

Full Length Research Paper

New regionalism in sub-saharan Africa: A means to attract foreign direct investment (FDI) and to legitimize democratic governments

Elie Ngongang

Fayetteville State University, College of Humanities and Social Sciences, 1200 Murchison Road, 28301 NC 9106722456 or Faculty of Economics and Management, University of Yaoundé II, Cameroon P. O. Box: 12557 Yaoundé Cameroon.

E-mail: ngongother@yahoo.fr. Tel.: (237) 99 84 92 52/ 22 111410.

Accepted 19 December, 2011

The regional integration process in Africa is increasingly becoming an indispensable instrument in the promotion of domestic and foreign direct investment (FDI), and as a means for the legitimization of the fragile nascent democratic government, which are slowly and painfully being put in place all over the continent. The achievement of these policy objectives for sub-Saharan African countries requires the identification and formation of clear priorities and strategies whose implementation should be feasible, effective, and supported by strong political will, if the regional integration failures of the past fifty years of African independence have to be avoided. The key strategies and priorities seem to be based on a belief that the harmonization of regional policies and infrastructures projects of all kinds constitutes the very foundation of a regional integration. According to this belief, these projects are considered to be instrumental and conducive to increased market openness and capital inflows, which in turn could act to stimulate trade among states, the movement of workers and the intermingling of people and cultures. As a result, peace and harmony is maintained within the integrated region. It therefore suggest that the effective implementation of these strategies and priorities, combined with domestic policy reforms would necessarily attract increased regional and foreign direct investment given the continent's rich endowment in natural and human resources. The paper examines this basic tenet of regional integration process in Africa and argues that the African political leaders most threatened by integration will be very unwilling to face a successful integration outcome. Hence, it will be up to the international community to support the reforms efforts of these leaders and to help overcome their resistance. Furthermore, the author suggests that the conciliation between the suppression of trade obstacles (economic reforms) and democratization in these countries (political reforms) is the most significant action which bilateral and multilateral financial backers can do to support the recovery of the continent.

Key words: Regionalism, trade-democratization, foreign investment, development, sub-saharan Africa.

INTRODUCTION

During the last two decades, Asian and Latin American countries have seen their prosperity increase (Oman, 2004). However, the needs of African countries in general and Sub-Saharan African (SSA) countries in particular, have remained enormous and significant. The economic performance of these countries has remained very short of their attainable potential, and their growth is still very weak to reduce poverty (Helmut 2004).

According to Guerrieri and Falantano (2000), the feeling of having missed an opportunity is increasing in depth among the people, especially since the advent of the regionalization movement of output, world financial and

trade flows. Moreover, if SSA countries have attempted the experience of regionalism (the customs union of Southern Africa is the oldest in the world), their attempts have witnessed failures in most cases. On the other hand, the data gathered in Latin American country support the idea of Glodstein and Quenan (2002) that the trade integration efforts of these countries during the last fifteen years have permitted them to attract foreign direct investment (FDI), establish the legitimacy of democratic governments, reduce social tensions between and within countries, and collaborate common projects to help them achieve the complete integration of that regional of world.

Besides human capital accumulation and an improvement in total factor productivity to achieve sustainable economic, trade and development over the long term, SSA countries need financial resources which do not generate heavy indebtedness, such as FDI, legitimate political leaders, and a “social project” centered on the welfare of the people (Barthelemy et al., 2001; Goldstein, 2002). Our concern is therefore to determine the extent to which a regional approach can meet this challenge. In other words, how can we go from a national analysis to a regional one? What is the information necessary at the level of this particular region to validate trade cooperation efforts which invariably will warrant the formulation of effective strategic policies and programs for regional integration in order to orient the assistance of donors, other development partners and the international community in general?

The basic objective of this study is to replace the present evolution of trade and macroeconomic policies on the structural and political cooperation level in the framework of the regionalism adopted in other developing regions and the multilateral negotiations initiated for the liberalization of world markets. The main idea which emerges from this paper is the following: if integration is not a miracle solution, it is at least an element in the reform process and an effective means of inciting governments to sacrifice national interests on the altar of regional integration (Regional integration is often considered as an alternative to unilateral trade liberalization. Investors also are concerned with by the smallness of markets and the absence of progress on the economic development and poverty reduction fronts, but they often consider integration as a complement to a more general liberalization. And a context of liberalization regionalism aims at the openness of markets instead of seeking to extend the old import substitution model to more than one country).

African governments should therefore promote regional integration and genuinely commit themselves to the integration process if the continent is to achieve the type of economic growth needed to improve the welfare of its people and to participate effectively in the world economy in this era of globalization.

Interest in this objective is twofold: first carried lighting on the asymmetry of the democracy on which some numbers of authors put the accent for the economy analysis in a context of in development of countries, and secondly, then given to the FDI (Foreign Direct Investment) an effect of a meaningful importance on legitimate democratic governments in the Sub-Saharan Africa countries.

This paper is organized as follows: section 2 discusses regionalism within the context of durable growth of trade and investment model; section 3, discusses regionalism in Sub-Saharan Africa by questioning whether it is a well advised policy or a mere staple for industrialized countries? Finally, the conclusion in section 4.

Regionalism: Sustainable growth of trade and the model of investment

Regionalism is increasingly being viewed as a means to attract foreign direct investment (FDI). The basic assumption is that enhancing confidence, good governance the management of public goods and political alternation, regional integration in Sub-Saharan Africa would becomes an instrument conducive to increased private investment. This assumption is premised on the theory that regional integration creates a larger-economic space with enlarged markets, promotes the harmonization of economic and social policies, legalization and institutionalization cooperative frameworks, and frees the mobility of goods, capital and labor, among others. All of these factors require the design and implementation of large-scale projects which lead to increased flows of both public and private goods and services, and domestic and foreign investments, which invariably would stimulate more rapid economic and greater participation in world markets.

