areas as transport and production in the industrial and agricultural sectors. These fields of cooperation constitute not only the focus of most African countries' development goals but also the major impediment to trade when they are lacking in the PTA.

Progress in these areas is, hence, a precondition for the fundamental restructuring of existing production structures in accordance with the market integration provisions of the PTA Treaty. The inequitable distribution of the costs and benefits of trade liberalisation, coupled with a lack of benefits from these other fields of cooperation has fueled the members' unwillingness to implement the PTA provisions.

In addition, progress in these areas of cooperation is crucial because such infrastructural
projects address the problem of dis-equalising tendencies in cooperation schemes.

The basis of our argument, that national interests have overridden regional interests in the PTA refers to the clash of interests in this section not as a matter of the distribution of benefits, but rather the failure to realize expected gains. Indeed, the project ideas proposed in these fields point to the mutual benefit of all the member states. Unfortunately, cooperation in particular fields is mainly at the stages of feasibility studies, proposals, discussions or recommendations. No significant implementation has been achieved in these areas and therefore no real progress report can be made. In this section, a study is made regarding two fields of cooperation, namely transport and production in order to demonstrate how, their poor state has continued to impede trade and thereby affect trade flows. This impediment has, hence, perpetuated the ill distribution of trade liberalisation benefits. Our observations will emphasise the importance of cooperation in the development of transport and production sectors.

1. Transport

Immediately the operational phase of the PTA began, the general lack of an adequate transport network arose as a major impediment to intra-PTA trade. As observed in chapter three, trade has mainly taken place among neighbouring states where there is reasonable transport and communication structure; for longer distances, the inadequacy or lack of surface transport facilities such as roads and railways has represented a serious constraint. The transportation and communication networks inherited by African states at independence were geared to move
exports to Africa's ports for shipment to Europe. Indeed, inter-state transport links in Africa are very poor.

Both littoral and land-locked member states suffer from transport problems. Although Kenya has a considerably good transport network, she will still find it difficult to move her goods to Zimbabwe due to the poor interstate transport facilities. Thus, one will find that although Zimbabwe and Kenya are both major traders in the PTA, trade between the two states is minimal; amounting to a meager 4.6% of Zimbabwe's total trade with the PTA.

Thus, the observation in respect of the intensity of trade in the PTA as being determined by geographical proximity can be explained in part by the already established transport links. In the northern corridor, several sets of negotiations among the former EAC partners, Rwanda and Burundi, since 1984, have produced agreements to re-open and improve existing transport arrangements. This has merely served to reinstate the network that had been in place before the collapse of the EAC, and consequently the trade flows in the region have been intensified.

In the southern part of the region, the members of SADCC have been grappling with the transportation problem since their grouping was formed in 1949. However little has been accomplished beyond studies on the rehabilitation of Mozambique's railroads, the core of SADCC's immediate plans. Nevertheless these have been sabotaged periodically by the Mozambique National Resistance (MNR).

Interviews with the government officials of PTA member states conducted by the Study on
Costs and Benefits of the PTA scheme, reveal that nine out of the fifteen states visited identified the inadequate transport facilities and the consequent high cost of transportation to and from other PTA states as a major trade bottleneck. These states, which include Mauritius, Malawi, Ethiopia, Lesotho, Swaziland, Sudan, Tanzania and Zambia, lamented the lack of road and railway links.

Ethiopia lacks transport links between herself and the Eastern and Southern African States. Reliable road and railway links only exist with Djibouti. Thus, as may be seen in Table 3.3, both Ethiopia and Djibouti are each others' main trading partners in the PTA. Although Ethiopia has constructed a road to the Kenyan border, Kenya has yet to construct her 550 Km section. The transport bottleneck, should however not be exaggerated in respect of Ethiopia. Ethiopia has one of the biggest merchant marine fleets in the PTA region which sail to Singapore, Japan and the European community. This fleet could be used for intra PTA-trade.

For Lesotho and Swaziland, because of their geographical position as states completely surrounded by South Africa, their trade with PTA countries must go through South African ports. For Swaziland, Maputo is the most economic port for her imports and exports, the South Africa supported MNR banditry has rendered the Maputo route inoperative. Swaziland is hence forced to use the more costly South Africa ports particularly Durban. Lesotho and Swaziland's trade with the rest of the PTA is therefore insignificant.

