



Comments on Two Presentations

By

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Selected Issues

- ❑ Both are interesting and cover a range of issues; I highlight selected ones.
- ❑ Among the issues raised are:
 - Insufficient integration of the region with the rest of the world, as reflected in low level of trade and investment flows;
 - Too many regional organizations (Seth); the second presentation contents that these organizations are making tremendous progress;
 - Poor infrastructure, need to mobilize public and private sectors;



Selected Issues (cont.)

- Heavy concentration on a few commodities for exports;
- Weak capacity and heavy regulatory burden;
- Heavy dependence on aid but insufficient resources devoted to regional public goods;
- Channeling of aid through national budgets;
- Heavy reliance on trade taxes in revenue bases; and
- Speed up dismantling of non-tariff barriers

Proposal



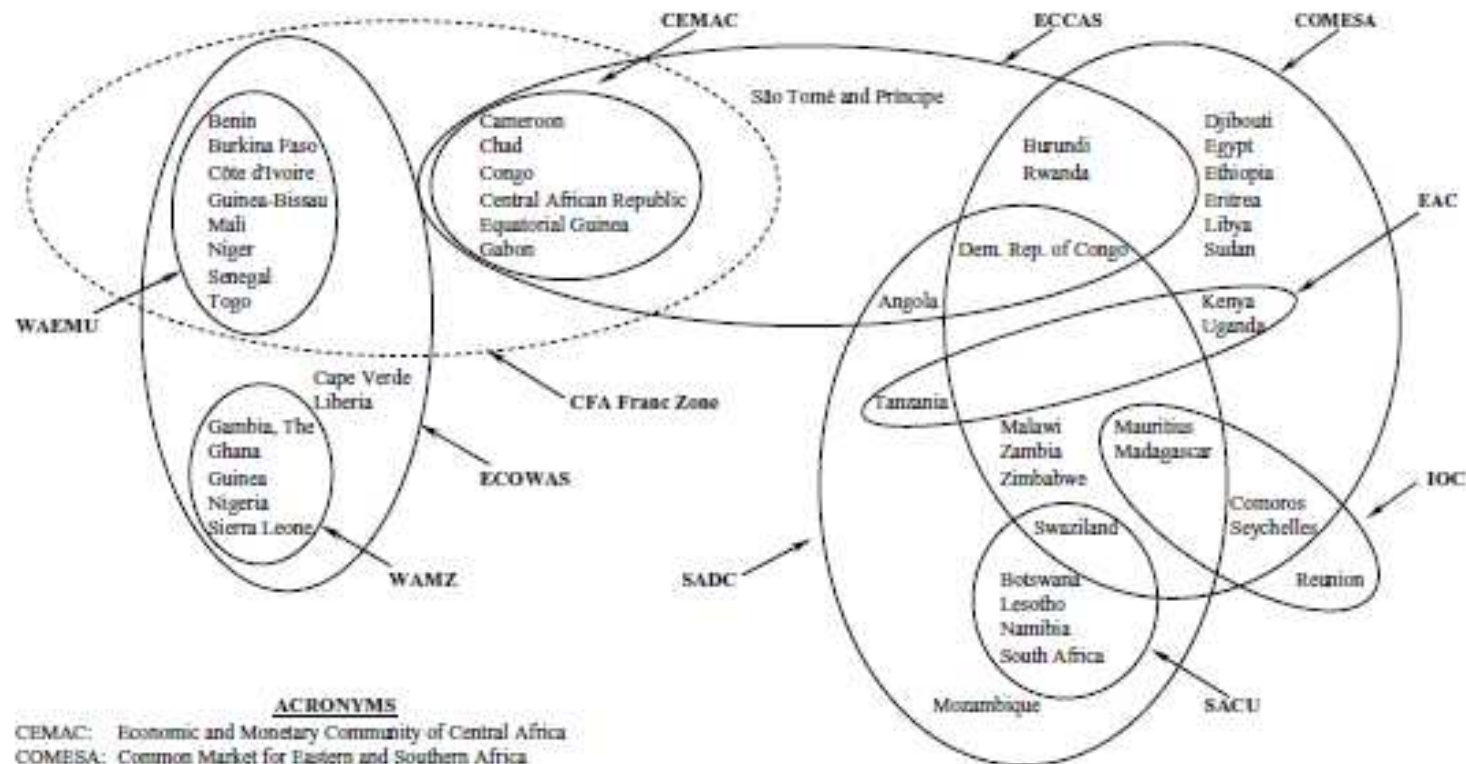
- ❑ The author proposes to merge organizations to reduce duplication and to establish a new organization funded by the EU.
- ❑ Agree with many points, but remain skeptical about establishing a new body, without rationalizing the existing organizations.