In all these areas, domestic political reforms are indispensable to attract foreign and regional investments. Political actors most threatened by regional integration are more likely to oppose these reforms. Hence, the success of these reform efforts in Sub-Saharan Africa may require the intervention of the international community in order to overcome this resistance and scepticism. The elimination of tariff and non tariff trade obstacles, especially those levied against agricultural products is one of the most significant action developed countries can initiate to support the economic recovery and development of the African continent. In a context in which the creation of common markets in Africa takes into account a democratic component, it is important to first assess regionalism and growth, then the new regionalism, and lastly, the shift from trade to investment and a change mode.

Regionalism and sustainable growth in Sub-Saharan Africa

Regional integration is in fashion almost everywhere in the world. Regionalism is an old phenomenon in the African continent, where according to Bach (1979), the extreme geographic division of the continent is combined with the problems of trade and economic survival witnessed by most countries to facilitate the formation of inter-state agencies. Examples of successful regional cooperation include: the Southern Africa Customs Union (SACU), the Common Monetary Area (CMA) around the rand, and the CFA franc zone. A common feature of These relatively successful regional co-operations is the establishment of an economic and monetary links with a more advanced partner, such as South Africa in the case of the SACU's and the CMA, or France, and nowadays the European Union in the case of the CFA franc zone Regional integration in efforts Africa has generally emula-

ted the European model. However, the European model may not be necessarily the most appropriate for Africa today. Asian countries have developed models which incorporate regional realities. These models may well be the secret of the relative success of Asia's regional integration efforts. Africa may consider following the Asian lead by developing her own regional model. This point is especially worthwhile since the current regional integration balance sheet of the maintenance of regional structures in Sub-Saharan Africa is very disappointing (Table 1 and 2). For instance, many inter-governmental agencies in this region work on integration questions, and conditions are theoretically conducive to cooperation. The Economic and Monetary Union of Central Africa (CEMAC) has six member countries endowed with the largest plate of mineral deposits, and it covers two geographic areas (Sahelian and equatorial). Of the six countries, only two are landlocked and the geographic landscape is relatively favourable for railway and road development. Unfortunately, the concrete results of this work are very poor, for in many cases, these countries also participate in several other mechanisms which are based on conflicting objectives and strategies. Moreover, besides formal agreements, the relations uniting these countries are closer than those they maintain through official trade links. This informal behaviour is also maintained to satisfy the particular interests of certain groups, which take advantage of the bottlenecks imposed by less rigorous policies and weak institutional structures. Thus, even if the economies of the countries concerned must suffer, the maintenance of unsatisfactory formal institutional mechanisms has become stable and indispensable for these special interest groups.

Central Africa is unfortunately not an exception. In Eastern Africa, the United Kingdom left quite a sophisticated organizational structure in charge of coordinating government action between Kenya, Uganda and Tanganyika in areas such as tax collection, customs, transport infrastructures, and monetary policy. Divergences in economic and ideological orientation did not allow these institutions to survive. Another case in point is the Economic Community of West Africa (ECOWAS), which witnessed a positive incidence on intra-regional trade after its formation, but the expansion of trade later became negative. Only SACU, whose pillar is South Africa, has succeeded in integrating the markets of merchandises (Foroutan, 1993). Available statistics however show that interstate commerce represents but a modest percentage of the total volume of trade of each country, and that it has remained more or less stable over the years (Table 3). If the data bring out a slight increase in this commerce at the onset of the second half of the 1980's, its share rose from 6 to 12% of total trade. This increase is not due to trade development between different regional areas of preferential trade (Goldstein, 2002; Mansfield and PevesHouse, 2000).

To be sure, there has been little trade in manufactured

products and intra-branch commerce (most of the traded products are: petroleum, cocoa, cotton etc). Under these conditions, the comparative advantage does not allow to conclude that there exists a strong untapped potential for interstate trade. The inadequacy of communication networks and the under-development of transports explain the dynamics of interstate commerce. Moreover, national economic policies such as the adoption of structural adjustment and the efficient management of exchange rates under the guidance of financial backers appear to be very profitable for intra-African trade (Lougo and Sekket, 2001).

The new regionalism in Sub-Saharan Africa

Increasingly opportune economic policy objectives, particularly with the creation of an African common market by 2020, as adopted by the Organization of African Unity (OAU) in 1991, have no bearing on the present results. Africa has committed itself to an integration process even through the continent is characterized by a modest volume of intra-regional trade. Therefore, to be successful, Africa may consider giving priority to a real regional integration effectively based on the harmonization of external policies, intra-regional trade, and the free mobility of persons. This approach does not necessarily have anything to do with European-type regionalization models with the same conditionalities, but a model which takes account of African realities (cultural, historical, economic, agricultural, etc.). This way, trade in sub-regional agricultural products, particularly highly consumed staple food crops, is given priority to feed the poor and starving African populations over export crops such as coffee and cocoa whose prices are imposed by developed countries. The outcome is integration based on trust and human solidarity, combined with a strong mix of the spirit of freedom, integrity and social justice.

However, when a balance sheet of Sub-Saharan Africa on the creation and maintenance of regional structures is drawn up, it is usually very disappointing (Table 2) and a strong dependence on similar export crops. Differences in income levels and degrees of industrialization hamper any intra-branch specialization without the harmonization of foreign policies and the lack of budgetary resources, place countries in a difficult position to finance compensation funds or are not interested in doing so. To these structural adjustments must be added the economic growth of the continent, which was practically null between the mid- 1970s and the end of the 20th century.