For Somalia, there is presently no adequate road links with neighbouring PTA countries namely Djibouti, Ethiopia, and Kenya. The national shipping company (Somalia shipping line)
for instance maintains an irregular sea link between Somalia and the port of Mombasa (Kenya). At present, direct air-links exist only with Djibouti and Kenya although direct flights to Ethiopia might soon be initiated. Somalia's share of intra-PTA trade is low amounting only to 2.34% of total.

The transport situation in Sudan is in dire straits. The port and railways run at less than 20% capacity. Efforts to renovate and overhaul these services have been frustrated by political instability and civil war. Sudan's share of intra-PTA trade is also low, and amounts to 2.9% of total.

Tanzania was hesitant in joining the PTA while being active in the SADCC. Tanzania criticised the PTA for concentrating on trade liberalisation, instead of what she viewed as the main problems namely, transport and production constraints. Moreover the experience of trade liberalisation under the EAC had made Tanzania wary of the possible adverse effects PTA might have on her industrial development.

Nevertheless, because geographically, Tanzania links Southern Africa and Eastern Africa, its lack of participation could be seen as undermining the regional enterprise. Thus, Tanzania joined the PTA first and foremost for political reasons. However, for successful regional economic cooperation Tanzania is convinced that the emphasis should be on removing production constraints and developing infrastructure to link the countries of the region, and not on trade liberalisation.
Roads in some sections of Tanzania are in a very poor condition. The Tazara railway gauge fits into the Zambian gauge but differs from that of other East African countries. This makes it difficult to move wagons from countries like Kenya through Tanzania to Zambia. The need to change wagons at the borders makes the movement of goods slow and costly. Thus, though Kenya's trade with her neighbours is relatively high\(^3\), her trade in the PTA region markedly decreases southward.

There is therefore urgent need to harmonise existing transport networks such as interstate roads, railways and shipping lines. This would not only ensure the smooth flow of trade in the region but it would also facilitate trade expansion beyond geographical proximity. In so doing, the PTA would become relevant to the needs of member states. The study on costs and benefits of the PTA scheme concluded that:

In the short run most of the benefits of the PTA arrangements are derived from increased trade that requires existence of transport links with other member countries. To promote trade between LACs and other member states, priority should be given to the construction and improvement of these transport links.\(^2\)

2. Production

The overriding problem of the lack of complementarities in the PTA subregion makes cooperation in this field of production an absolute necessity. The PTA states are still basically

\(^3\) For instance U.S $ 19.91 million, 39.36 million, 28.04 million, 91.81 million, 18.06 million with Burundi, Rwanda, Sudan, Uganda and Tanzania respectively.
producers and exporters of agricultural and other primary products, while they import manufactured consumer goods, capital goods, fuels and industrial inputs. Table 4.12 below, showing the two main export and import commodities of the PTA states illustrates this point.

**Table 4.12 Main Export and Import Commodities of PTA member states.**

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>1. Coffee</td>
<td>1. Machinery</td>
</tr>
<tr>
<td></td>
<td>2. Tea</td>
<td>2. Petroleum Products</td>
</tr>
<tr>
<td>Comoros</td>
<td>1. Vanilla</td>
<td>1. Fuels</td>
</tr>
<tr>
<td></td>
<td>2. Cloves</td>
<td>2. Rice</td>
</tr>
<tr>
<td>Djibouti</td>
<td>1. Live animals</td>
<td>1. Foodstuff</td>
</tr>
<tr>
<td></td>
<td>2. Food products</td>
<td>2. Transport equipment.</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1. Coffee</td>
<td>1. Machinery</td>
</tr>
<tr>
<td></td>
<td>2. Tea</td>
<td>2. Transport Equipment</td>
</tr>
<tr>
<td></td>
<td>2. Wool and Mohair</td>
<td>2. Food stuffs.</td>
</tr>
<tr>
<td>Angola</td>
<td>1. Manufactured goods.</td>
<td>1. Machinery</td>
</tr>
<tr>
<td>Malawi</td>
<td>1. Tobacco</td>
<td>1. Industrial material</td>
</tr>
<tr>
<td>Mauritius</td>
<td>1. Sugar</td>
<td>1. Manufactured goods</td>
</tr>
<tr>
<td></td>
<td>2. Clothing</td>
<td>2. Capital goods</td>
</tr>
</tbody>
</table>