Position

- ❑ Why? Because overlapping organizations only impose additional burden on countries with limited capacity.
- ❑ Let me illustrate this point with regional trade organizations (RTAs), ostensibly established to promote growth regional cooperation and to benefit landlocked countries.
- Africa is home to some 30 RTAs. On average, each country belongs to four RTAs.

Figure 1: The African galaxy: main African regional and sub-regional economic integration arrangements (as of May 2007)



ACRONYMS

- CEMAC: Economic and Monetary Community of Central Africa
- COMESA: Common Market for Eastern and Southern Africa
- EAC: East African Community
- ECCAS: Economic Community of Central African States
- ECOWAS: Economic Community of Western African States
- IOC: Indian Ocean Commission
- SACU: Southern African Customs Union
- SADC: Southern African Development Community
- WAEMU: West African Economic and Monetary Union
- WAMZ: West Africa Monetary Zone



Impact

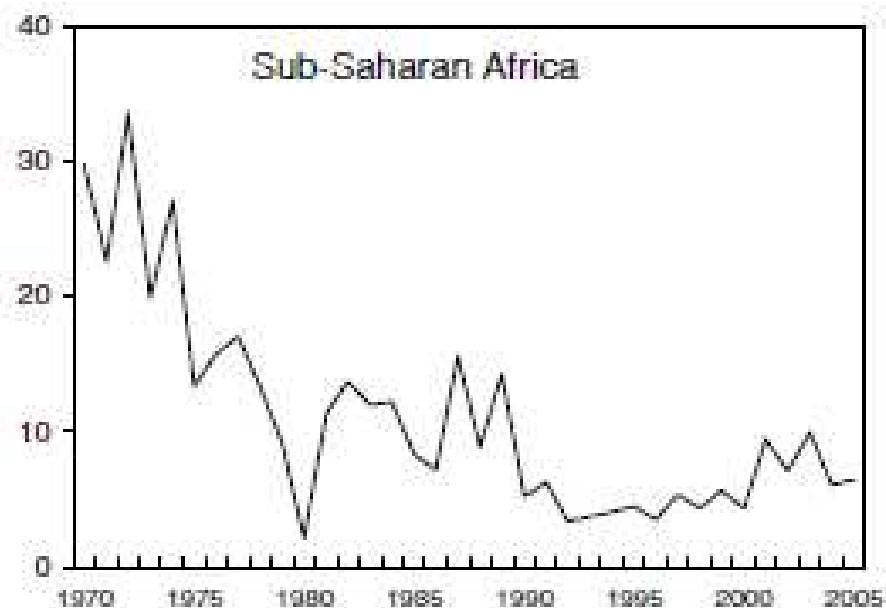
- ❑ RTAs do not yet seem to have had a significant impact on Africa's export performance. Share in trade down from 4% in 1970s to 2% at present. Africa's share in global manufactured exports (0.5%) hardly changed during this period.
- ❑ Africa's competitiveness has declined in the past 35 years. RTAs seem to have diverted trade toward RTA partners (as one would expect in case of import substitution).



Impact (cont.)

- FDI inflows in Africa as a percentage of total low – and middle-income country FDI have declined sharply over time.

Figure 2: Foreign direct investment: net inflows in Africa, 1970–2005 (in percent of the low-and middle-country total)





Impact (cont.)