According to the World Bank (2000), in the context of globalization, the term regionalism has taken a new dimension. Presently, integration agreements mean a reduction in customs duties and the introduction of quotas, and they explicitly integrate the objective the abolition of obstacles which segment the market and hinder the free movement of goods and services, labour and capital. Their promoters aim at market openness. These agree-

Table 1. Major Inter-governmental Organizations Working in Africa Independences.

Institutions	Creation year/ and of disappear	Countries Member	Action directions
Authority of the basin of Niger	1962	Cameroon, Niger, Nigeria, Chad	Management of the waters of the stream
Organization of struggle for the locusts in East Africa	1964	Djibouti, Ethiopia, Kenya, Uganda, Sudan, Tanzania	Environment Research of the locusts and pesticides analysis o
African Advice of the peanut	1963	Gambia, Mali, Niger, Senegal, Nigeria and Sudan	Indianisation and commercial Policy
African Union Organization (AUO) become African Union (AU)	1970	52 Independent African States	Defense, Economic, information, Health, well to be, education, Scientific Research policy and custom Union, monetary
Association for the development of farmer rice in West Africa	1974	Benin, Burkina Faso, Ivory-Cost, Bissau Guinea	
Stream Mano union	1977	Guinea, Liberia, Sierra Leone	Customs and Economic Union
Permanent Committee inter State fight against the drought of the countries of the grand lakes (PCCGL)	1999	Burundi, Democratic Republic of Congo, Rwanda	Managed 4 Co-enterprises producing electricity de bottles, and cement
Central African Economic and Monetary Community (CAEMC) countries	1984	Cameroon, Gabon, Congo, Equatorial Guinea, Chad, Central African Republic	Trade Exchanges, travel free good and services, peoples, economic policy harmonization
Indian Ocean Commission			Exchanges, Indian Ocean University, Trade and economic policy harmonization.

Sources: Synthesis Documents, CIMA, BCAS, CAEMC, 1960 – 1985.

Table 2. Initiative synthesis in favor of regionalism.

	CAEMC	CDEAO	CEA	SADCC
Countries member	Cameroon, Congo, Gabon, Equatorial Guinea, Chad, Central Africa Republic	Benin, Burkina Faso, Ivory-Cost, Gambia, Ghana, Bissau Guinea Liberia, Mali, Niger, Nigeria, Senegal, Togo	Kenya, Uganda, Tanzania	Angola, Botswana, Lesotho, Malawi, Mozambique, Tanzania, Zambia, Zimbabwe
Origins (reasons)		Civil war (1968-70) Where some countries have brought diplomatic and military help to Biafra, Nigeria has been pushed to create CDEAO on 1975	High Commission for East Africa (EAHC) uniting British governors of Kenya, Uganda, Tanzania and legislative assembly of East Africa	SADCC creates in 1980 to promote strategies of resistance against South Africa hegemony clearing on beneficial projects for all members countries

Table 2. Contd.

Objectives		To promote exchanges and free circulations of goods and people – monetary union - financing of cooperation	-Common exchange tariffs (CET) - free circulation of goods and service between three countries members - importation control	- Dependence reduction through outside -Realization of projects having impact on national and regional. - Resource mobilization for a collective independence of State members
Policy action	Low	Low	Low	High
Foreign aids	Low	Low	Low	High
Results	Common custom nomenclature	Common custom nomenclature	- No right of custom Inside (exception of transfers tax)	- exchange increases 25% in 1985 to 65 % in 1990
Cries	Non-payment of the contribution	Non-payment of the contribution: Nigeria domination	Disappearance of East Africa Council in 1968 and government change in Uganda in 1971	Attempt destabilization of South Africa chatty devastations
Disparition	Still in function (name change)	Still in function	In 1977 for due to a lack of contribution payments Tanzania closes its borders with Kenya	SADC New Name in 1992 by anticipation of next South Africa the next adherence after the democratic transition
Relance	Be come CAEMAC		-Agreement of mediation in 1984 -Renewal of the regional cooperation -Creation tripartite permanent commission 1996 with location on Arusha in Tanzania	-New members in 1994 South Africa, RDC , Mauritius and Seychelles

Sources: Synthesis: Report West Africa States economics Commission, Central Africa Economic and Monetary countries, and East Africa Community 1970 to 2006.

ments often associate high-income industrialized countries to developing countries. Thus, a large number of agreements comprise evolutionary provisions starting from one-way trade preferences to reciprocal free trade agreements. This brings us to ask the following question: what is happening in Africa, and in what part of the continent are regional integration prospects promising.

The renewed interest in regional integration observed lately both in African countries and their development partners, respond to different motivations. Africa presently finds itself in a situation characterized by the narrowness of its markets, and its increasing marginalization in an environment dominated by powerful trade blocs. Moreover, Africa worries about the political and economics of a costs unilateral liberalization, at the time when world actors are anxious to protect sectors in which African countries could become serious competitors. Re-

Table 3. Some Data on Sub-Saharan African trade (in billions of CFAF).

	1980	1990	1995	2000	2005
Africa	5.8	4.3	6.8	9.9	12.9
European Union	58.8	57.7	64.7	61.9	58.8
Alena	37.8	40.7	40.9	47.4	52.3
MERCOSUR	15.0	7.8	13.3	24.0	27.8
East Asia	24.0	21.2	22.5	28.9	24.3

Sources: World Bank 2004, Africa Development Bank 2005, Eurostat, 2006.

gional integration is considered as an alternative to unilateral trade liberalization. Financial backers are concerned by the thinness of markets and lack of progress on eco-

conomic development funds and poverty reduction, but they consider regional integration as a complement to more general liberalization.