155
<table>
<thead>
<tr>
<th>Country</th>
<th>Products</th>
<th>Exports</th>
<th>Industrial goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rwanda</td>
<td>Coffee, Tea</td>
<td>Food, Machinery &amp; tools</td>
<td></td>
</tr>
<tr>
<td>Somalia</td>
<td>Bananas, Livestock</td>
<td>Petroleum, Food</td>
<td></td>
</tr>
<tr>
<td>Mozambique</td>
<td>Prawns, Cashews nuts</td>
<td>Food, Raw materials</td>
<td></td>
</tr>
<tr>
<td>Swaziland</td>
<td>Sugar, Wood pulp</td>
<td>Capital goods, Manufacturers</td>
<td></td>
</tr>
<tr>
<td>Sudan</td>
<td>Cotton Products, Gum Arabic</td>
<td>Petroleum, Manufactured goods</td>
<td></td>
</tr>
<tr>
<td>Tanzania</td>
<td>Coffee, Cotton</td>
<td>Petroleum, Machinery</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>Coffee, Tea</td>
<td>Capital goods, Manufactured goods</td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td>Copper, Cobalt</td>
<td>Machinery, Manufactured goods</td>
<td></td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Semi processed goods, Tobacco</td>
<td>Machinery, Electricity</td>
<td></td>
</tr>
</tbody>
</table>

Source: Complied from:
2. The cost benefit study of PTA sub-regional Economic cooperation arrangement (PTA 1987)

Industrial development in the region is haphazard and uncoordinated. This has led to high costs and retarded industries scattered all over the region. There is unnecessary duplication of industrial formation and this has made it difficult for the region to develop large scale industries or heavy industries like iron and steel and chemical industries. Given this non-complementarity in production the expansion of intra-regional trade will only be achieved by
changing the industrialisation approaches in the region.

The fact that at present intra-regional trade is largely confined to non-traditional products, particularly manufactured goods and basic food stuffs has dictated the distribution of benefits from a large regional market to favour Kenya and Zimbabwe. These imbalances have in turn contributed to dissatisfaction over the distribution of costs and benefits in the PTA.

It is therefore necessary under the PTA scheme to program industrial and agricultural development. The aim would be to increase efficiency through specialisation and establishing resource based regional industries at a faster rate while carefully counteracting industrial polarisation tendencies which would endanger economic cooperation schemes, such as the PTA.

Cooperation in the production sector refers not only to the industrial, but also to the agricultural sector. The agricultural sector is of vital importance to the economies of PTA member states as it supplies most of the food needed by the population for sustenance besides being a source of income for about 70% of the populations, providing over 40% of the GDP and contributing up to 80% of foreign exchange earnings. Indeed Table 4.13 reveals that for most of the PTA states (northern Corridor) agriculture is the mainstay of the economies.
Since agricultural production depends on the utilisation of natural resources such as land and water which are unequally endowed among member states, cooperation in this area would facilitate country specialisation and complimentarity. Indeed projects have been identified in the areas of transport and production (both industrial and agricultural) some benefiting a group as a whole or the member states separately. Unfortunately implementation in these areas is minimal if not non-existent. No real progress has been achieved in these areas and therefore no benefits are being realised by member states in these sectors.
Priorities

Regional cooperation owes its legitimacy to its ability to contribute towards the region's development goals. For most PTA states unless the short term economic crises which confront them today can be overcome, there will be no long term consolidation, recovery and renewed growth. African states in general and the PTA Member states in particular must increase exports by investing in the production of exportable goods and in the necessary infrastructure. This will mean more imports for specific investments, more imports to keep the economies going, and more imports to maintain or rehabilitate the existing capital stock. However, import cuts in many economies are now starving the export section of materials and spare parts and debilitating processing and transport capacities. The essential purpose of export is to pay for imports.

Export promotion is not an alternative to import substitution, nor has it any necessary linkage to trade liberalisation. Import substitution in the specific sense of reducing levels of imports needed to operate the existing economies at present or higher capacity utilisation levels is the priority.

Trade liberalisation rests on the assumption of relatively full employment globally and nationally. Clearly the sub-region's (PTA) economy does not in any way approximate full employment. Protection and import license allocation can promote higher domestic output than a liberal trade regime if they lead to employment of domestic plants, raw materials and labour which would otherwise be unemployed. Indeed wholesale removal of industrial
protection would mean wholesale de-industrialisation. In a free trade zone, the most developed countries would attract all future development and increased industrialisation while the poorest members would gain nothing.

It is for this reason that the Economic Commission for Africa (ECA) argues that even if the market integration approach succeeded in liberalising trade, it would still be an undesirable strategy. Trade liberalisation per se cannot be a primary engine for development. The scheme of cooperation must give less importance to trade liberalisation and more to the transformation of their national and sub-regional production systems. As observed in this chapter, the poor state of transport links among the PTA members, and the general inadequacy in the production scenario have contributed to the inequities in the distribution of costs and benefits among the PTA states.