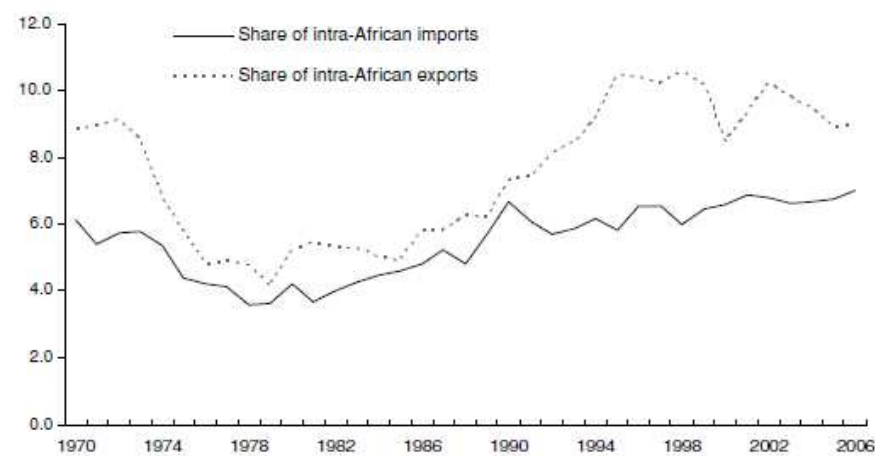
- The impact of the RTAs on intra-African trade seems to be small or insignificant.

Figure 3: Intra-African trade in total African trade, 1970–2006 (in percent)

Including South Africa



Excluding South Africa



Source: IMF, *Direction of Trade Statistics*, various years.



Suggestion

- ❑ What should be done?
- ❑ African countries should streamline RTAs with overlapping memberships. RTAs generate multiple commitments— which are not always consistent— and countries lack capacity to implement them. Countries find it difficult to administer different ROO.
- ❑ How about reducing multiple membership to a single one? Is it feasible? Can the process be started?



Suggestion (cont.)

- In addition, African countries should pay more attention to cross-border cooperation in customs administration. Crossing border in Africa can be equivalent to the cost of more than 1,000 miles of inland transportation, while in the cost is equivalent to 100 miles. Any role for int. organizations?

Table 1: Official checkpoints on selected routes of western African highways, December 2000

Highway	Distance (kilometers)	Number of checkpoints	No. of checkpoints per 100 kilometers
Lagos, Nigeria to Abidjan, Ivory Coast	992	69	7
Lome, Togo to Ouagadougou, Burkina Faso	989	34	4
Niamey, Niger to Ouagadougou, Burkina Faso	529	20	4
Abidjan, Ivory Coast to Ouagadougou, Burkina Faso	1122	37	3
Cotonou, Benin to Niamey, Niger	1036	34	3
Accra, Ghana to Ouagadougou, Burkina Faso	972	15	2

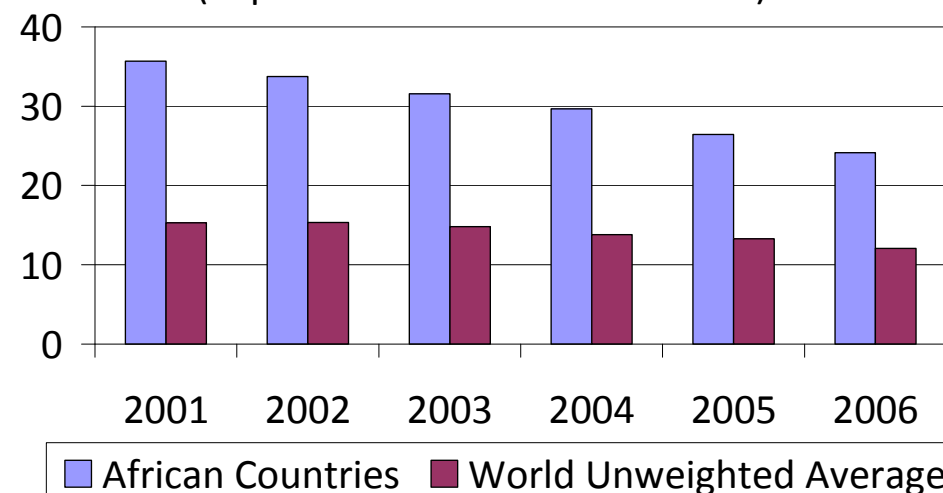
Source: COMESA Secretariat (2001), cited in UNECA (2004).



Suggestion (cont.)

- ❑ African countries should take action to bolster domestic tax mobilization. Trade taxes an important source and a cut in average tariff level of 17 percent would entail revenue losses. What does the advent of EPAs mean for revenue mobilization?

Figure 4: International Trade Taxes
(in percent of Total Tax Revenue)



Disagree



- Uncomfortable with the suggestion that aid should not be channeled through the budget. The government has a role to play in the provision of critical services and build capacity over time to serve its population.