In this regard, the increasing interest in regionalism must be highlighted in a larger context of structural reforms engaged at the level of countries. The period of the 1990's was characterized by an increase in the openness of external financial markets, considerable progress in trade reforms, and the introduction of the value-added tax in most countries. Since 1998, privatization and international liberalization gave rise to less convergence and a greater diversity (Goldstein et al., 2000). Privatization and international liberalization were not harmonized. Manifestations and expected results were heterogeneous and mitigated.

Botswana and South Africa, which had liberalized their markets since 1980, still keep their status as countries with greater openness. Southern Africa also appears as an area where regionalism has witnessed considerable progress, and an area of realignment of integration initiatives (Jenkins, 2001). The Southern Africa Development Coordination Conference (SADCC) became the Southern Africa Development Community (SADC) in 1993, and enlarged its field of action to promote the economic integration of the region with the economic integration of the region with new components centred on trade (Table 4). The SADC was enhanced by the adherence of South Africa in 1994, the GDP of which amounts to 2/3 of the whole of Southern Africa, and with the ambition to create a free trade area at the onset of the next decade. The particularities of this free trade area were subjected to negotiations among member countries. All SADC members benefit from non-reciprocal preferential access to the European Union (EU) in accordance with the Lomé convention, and they worry about the trade diversion which may stem from the agreement concluded between South Africa and the EU. Moreover, the expiration of the Lomé IV has led to a complete re-evaluation of trade relations between the EU and its ACP partner.

However important regional integration is for countries member of the SADC, it is not sufficient as a trade liberalization strategy and the community as a whole must adopt a policy of openness toward foreign countries rather than a narrow regional outlook [The economic partnership Agreements (EPA) has two important effects on the agreements as regards regional integration (Söderbaum, 1998). On the hand, they harmonize the economic systems of the different countries involved, which facilitates regional integration, and this homogenization often has a more significant impact on the effective integration of markets than the policies implemented in the context of regional integration accords as such. On the other hand, the conceptions of EPAs only take account of the national context, but they are based on the universal market model]. SADC countries must also examine in all its details, the position they intend to adopt relative to the new series of the new negotiations sche-

duled under the care of the WTO, and to the evolution of the African continent integrating the Economic Community of Southern and Eastern Africa (COMESA), the reactivated Community of East Africa (CEA), the Regional Integration Facilitation Forum (RIFF), the Economic and Monetary Community of West Africa (CEMAO) and the Economic and Monetary Community of Central Africa (CAEMAC). The SADC free trade area could become a means for pursuing trade agreements with various developed and developing regions. Finally, according to Goldstein (2002), the coordination of additional activities, some of which stem from SADC's existing institutional divisions, will take on increased importance as the region gets progressively integrated.

In the rest of Sub-Saharan Africa, the situation is different in many respects and less conducive to rapid political and economic trends. However, integration possibilities are also significant. It is difficult for African countries to ensure macroeconomic stability, and the induced or "contagion" effects emphasize this instability (Easterly and Levine, 1995). If in Southern Africa Sub-regional public authorities appear to lead neighbouring countries reasonably well on the way to integration in the world economy, in Central and West Africa the respective lethargy of Cameroon and Nigeria has resulted in negative and significant consequences which have manifested themselves through sluggish investment and domestic growth. In this part of Africa however, there has been an interesting concentration of potentially emerging countries, such as Cameroon and Gabon in Central Africa, and Ivory-Cost, Ghana, and Senegal in West Africa. In addition to the economic reforms they engaged, they have sought to obtain substantial aid from donors to launch programs of development and diversification of their economies.

Ghana adopted a flexible exchange rate policy partially based on a serious macroeconomic instability, whereas Ivory-Cost, Cameroon, while Gabon opted for a fixed parity linked to the French franc (presently the Euro of the EU). However, the structural adjustment of these countries is less advanced. The inherent subsidy the CFA franc benefit from owing to its link with the Euro introduces a distortion in trade between the countries of region.

The present evolution seems to indicate that the objective of trade integration has given a way to substantial institutional adjustments to carry out in order to permit to other autonomous economic agents (notably the private sector and civil society), to participate in the integration process. The West African Economic and Monetary Union (UEMAC) and the Economic and Monetary Community of Central Africa (CEMAC) have made some noticeable progress by establishing respectively in their sub-regions a common external tariff in 2000, as well as a set of common legal schemes in the context of the organization for the harmonization of business law in Africa (OHADA). With Schott (2001) study, we also note an increasing political interaction, which manifests itself

Table 4. Present new regionalism in Africa.

	CAEMAC	UMOA	COMESA	CAE	CEDEAO	SADC
Exchange Free Zone (EFZ)	Monetary agreement	At the agreement monetary -January 1994 Exchange free, agricultural, manufactures exchanges	decrease of custom taxes on the products coming from the COMESA, 20% to 30%	Reduction of custom taxes (90%) by Kenya. - Agreement on the African exchange regime	Deletion of custom taxes for countries members	-1996 protocol of common exchanges - implementation 2000
Custom unions Elimination of exchange tariffs common (ETC)	Custom unions Elimination of exchange tariffs common (ETC)	Setting up to rate of 20% (ETC) compensate by Add value tax (AVT) July 2000, rate 19%	sign agreement Setting up ETC , rates, 5%, 10 % and 30% according to goods and services	form of common customs declaration sign on 2000	1990, exchange liberalization during 15 years	-Creation of SACU on 1969. -Namibia became member, 1990
Common market	Deletion of some custom tariffs	Deletion of some custom tariffs	Deletion of some custom tariffs	Harmonizati on norms of 207 goods and services	Deletion of some custom tariffs and monetary non-tariffs	
Economic Unions	Have regional institution	Have regional institution	Harmonizati on monetary planning	Tripartite agreement of deletion double tax	1999 convergence agreement Monetary second zone which became CEDEAO	Common monetary zone

mainly in peace keeping activities in Liberia and Sierra Leone, presently in Ivory-Cost under the aegis of the CEDEAO. Nigeria and some other Anglophone countries of the UEMOA presently are discussing the convergence of their currencies and the creation of a single currency area in the framework of a dual approach encompassing non-member countries of the UEMOA. Monetary integration appears to be too ambitious at the present state of affairs in these countries.