CONCLUSION

In this chapter we began by examining the concept of equitable distribution of costs and benefits as a background to our analysis of the costs and benefits scenario in respect of the PTA. We noted that the inequitable distribution of costs and benefits is most likely to occur when the Union is between states of substantially different levels of development. Furthermore, each country usually views and interprets the principle of equitable distribution in the light of its own experience and expectation, so that if a scheme appears prima facie to be less advantageous to a given state, then cooperation loses its attractiveness for that state. This is especially so in cooperation schemes among economies of low development levels.
Kenya and Zimbabwe were identified as the more developed states and in our analysis these states come out clearly, as gaining the most from intra-PTA cooperation. In fact the distribution of benefits is so steeply skewed in their favour, that all other PTA states may be classified as very disadvantaged in areas of cooperation under the PTA scheme. We have, therefore noted the tendency for states to show their dissatisfaction with this state of affairs by not implementing or delaying to implement PTA provisions; implying that national interest overrides regional interest in the PTA.

States such as Burundi, Comoros, Djibouti, Mauritius and Rwanda, besides finding it difficult to maintain their distinctly francophone identity, have expressed their serious concern about the tendency for the PTA scheme to be largely dominated by two Anglophone sub-regional economic giants. Indeed inspite of numerous derogations of the Treaty provisions granted them, Comoros, Djibouti and Burundi appear to be very reluctant members of the PTA. As a rule, these states frequently do not implement the major PTA's decisions and have often threatened to withdraw when they perceive that their legitimate national interests are being compromised.

END NOTES

1. PTA/GEN/3, The Cost Benefit Study of the PTA sub-regional Economic Cooperation Arrangement (PTA 1987) p 2-4

2. Mutharika, B.W.T, Toward Multinational Economic Cooperation in Africa (New


10. Ibid., p. 169.


15. Takirambudde, P.N., "Regional Cooperation and trade Liberalisation: The case of PTA " in Saasa, O. (ed), *Joining the future: Economic Integration and cooperation in*
22. Ibid. p. 32.
25. Ibid. p. 19-21
CHAPTER 5

CONCLUSIONS AND POLICY RECOMMENDATIONS

5.1 INTRODUCTION

The central purpose of this study has been to analyse the relationship between the distribution of costs and benefits of cooperation in the PTA scheme, and the degree of commitment of member states to the cooperative goal. This relationship has been seen to be characterised by a clash of interests, the national interests versus the regional. This clash of interests has been referred to as the politics of costs and benefits distribution in the PTA. The central question in our study has been: why does the willingness of the PTA member states to reduce or eliminate trade barriers against fellow members vary?

In a bid to provide a satisfactory response to this question, we generated one hypothesis; that if the distribution of the costs and benefits of economic cooperation in the PTA scheme is found to be inequitable then, member states will exhibit a lack of commitment to the regional goal of cooperation. As would be expected, the reverse of this hypothesis has also been found to be true.

The realist concept of national interest was adopted as the conceptual framework for this study. As Morgenthau has argued, interest is the essence of politics, and states will ignore national interest only at the risk of self destruction. All foreign policies must be evaluated on the basis of rational criteria which will determine their national importance.
The issue of costs and benefits distribution in the PTA has been examined in the context of the members national interests in order to highlight the clash of national and regional interests that has resulted in the lack of commitment to the regional goal of cooperation. Thus our central argument as is captured in this conceptual framework, has been that in the PTA scheme, national interest have predominated over the regional interests.

Following now is a conclusive summary of our findings as well as possible policy and academic recommendations in relation to the problem under study.

5.2 SUMMARY AND CONCLUSIONS

In chapter one, we observed that the PTA's progress since its inception has been slow. This pace was attributed to the members apparent unwillingness to implement treaty provisions. We posited that this unwillingness or lack of commitment to cooperation is primarily a function of the distribution of costs and benefits of cooperation. It is this relationship that we have referred to as politics of costs and benefits distribution in the PTA.

Chapter Two provides the study with the setting against which analysis is made. Attempt has been made to place the PTA in historical context as well as in the current scenario of economic cooperation in Africa. We observed in chapter two, that most African economies are generally in crisis, a state of affairs that gives little room for commitment to long-term goals, such as those advanced by African regional cooperation schemes. Cooperation must cater for immediate needs or lose attraction for African states with pressing economic problems.
A survey of some cooperation schemes in sub-saharan Africa reveals that the issue of the distribution of costs and benefits has become a common bone of contention among members of the African cooperation schemes. Other obstacles to regional cooperation common to the PTA and other African economic cooperation schemes were also discussed in this chapter.