Similarly, an action is being initiated since by East Africa countries to re-launch the CEA, which hence forth is known as East African Cooperation (EAC) (Goldsstein and Ndung'u, 2001). The main idea is to improve macroeconomic management, to better hard government policies (notably with regard to origin rules with a view to encourage cross-border investments), and to achieve a better coordination of the expansion of capacities in communication networks and information and communication technologies (ICI). The major problem resides at the level of political will, which is characterized by political tension affecting some countries (notably Uganda, and the

most reform-minded country of the region, the persistent internal political tensions which are shaking Somalia, Sudan, and Ethiopia). In order not to exhaust the apparent advantages of integration at the beginning, governments will have to show a more resolute of the future of the region. If the objective is to transform sub-Saharan Africa into a commercial platform for the rest of the continent, its institutions such as the East African Development Bank and the African Development Bank will have to be restructured and recapitalized, in order for them to play a major role in infrastructure project financing, and to find a mechanism to limit losses of government revenue, and assistance (aid) to small countries

Trade and opportunities for attracting investment: A change in the model

In a competitive environment where there exist scale economies, integration theory assumes that market enlargement may have positive effects. This expansion may also have a further advantage through the reduction of mono-

polistic distortions, for market expansion supposes the presence of a larger number of enterprises in that market. In general, market enlargement provides opportunities for FDI in the region. If there exists economies of scale and a vaster activity space, countries will benefit from the positive effects derived from the transfer of technologies and skills, and marketing functions and organization which create linkages between buyers and sellers, thus making them more efficient because of physical proximity.

In other words, the promotion of intra-regional trade through preferential treatment generates substantial income and value-added transfers between member countries, in addition to industrial concentration in a given location. When this occurs, each member country attempts to take advantage of a guaranteed income by seeking to attract foreign capital through tax incentive and regulatory measures, thus reducing to nothing any advantage resulting from any negotiation as an integrated regional entity.

The growth of European countries during the last ten years was based on economic liberalization and research and development activities (Bassanini et al., 2000): given the trends which emerge from industrialization countries, it is opportune to promote also in African countries an environment basically centered on the market, on the clear rules and laws and effective governance, insofar as investors require these necessary elements to invest. Similarly, other countries cannot do for Africa what she can do for herself. In general, countries that have succeeded in improving their investment climate are those which are successful in attracting indebtedness-free financial resources such as FDI, and a coordinated regional approach to attract investment may prove positive (Odenthal, 2001; Goldstein, 2002; Goldstein et al. 2001).

In general, African countries cannot ignore the in-depth reforms implemented in some sectors such as public goods management, good governance, and the credibility of some governments by its facilitation and communication networks. The new foreign investments in some countries are also appreciated by the structuring of communication networks.

Three sectors activity emerge in this context in Sub-Saharan Africa, which deserve dwelling upon. They are, the telecommunication, financial, and transport sectors. These sectors also permit measuring the intensity of foreign investments and the relative degree of good governance. The latter is often a sign of trust and convergence of foreign direct investments, and even the official recognition of the regime in power.

The telecommunication sector

Sub-Saharan Africa has witnessed in-depth reforms in the telecommunications sector, a branch of activity characterized for a long time by its technological stability and bilateral agreements between public monopolies. In

1995, this region had 3% of the telephone lines in the world with a per capita density of less than 2% in more than 2/3 of the 47 countries located south of the Sahara.

The need to improve the efficacy of the networks, the possibilities for introducing competition by deregulation, technical and organizational innovations, and the narrowness of the base of public funds available for new investments are as many elements which structure the new environment of African telecommunication networks (Plane, 2001). If the partial privatization of the national operator is the most visible of these changes, competition is starting to increase in fixed networks and mobile cellular networks. With regards to the fixation of the prices of vocal transmission, and the reduction of inefficiencies in the use of capital and human resources, the preliminary operational balance sheets of internal restructuring of the adoption of commercial principles by public enterprises and of the separation of telephone services from postal services, show limited but positive results. This process has therefore been accelerated with privatization in Ghana and Guinea in 1996, Ivory- Cost and Senegal in 1997, Cameroon and in Gabon in 1998, and the attribution of new licences for cellular technology despite the presence in Cameroon of a regulation telecommunication company in charge of authorizing communication prices.

In the African context, the increasing use of cellular telephone in rural areas, and telephone shops (or call boxes as they are called in Cameroon) is encouraging, particularly for electronic commerce development. In the telecommunication sector, regional dynamics are measured with the aid of two elements namely, investment and regulation. However, relative to other developing regions, Sub-Saharan Africa has had more problems in attracting FDI, which is very important for building telecommunication infrastructures. South African companies are an exception to the rule, with respect to MTN, which in a short time has created a commercial empire covering several countries, including Cameroon, Nigeria, Uganda, Rwanda, Swaziland and South Africa itself.

The financial sector

Significant reforms have also been implemented in sub-Saharan with the establishment of several stock markets in recent years Africa's financial sectors which, according to Jeffries et al. (2001), constitute a positive element for several reasons: they attract portfolio investment, stimulate domestic saving, facilitate privatizations, and channel capital at low prices to finance domestic investment.

But all these stock markets remain narrow both in terms of the number of companies quitted acquired market capitalization and the volume of transactions. They have little liquidity and financially inefficient. For a stock market to function efficiently, it needs minimal direct controls on capital flows and prices, a credible legal system, and effective institutions to enforce the law and regulations. As these preliminary conditions do not exist as yet, the

economic impact of these stock markets still remain very limited. To remedy this state of affairs, Goldstein (2002) proposes that it is necessary to promote the creation of regional stock markets, and encourage their close collaboration at the regional scale.

Integrated regional markets allow adopting more rigorous homogenous norms to improve technology and access to information, reduce transaction costs, create economies of scale and increase liquidity. An example in this direction is the creation of in Abidjan (Ivory-Cost) of a regional stock market for West Africa in 1998. In general, integration becomes easier to realize among countries with a common legal system (like Anglophone and francophone groups of countries) than between countries with different traditions. But public policies often plays a negative role in this process, as observed recently in Central Africa where two national stock markets have been concurrently in Libreville (Gabon) and in Douala (Cameroon). Both markets are far from taking advantage of their potentials, whereas it would have been better to create a regional center for financial services in Central Africa.

The transport sector

The air transport sector is evolving rapidly, and Africa cannot remain in the fringe. In a market still dominated by bilateral agreements, Africa has considerably fallen behind the regulatory reforms undertaken in the rest of the world both in the EU zone and in the emerging markets of Asia and Latin America. With an inefficient, costly and unprofitable civil aviation, the continent finds it difficult developing tourism flows, participating in the flows of increasing consumption of perishable food derivatives observed in EU countries, attracting FDI, and integrating production system. Some air transport sectors of the continent have made some progress based on privatization funds and liberalization. Kenya has privatized its national airline, which is the only integrated African carrier in one of the world's alliances destined for the domination of the air transport industry. In South Africa, the liberalization of the air transport market is also proving to be advantageous for customers.

If a regional airline was to be created, Africa would be capable of negotiating partnerships with foreign carries. The region would benefit from an increase in foreign traffic generated by any new market opportunity and induced financial flows. However, Sub-Saharan Africa has made little headway in that area as shown by the slowness in the restructuring of the regional airline of francophone West African. Two lessons may be drawn from the "AIR Afrique" experience. The efforts made to revise the Yaoundé Treaty, which opened the unified zone to limited First, competition and to a second carrier for each country with two daily frequencies, did not permit an improvement in the situation, for these are fragmentary measures, and not a comprehensive reform. Se-

cond, in the uncertain national context, national authorities play the role of "free riders" with respect to charter flights with Europe, and this behaviour is harmful to their credibility vis-à-vis foreign investors, which makes the privatization of local carriers even more difficult.

After the start-up of the examination of air transports by the WHO and the launching of a new series of multilateral negotiations, these questions will be given priority for all countries, and they may serve as a negotiation lever for countries outside the EU zone, which will be able to put pressure to gain greater access to EU markets for the traditional exports of the South. The enhancement of the institutional framework to encourage and manage competition must be one of the priorities of governments, and countries must take stronger measures to transform it into concrete initiatives, official declarations on the benefits of sub-regional and multinational airlines.

Regionalism in Sub-Saharan Africa: Is it a well-advised policy or a stake for industrialized countries?

"Regionalization" is a "centripetal" process, which implies the movement of two or several economies or "societies" toward greater integration. It may be a "de jure" phenomenon, the product of political initiatives motivated by security concerns by the pursuit of determined economic objectives, or by other factors. It may also be a "de facto" process, produced by the same microeconomic forces that give rise to globalization. As a political phenomenon, "de jure" regionalization takes on diverse forms. They range from the free trade agreement or preferential trade, customs union to other far-reaching forms of integration such as pegging currencies, the harmonization of some domestic policies and the mutual recognition of some standards and regulations.

Regionalism in Sub-Saharan Africa: A well-advised policy

According to Kydland et al. (1977), regionalism from the domestic point of view is necessary insofar as it is comprised mechanisms likely to ensure that the commitments made are met, and that problems linked to temporal inconsistencies are overcome; and following Goldstein (2002), at the cross-border level, the classical liberal thesis on the foundations of peace is economic inter-dependence which reduces conflicts. This last argument has already been used to promote, for instance, European regional integration. The promoters of the economic community have convened that the association of strategic industries was a means of reducing armed conflicts between countries. For instance the creation of MERCOSUR (the Southern Latin American common market) has contributed to the improvement of relations between Argentina and Brazil. In fact, poor countries could enhance their negotiating, political, and economic

power within an international alliance by transmitting their message through regional organizations.

It is remarkable to realize that the regional economic institutions of Sub-Saharan Africa have always played an important role in the military area. The increasingly visible role of ECOWAS on security questions is a revealing example. The forces operating under the auspices of this organization, which are known under the acronym of ECOMOG (ECOWAS control group), intervened in Liberia's civil war (1990-98). But this intervention gave rise to controversies owing to the domination exercised by Nigeria (Van Walraven, 1999).

The link between interaction and peace remains a valuable proposition, which however has become more complex. Its validity is obvious when trade volume reaches a critical level, whereas at lower levels, it does not provide incentives for a policy reform. Less developed trade flows are not conducive to the development of middle classes, which can exert significant pressure for the establishment of a "de jure" democracy and a "de facto" political openness. In other words regional arguments of integration in sub-Saharan Africa have not produced the desired level trade and investment to develop the preferences necessary for peace, for to have a real impact on political preferences, this region needs specific internal institutions, which ensure the general interest, both for the development of trade and for the special interests of pressure groups in the different countries. To the extent that an increase in interdependence makes the States vulnerable to international economic processes and encourages countries to resort to political means to reduce this vulnerability, some degree of preliminary political and democratic stability is necessary for "commercial peace" to be established and ensure the legitimacy.