Chapter Three begins with a comprehensive survey of general aspects and trends in intra-PTA cooperation, and intra-PTA trade patterns, in particular. This discussion forms a backdrop to our analysis of member states commitment to cooperation, in chapter three, and also, to our analysis of the distribution of costs and benefits in chapter four. It is immediately apparent that the PTA region may be roughly divided into two major trading blocs: the northern corridor and the southern corridor.

Trade in the northern corridor is clearly dominated by Kenya, and she together with the other two members of the defunct EAC comprise, the main trading partners in the region, their total shares in trade accounting for up to 37% of the total intra-PTA trade. In the southern corridor trade is dominated by Zimbabwe. For all PTA member states, excluding Kenya and Zimbabwe, bilateral trade deficits are for the most part not offset by bilateral trade surpluses. Indeed only Kenya and Zimbabwe have significant favourable terms of trade against the other states. Although Uganda and Rwanda have relatively high shares of intra-regional trade, their trade largely comprises imports, so that in the final analysis, the two states suffer large regional deficits.

In the second part of chapter three, attempt was made to identify areas in which the PTA required commitment from the scheme. We observed that the essence of the PTA is trade
liberalisation. Thus, specific PTA treaty provisions that are key in operationalising trade
liberalisation were singled out with the intention of establishing the extent to which these
provisions have been implemented. Our argument in this respect has been that states
which are committed to the PTA goal of cooperation will readily implement treaty
provisions, and vice versa. The treaty provisions singled out included those in respect of
tariff reductions, the rules of origin contributions to the PTA budget and the clearing
House.

Implementation was seen to be characterised by postponements, revisions and conflicts, that
have resulted in the slowing down of the process of cooperation; so much so that the
e-envisioned growth of the PTA into a common market and eventually an economic
community has been affected, and the target dates for an eventual common market have
been postponed from the year 2000 to the years 2014 or 2025 (as proposed by Somalia and
Ethiopia respectively).

The lack of commitment to the PTA is in general, exhibited by all members, although the
degree of commitment for each member seems to vary in relation to specific provisions.
While Kenya, Ethiopia, Zimbabwe, Zambia, Uganda and Malawi generally lead in the
implementation of tariff reductions; Burundi, Lesotho, Somalia, Comoros, Tanzania,
Mozambique and Sudan chronically lag behind in publishing reduced tariff rates. In the
case of the implementation of the rules of origin, Kenya and Zimbabwe took a strong stand
against their implementation, contending that these rules restrict trade; while Ethiopia,
Tanzania, Somalia and other net importers lobbied for the immediate implementation of
the rules.
This same half-heartedness, bickering and contention was observed in respect of the provisions regarding contributions to the PTA budget and the utilisation of the PTA clearing House. It is this conflict that has generally slowed down implementation and consequently the process of trade liberalisation in the PTA.

In Chapter Four, this conflict of national interests is examined in relation to the distribution of costs and benefits in the scheme. We have assessed in this chapter key costs and benefits of the PTA scheme, and drawn out a connection between their distribution and the lack of commitment observed in chapter three. Kenya and Zimbabwe have been identified as not only being the most developed, but also, as gaining the most from intra-PTA cooperation. As observed in chapter four the distribution of intra-PTA benefits is so skewed in the favour of these two countries that all other states may be classified as very disadvantaged in most of the schemes areas of cooperation.

Kenya and Zimbabwe's predominance in the scheme has been resented by other members, a resentment that in turn generates conflict over the implementation of trade liberalisation protocols. Benefits accruing from intra-PTA trade are minimal for many countries even if they may seem substantial when calculated against the sub-region only. Additionally, all PTA member states face budget and balance of payments problems, that take precedence over the immediate costs of regional cooperation. Clearly, this state of affairs will lead members to prefer individual national interests over the regional.

Nevertheless, issues such as the fear of government revenue losses through tariff reductions is still a reality, especially when some are keen not to be exclusively captured as markets by others. Most PTA states use tariffs as a medium of taxation, and therefore customs
revenue comprises a substantial percentage of government revenue.

The study on contributions is exemplary in illustrating the relationship between commitment and the distribution of costs and benefits: The promptness of the PTA members in paying their contributions only after the assessment and allocation of shares was done in a manner which members perceived to be equitable, reveals the importance of the equitable distribution of benefits in relation to commitment of PTA member states. It has been observed, that the unfair distribution of costs and benefits in key aspects of cooperation has affected the implementation of key provisions. Unfair distribution of costs and benefits coupled with lack of progress (and therefore a lack of benefits) in other fields of cooperation, continues to fuel the lack of commitment.