Regionalism in Sub-Saharan Africa: What is the stake for industrialized countries?

The elaboration of the policies by industrialized countries regarding Sub-Saharan Africa must take into account the fact that political and economic relation between this part of the continent and developed countries are as important as regional bilateral links. Foreign countries and organizations are in a privileged position to break through the environment of poverty and stability. In 2001, the EU abolished the quotas and customs duties on all production originating from the poorest countries in the world, and hence those of Sub-Saharan Africa. Such an initiative is encouraging, but a more enabling approach, which would extend the field of action of liberalization to agriculture and to non-tariff barriers is still possible. Donors and investors could also take more specific measures as regards regional cooperation.

A regional orientation must be adopted with respect to infrastructure projects. Intervention strategy should selectively aim at energy, transport, infrastructures, telecommunications and water resources, and should allocate the

available funds to these sectors. Following Maton et al. (2001) particular attention should be given to the needs of landlocked countries to help them acquire road infrastructures and complementary equipment in order to facilitate the movement of men and goods and services.

It is advisable then to support institutions and capacity building, which leaves to the countries concerned, the responsibility to ensure the effective use of this foreign assistance. However, massive recourse to technical consultants and enterprises from abroad does not help the countries concerned become responsible and tend to perpetuate dependence on foreign assistance. It is indispensable not to confuse capacity building and the need to improve international governance.

The cause of regionalism must also be emphasized while remaining tuned to civil society, particular unions and professional groups. Likewise, foreign partners keep in mind the fact that economic reforms and efforts made to enlarge and deepen integration constitute both a political affair and a question of technical solutions for various reasons.

The results of regional integration efforts are partial and progressive and this results in losses, while gains remain uncertain. Transition is not always easy to manage when profound scepticism permeates debates on the utility of sacrificing national interests on the altar of regional cooperation. In other developing regions, visionary leaders have taken control over the last 30 years, and they have helped initiate durable strategies of economic growth, despite circumstances that might appear unfavourable from the beginning. Granting assistance may facilitate the tasks of inspired leaders in the African context, particularly for those who seem to be attached to the cause of regional cooperation.

Key orientations and prospects

After year 2000, Africa committed herself to the process of accelerating regional integration, with at least three encouraging initiatives for the development and rationalization of the organizational framework of the continent. This has to do with the African Recovery Program (ARP) and the OMEGA plan launched in 2000 by the President of South Africa and Nigeria on the one hand, and by the President of Senegal, on the other, who merged these initiatives to give birth to a new African initiative approved by the OAU (new AU) in July 2001. This initiative was, in essence, the commitment of African leaders to a future, common and shared project whose aim is to eradicate poverty, to engage their respective countries and a sustainable growth and development path, and to participate actively in world political and economic system. Also, this initiative was part of the framework for the creation of the African Union (AU), which now is a structure taking inspiration from the EU with emphasis on its African nature.

It is a question of highlighting the conference on secu-

ity, stability, and development in African (CSSDA) [The Conference on security, on stability, and on development in Africa (CSSDA)].

Regional agreements are fashionable, but regional integration is a policy choice and not imperative. However, it is opportune to opt for agreements which permit liberalization of a significant part trade between participating countries, broadening of trade policy frontiers in accordance with multilateral agreements and reduction of trade obstacles with regard to non-member countries (Jenkins, 2001). Here also it is a question of procedures to choose between diverse potential regional partners, and their desire to restrict cooperation to the implementation of some measures. However, if cooperation in various areas can facilitate the formulation of consistent strategies for trade development and the promotion of cross-border investment, the responsibility still remains at the disposition of the national leaders. Insofar as only consistent macroeconomic and sectoral policies at the national level can enhance competitiveness and stimulate trade within a given region, no integration program could substitute for the need to pursue the difficult reforms initiated over the years. For the time being, it is not possible to escape from a fundamental reality: sub-Saharan Africa is too poor to provide for its needs through the simple, even exponential development of trade in the region.

Financial resources are inadequate in this region and the path toward world competitiveness and the diversification of exports is dominated by past and recent failures (Bonaglia et al., 2001). Infrastructure development on the regional level must be one of the first priorities. This requires a strong political authority to be able to overcome the inevitable resistance of the small groups of elites used to their privileges, in addition to making sure that safeguard mechanisms and appropriate institutions are put in place to avoid market failures, to eliminate corruption, and to reassure foreign investors.

As to the movement of people in the zone, it is necessary to adopt an official and single travel document to sanction membership in a territorial zone without internal borders, and even the possibility of a travel title that would be used in lieu and place of national passports. It is also possible to deliver a single entry visa to the nationals of third countries in order to materialize the nature of a single community.

In sum, the logics of regional integration seem to be evolving from the phase of a simple process of intra-regional trade liberalization to that of an instrument for increasing foreign private investment by enhancing trust. Africa is made up of many countries, of which some are prosperous (Botswana, South Africa), while others are poor, and politically and socially unstable. If the continent wishes to escape marginalization, it will have to engage in internal and external reforms to solve its economic and political problems. It will have to create appropriate institutions and adopt a plurinational (that is, regional) approach to solving problems such as infrastructures, water, migrations or technical assistance which may prove to be

beneficial.

Conclusion

The regional integration process in Sub-Saharan Africa is increasingly becoming an instrument in the promotion of private and foreign direct investment. For despite the presence of lags in some regions, the strengthening of trust, regional policy harmonization (joint infrastructure projects provide greater access to world markets, increase in capital flows, and the stimulation of trade between African countries), the abolition of the remaining trade barriers, the elimination of resistances and scepticisms permit the recovery and development of the African continent, and as a means for the legitimization of the fragile nascent democratic governments, which are slowly and painfully being put in place all over the continent.