According to our theoretical framework, PTA member states have implicit interests to pursue within the regional grouping: this interest is the fair or equitable distribution of gains and costs commensurate with economic cooperation. Where these interests are not being achieved, member states will lack commitment to the PTA goal of cooperation, a lack that has been indicated by non-implementation of PTA provisions. Since the implementation of treaty provisions is the sub-regional scheme's interest, (and since there can be no regional cooperation without implementation of treaty provisions), the member states' lack of commitment to implement signifies that their national interests have overridden the regional interest.

Thus in our hypothesis we advanced that if the distribution of the costs and benefits of cooperation in the PTA scheme is found to be inequitable then member states will be found to exhibit a lack of commitment to the regional goal of cooperation. This hypothesis has
been confirmed, by our analysis, the conclusion to which has been attempted in this section. The reverse of this hypothesis has also been confirmed in that we have found that where the PTA states perceive costs and benefits to be fairly distributed, as in the case of contributions to the PTA budget, the member states will exhibit commitment to implement the relevant provision and consequently, commitment to the PTA goal of cooperation. Hence commitment of member states to the regional interest is seen to vary with the distribution of costs and benefits.

5.3 POLICY RECOMMENDATIONS

The placing of national interest above regional objectives remains a major characteristic of African regional cooperation effort in general. The lethal consequences of this problem as observed in this study, indicate that an immediate and pragmatic solution is necessary. Lack of commitment is an old red herring in the explanation of failed regional cooperation schemes. Not being able to accept that the break down of these schemes has reflected the discontent of participating governments with their design and results, commentators fall back on accusations of irrational behaviour on the part of member states; and alleged inability to perceive their best interests is said to lead to a lack of commitment.

In this study, our argument differs from the above. Indeed we have postulated that it is the ability of member states to discern interest and the realisation that such interest is not being serviced by current cooperation schemes that has resulted in lack of commitment. Thus regional cooperation must address itself to national interests and development priorities or risk the danger of becoming irrelevant.
In order for regional cooperation to overcome the prospect of becoming irrelevant, and in so doing address the national priorities and interests of African states, there must be a redefinition of its major concepts and a re-orientation of both theory and practice of regionalism. Possibilities must be explored by better matching national and regional development approaches, with regional efforts fully assuming the national concerns of member countries.

To be more precise, the question that must be now dealt with is; can regional cooperation be put squarely at the service of national development? In answering this question, this study joins Mazzeo in emphasising concentration on the service sector and the priority of mainly, the national capacity-building role of regional cooperation, in opposition to the retention of the classical production approach to regional cooperation. The following brief study of Mazzeo’s arguments in this respect will help to underscore the specific recommendations made in the latter parts of this chapter.

5.3.1 The Production Approach.

The established theory of regional cooperation is mainly concerned with the production sector either indirectly by favouring trade liberalization or directly by advocating the regional allocation of industries. The rationale for the production approach is found in the concept of economies of scale. This concept has been found to be invalid in the context of developing countries and may not be considered an appropriate foundation for regional cooperation in sub-saharan Africa for several reasons.

a) The economies of scale call for the widespread use of modern capital intensive technology. This militates against African states’ factor
endowment, where there is generally a greater abundance of labour than capital.

b) By promoting regional industrial specialisation, the search for regional economies of scale may prevent diversification of national economies; something that constitutes an essential diversion of national development strategies. In any case, our general contention is that, at the level of simple industrialization for the satisfaction of basic human needs, there is little room for regional economies of scale and consequently for increased regional transactions.

c) The use of capital intensive technology tends to reinforce the concentration of development within the already more advanced countries of the region, as the history of economic cooperation in Africa has shown. Mal-distribution of benefits becomes intolerable and regional efforts collapse or are paralysed.

d) While allowing the elite to reap the benefits of the geographical enlargement of the market across frontiers, the use of capital-intensive technology may delay the social enlargement of national markets. In the circumstances, regional cooperation resembles an elites' alliance aimed at perpetuating their foreign-oriented consumption patterns through local production.

Thus, generally speaking, the chances of success of the production approach to regional cooperation in Africa may remain extremely low for several decades to come. This does not mean that under prevailing circumstances, regional cooperation has no role to play in African development. On the contrary, innumerable opportunities for fruitful intra-African
cooperation exists in what we may call the service sector. The term 'service' shall be interpreted in the widest possible sense as covering all abilities and infrastructures needed to support the national development effort, and especially the effort for consolidating a base for economic recovery.