This paper deals with the fact that the political leaders most threatened by integration will be very unwilling to face a successful integration outcome. It will be up to the international community to support the reforms efforts of these leaders and to help overcome their resistance.

REFERENCES

- Africa Development Bank (2005). Annual Reports, 1998-2002.
- Bach DC (1999). Revisiting a Paradigm in DC Bach (dir. Pub) Regionalism in Africa: integration and disintegration, James currey, Oxford.
- Bassanini AS, Scarpetta, Visco I (2001). Knowledge, Technology and Economic Growth: Recent Evidence from OECD Countries. *Working Paper* Département des affaires économiques de l'OCDE, Paris. p.259,
- Berthelemy JC, Söderlin B (2001). L'Afrique émergente. Etude du centre de développement de l'OCDE, Paris.
- BCAS (1980). The Bank of Central African States, Annual Reports, 1980.
- BCAS (1998). The Bank of Central African States, Annual Reports, 1998.
- Bonglia, F, Fukasaku K. (2001), *Trade-Capacity Building in Poor Countries: Lessons from Commodity-Dependent Economies in Africa*. Centre de Développement de l'OCDE, Paris.
- Easterly WR, L(1995). Africa's Growth Tragedy: A Retrospective Policy. Working Papers Banque Mondiale, Washington, DC. p.1503,
- Eurostat (2006). EurostatYearbook, 2006.
- Foroutan, F (1993). Regional Integration in Sub-Saharan Africa: Past Experience and Future Prospects, in J De Melo et A Panagariya (dir. Pub.), New Dimension regional Integration, Cambridge University Press, Cambridge.
- Foroutan F, Pritchett L (1993). Intra- Sub-Saharan Africa trade: is it too little? J. Afri. Economics, 2: 1.
- Goldstein A (2002). Le nouveau régionalisme en Afrique subsaharienne : l'arbre cache-t-il une forêt ? Documents Techniques, OCDE.
- Goldstein A (2001). Service Liberalisation and Regulatory Reform in Sub-Saharan Africa: The Case of Air Transport. The World Economy, vol. 24, n° 2 (une version plus étoffée a été publiée par le Centre de Développement de l'OCDE, en tant que Document technique n° 154).
- Goldstein A (2002). *Le nouveau régionalisme en Afrique subsaharienne : l'arbre cache-t-il une forêt ?* Documents de travail de l'OCDE.
- Goldstein A ,Ndung'u N (2001). Regional Integration Experience in the Eastern African Region. Document technique Centre de Développement de l'OCDE, Paris. p.171.
- Goldstein A, Quenan C (2002). Régionalisme et développement en

- Amérique Latine: quelles implications pour l'Afrique subsaharienne, in Banque Africaine de développement et Centre de développement de l'OCDE, Paris.
- Goldstein A, O'Connor D (2000). *E-commerce for Development: Prospects and Policy Line*, Document technique, Centre de développement de l'OCDE, Paris. p.164,
- Guerrier P, Falantano J (2000). *Global Regionalism: trends and perspectives*, in P Guerrieri et H E Scharrer (dir. Pub), Global Governance, Regionalism and the International Economy, HWWA Studies 58, Nomos Verlagsgesellschaft, Baden-Baden.
- Jefferis K, Mbekeani K (2001). Législation, institutions et intégration des marchés boursiers. In L'intégration régionale en Afrique, Banque africaine de développement et Centre de Développement de l'OCDE, Paris.
- Jenkins C (2001). Integration and Co-operation in Southern Africa. Document technique Centre de Développement de l'OCDE, Paris. p. 172,
- Kydland F, Prescott E (1977). Rules Rather than Discretion: the Inconsistencies of Optimal. J. Politician Economy, p. 85
- Longo R, Sekket K (2001). Obstacles to Expanding Intra-African Trade. Document technique, Centre de Développement de l'OCDE, Paris. p.169.
- Mansfield E, PevesHouse J (2000). Trade Blocs, Trade Flows and International Conflict. International Organisation, 54 : 4.
- Maton J (2001). avec la collaboration de H B Solignac Leconte Congo 1965-99 : les espoirs déçus du « Brésil africain ». Document de travail Centre de développement de l'OCDE : Paris. p.178.
- Helmuth R (2004). Financer les objectifs du millénaire Pour le développement : idées neuves, Document de l'OCDE, p.24.
- Odenthal L (2001). FDI in Sub-Saharan Africa. Document technique Centre de Développement de l'OCDE, Paris. p.173.
- Oman C (2004). Les Défis politiques de la globalisation et de la régionalisation. Document de travail de l'OCDE p. 11.
- Plane P (2001). La réforme des télécommunications en Afrique subsaharienne. Document technique Centre de Développement de l'OCDE, Paris. p.174.
- Schott J (2001). Free Trade Agreements: the Cost of US non-Participation. Témoignage devant le sous-comité du commerce, commission budgétaire de la Chambre des représentants : Washington, D C.
- Söderbaum F (1998). Structural Adjustment Programmes (SAPs) and Regional Integration Arrangements (RIAs): Synergy or Divergence? *Politeia*, 17: 2.
- Van Walraven K (1999). The Pretence of Peace-Keeping: ECOMOG, West-Africa and Liberia (1990-98). Clingendael Institute: La Haye.
- World Bank (2000). Trading Blocs. Washington, DC.
- Schott J (2001). Free Trade Agreements: the Cost of US non-Participation. Témoignage devant le sous-comité du commerce, commission budgétaire de la Chambre des représentants : Washington, D C.
- World Bank (2000). Trading Blocs. Washington, DC.
- World Bank (2004). Trading Blocs. Washington, DC.