5.3.2 Cooperation in the Service Sector

This could include the creation of an awareness of development problems and their possible solutions, that is, a better understanding of the development process and policies, the elaboration of appropriate legal, financial and social frameworks or policy instrument, and coordination of physical infrastructures. In particular, it may be concerned with the development of diversified expertise, the adoption of common positions and mechanisms for the control of foreign investments, or the solving of the complex issue of transfer, adaptation and development of technology.

Cooperation in the service sector may be politically more acceptable since it is basically oriented towards national consolidation and capacity building. Even the realisation of economies of scale in the service sector appears to work more equitably than at the production level. While economies of scale at the production level rather limit the range of diversification of economic activities of individual member countries, economies of scale in the service sector seem to increase the range of national abilities for all members, thus creating for each country more opportunities than constraints.

The myth of African unity and the promised land of some kind of a Pan-African political
kingdom or common market still haunts the minds of scholars and policy-makers. However, parallel to this persistent interest in comprehensive forms of cooperation, a strong current favouring more specific forms of cooperation is permeating the African continent. The idea is to pursue more flexible approaches to cooperation, namely general consultation on broad policy issues with joint action restricted mainly to voluntary participation in specific programs or projects, notably with respect to the priority areas of consolidation identified by member states.

The above arguments posited by Mazzeo reveal that a number of broad changes have to be made in the present organizational environment if regional cooperation is to address itself to priority issues and in so doing assume a more meaningful role. The following recommendations are compiled and adopted from the writings of Peter Robson⁵, Elliot Berg⁶ and John Ravenhill⁷:

a) Regional cooperation aims should be changed to reinforce the autonomy of the national productive capacities rather than inter-country interdependence at the productive level contrary to widely held assumptions on the subject, greater national economic autonomy is politically, and economically viable and desirable.

b) The scope of regional cooperation should be changed to focus on selective (for example SADCC) rather than comprehensive (for example PTA) programs and on the service sector rather than on the productive sector. This means that emphasis needs to be given to the development of better infrastructures for regional cooperation. Although this has been a constant theme of analysis and policy declaration for over three decades it bears repetition since it remains basic. Infrastructural links among African
countries still frustrate trade and wider forms of cooperation in posts, telecommunications and transport. Hence the PTA needs to prioritise the development of transport links between member states as a first step towards increased trade.\(^5\)

c) Regional institutions emphasis should shift from compulsory to voluntary participation in programs and projects. Consensus formation over majority voting procedures and national over regional control of implementation of decisions, should be preferred. Generally, this calls for a down-grading rather than an up-grading of the regional institutional apparatus. Thus the secretariat will not serve as a supra-national institution but rather will play the role of co-ordinating the interests and activities of the PTA member states.

d) One of the most widely denounced phenomenon of African regional cooperation is its organizational overlapping and duplication of functions. Not only do ECA/OAU encompass other market integration entities, (Such as the Mano River Union, UDEAC, PTA, ECOWAS), but many of the OAU/ECA technical service organisations cover activities replicated by sub-units of development co-ordinating organisations or the river basin authorities. Most of these tend to occupy the same functional terrain and to extend their jurisdiction into areas covered by more specialised technical agencies. This tendency towards duplication not only raises costs but also works against the development of competence. Consolidation of these regional organisations should therefore be a priority.\(^6\)

e) Internal management reform is of absolute necessity. Dependence on
government contribution for basic operating budgets, paralyses progress in planning and mostly reduces the organisation to a simple holding operation without real activity. There is also a need for a de-politicization of staff recruitment, because when national quotas and general political considerations determine management and staff recruitment, merit criteria will be neglected and management rights to fire and/or tie wages to performance, are restricted. Management of many regional organisations will have to improve before they can play a larger role or even attract financial support to do more than survive.

No doubt the really crucial factors in the progress of cooperation are the commitment to implement and willingness to compromise. However there can equally be no doubt that the lack of relevant data in Africa can be and most certainly is currently an important constraint to constructive decision making. It is futile to expect constructive advance if structures and priorities are not apt and implications of policies cannot be perceived by member countries. Thus, a regional ‘think tank’ consisting of researchers and academics from all states and all spheres of economic life should be established that will constitute a source of information and data relevant to policy making.

After the above adjustments have been made, the way will have been paved for a more service-sector oriented approach to cooperation. This approach to cooperation enjoys a number of advantages over the production (or common market) alternative.

First, while potential benefits over the long run may be less than those that might be
gained from a successful establishment of a common market, the immediate costs arising are far fewer. Also, due to the conscious planning of cooperative activities these schemes are less likely to generate the effect of polarized development associated with customs unions and common markets. Similarly, fewer political costs will be involved, while all economic cooperation requires some transfer of decision making authority 'beyond the nation-state', the more narrowly demarcated the areas of cooperation, the less they are likely to impinge on national sovereignty, a matter that seems to unduly preoccupy many African governments. Additionally, while all forms of regional cooperation are vulnerable to the instability that characterises relations between African countries, more narrowly based schemes appear better insulated than those based on a grand regional design.

Finally, there is some evidence in support of the proposition that external donors look more favourably upon the narrow, functionalist schemes, than on grandiose customs unions and common markets. Funding from member state governments may also be more readily available, Seeing as these schemes would be narrowed and limited by member states development priorities, and governments would already have allocated in their respective budgets, funds necessary for projects. Thus the regional projects would cease to be irritating proposals, fighting for scarce funds, and become constructive policies to be supported and implemented. The lack of commitment to implement regional objectives could for these reasons, prove to be less of an obstacle during the next decade, than it has been during the past decade.

5.4 ISSUES FOR FURTHER RESEARCH.
The nature of our study was such that we could not cover a wide array of issues related to the study, although their worth in research is undeniable. The following suggestions are made to that effect:

a) Study should be made of the strengths and weaknesses of alternative approaches to economic cooperation, in order to reveal the desirability of economic cooperation as a strategy of development in sub-saharan Africa. This study might include comparison between the classical market integration approach and an approach oriented towards the co-ordination of development projects like the one formerly used by SADCC.

b) The wider issue of obstacles to economic cooperation especially with a specific focus on non-tariff barriers should be investigated. One might attempt an answer to the argument that, even if tariff barriers were completely abolished and a preferential trade area established, non-tariff barriers constitute such a formidable bottleneck to trade, that they would effectively stifle any progress towards the growth of intra-regional trade and the establishment of a common market.

c) The question regarding what the priority areas in cooperation should be for African regional economic cooperation schemes should be tackled. The issue of whether or not such schemes have their priorities all wrong, where and how cooperation should begin and develop should be addressed. This would shed light upon the assertion that African regional cooperation schemes are premature, and that African states are not presently capable of full fledged economic cooperation.

d) A survey on the feasibility and impact of the PTA monetary harmonisation
program is necessary. Such a survey would supply valuable information to policy makers and give insight regarding the future of the PTA clearing house and its role in increasing trade in the sub-region. One might include in such a survey an examination of the progress and impact of the utilisation of UAPTA and PTA travellers cheques, a study that would help members to gauge the implications of a monetary union.

5.5 END NOTES


8. Ibid., p.99
### SELECT BIBLIOGRAPHY

#### A. BOOKS AND ARTICLES

<table>
<thead>
<tr>
<th></th>
<th>Author(s)</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>COULOUMBIS, et al</td>
<td><em>Introduction to International Relations: Power and</em></td>
</tr>
</tbody>
</table>

180


13. HALL SUSAN, *The Preferential Trade Area for Eastern and Southern*
14. JABER, T.

(Nairobi: University of Nairobi IDS working Paper
No. 453, 1987).

"The Relevance of Traditional Integration Theory to
less Developed countries" in Journal of Common
Market studies vol ix, No.3 (March, 1987).

15. MANUDU, M.

Problems and prospects of Intra-regional Trade: The
case of the preferential Trade Area (PTA) (Nairobi:
Friedrich Ebert Foundation, 1985)

16. MAZZEO, D., (ed) African Regional Organisation (Cambridge,
University Press, 1984)

17. MITRANY, D. The Functional Theory of Politics. (London: Martin
Robson & Co., 1975)

18. MORGENTHAU, H.J., Politics Among Nations: The Struggle for

19. MUTHARIKA, B.W.T., Toward Multinational Economic Cooperation
in Africa (New York: Praeger publishers Inc 1973)

20. NDEGWA, P., Africa’s Development Crisis and Related


25. ONWUKA, et al., The future of Regionalism in Africa (Hong Kong: Macmillan, 1986)


27. ROSE TORE, (ed) Crisis and Recovery in Sub-Saharan Africa


**B. DOCUMENTS AND MAGAZINES**


2. The Treaty for the establishment of a Preferential Trade Area for Eastern and Southern African states.


