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Impediments to Economic Integration in Africa: The Case of COMESA

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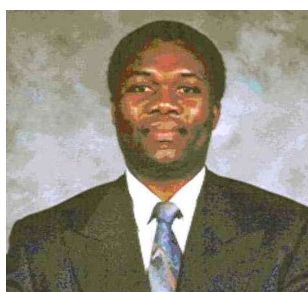

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ABSTRACT

This paper examines impediments to integration in Africa's largest regional trading block—the Common Market for Eastern and Southern Africa (COMESA). It begins by looking at the aims of this 22-member grouping and then examines two types of constraints to integration: those induced by World Bank and IMF-inspired structural adjustment programs (SAPs), and factors that have nothing or very little to do with SAPs. Our major conclusion is that because of the major SAP and non-SAP impediments, COMESA is still

far from living up to its advance billing as savior of economies in Eastern and Southern Africa. Several implications for business emerge in the paper. Once some of the major impediments are removed (or at least reduced) and there is greater integration and exposure of African business to the global economy, companies in COMESA stand to benefit from new ideas, technologies and products. Also, there will be improved economy-wide resource allocations, wider product and service options for consumers, and increased access to cheaper sources of international finance for investment and reinvestment purposes. Companies could also realize tremendous cost economies by centralizing production, instead of maintaining plants in smaller economies of several member states. Threats to business abound as well, emanating largely from the many, diverse and sometimes deep-rooted current impediments to integration.

INTRODUCTION

Every continental region has at least one major integration movement: Europe has the European Community (EC); Asia has the Association of South East Asian Nations (ASEAN), and the Asia-Pacific Economic Cooperation (APEC); North America has the North American Free Trade Agreement (NAFTA); Latin America has the Latin American Integration Association (LAIA), and the Andean Common Market (ANCOM); the Caribbean has the Caribbean Community and Common Market or simply the Caribbean Community (CARICOM); the Middle East has the Council of Arab Economic Unity (CAEU); Central America has the Central American Common Market (CACM); and finally Africa has three major ones: the Southern African Development Community (SADC); the Economic Community of West African States (ECOWAS); and the Common Market for Eastern and Southern Africa (COMESA).

These regional blocs or economic groupings have the common goals of economic transformation and development, implicitly including eradication or reduction of poverty in the process. In other words, economic cooperation and integration are not an end in themselves, but rather a means towards sustainable economic development.

This paper focuses upon the experience of one of the three major economic groupings in Africa—the Common Market for Eastern and Southern Africa (COMESA). We specifically address some of the impediments to the achievement of COMESA objectives, especially (but not exclusively) those brought about by World Bank and IMF dictated structural adjustment programs (SAPs).

Why COMESA was chosen

Two reasons make COMESA more appropriate for study in terms of relevance and interest as compared to either SADC or ECOWAS. First, nine of the ten members of SADC are also part of the 22-member COMESA. This introduces interesting questions, not restricted to conflict and harmony of objectives. Second, COMESA is the largest regional grouping in Africa, in terms of the number of member states— it claims 22 members, almost half the total number of countries in Africa. With a combined 1993 population of 290 million, COMESA is also home to about half of Africa's total population (see basic COMESA indicators presented in Table 1).

Table 1. Basic Comesa Indicators

COUNTRY	TOTAL AREA (Km2)	POP. (Millions 1993)	PER CAPITA GNP 1993 (USD)	TOTAL EXPORTS 1993 (Mns USD)	TOTAL IMPORT 1993 (Mns USD)	INTRA-COMESA EXPORTS 1993 (Mns USD)
Angola	1,246,700	10.3	..	3,182	2,046	0.00
Burundi	27,834	6.0	180	125	220	16.00
Comoros	2,171	0.5	560	54	90	0.00
Djibouti	22,000	0.6	..	87	412	56.00
Ethiopia/Eritrea	1,221,900	51.9	100	246	1,158	10.00
Kenya	582,646	25.3	270	1,264	2,597	234.00
Lesotho	30,355	1.9	650	76	64	0.00
Madagascar	581,041	13.9	220	253	441	13.00

Malawi	118,484	10.5	200	350	519	30.00
Mauritius	2,045	1.1	3,030	1,303	1,718	30.64
Mozambique	801,590	15.1	90	217	751	13.91
Namibia	825,000	1.5	1,820	272	158	1.82
Rwanda	26,338	7.6	210	94	286	0.00
Seychelles	280	0.1	6,280	75	234	0.00
Somalia	637,657	9.0	..	117	205	1.00
Sudan	2,505,813	26.6	..	350	1,145	0.00
Swaziland	17,363	0.9	1,190	261	103	24.55
Tanzania	945,087	28.0	90	454	1,304	54.45
Uganda	236,036	18.0	180	134	380	4.00
Zaire	2,345,409	41.2	..	1,027	782	14.00
Zambia	752,614	8.9	380	1,043	1,119	109.00
Zimbabwe	390,580	10.7	520	1,374	2,022	205.00
COMESA in total	13,318,943	289.6		11,068	15,063	817.36

Source: Comesa Secretariat in Lusaka, Zambia (1996).

In January of 1997 both Lesotho and Mozambique announced their intention to withdraw from COMESA, although consultations are still going on to dissuade them from doing so. Three months later Dr. Mbingu Wamutharika, the Malawian-born COMESA Secretary General, resigned from his post amid controversy and charges of financial mismanagement. These charges, ironically, were brought against him by the Malawian minister of industry and trade. COMESA has had its share of crises.

(c) Africa as a whole has the highest poverty levels of any developing region in the world. According to the World Bank (1994), the share of people living in poverty is larger in Africa, and the poor are poorer, than in any other region in the world. COMESA is home to 10 of the poorest countries in the world: Angola, Burundi, Ethiopia, Malawi, Mozambique, Rwanda, Somalia, Sudan, Zaire and Zambia. (In 1997, Zaire changed its name to the Peoples Republic of Congo. Any reference to Zaire in this paper, therefore, recognizes and respects the new name: we have decided to retain "Zaire" only because it is shorter to use). COMESA also has the most distressing list of countries that have effectively ceased to function as modern nation states: Zaire, Somalia, Burundi, Sudan, Angola, Rwanda and Mozambique.

Thus, given the breadth of its membership and depth of its members' development problems, COMESA was chosen as the focus for this review. The paper begins with background details on COMESA, including its composition, aims and ideals. Performance of the regional grouping in the context of intra-COMESA trade is then discussed before attention shifts to the major non-SAP and SAP-induced impediments to integration.

Background to COMESA

The Common Market for Eastern and Southern Africa (COMESA) was established on 8th December 1994 to replace the Preferential Trade Area (PTA) which had been in existence since December 1981. As of 1997, COMESA had 22 member states, namely: Angola, Burundi, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zaire, Zambia, and Zimbabwe (see also Table 1, for basic COMESA indicators).

Aims of COMESA

According to the COMESA Brief of 1994, member states have recognized that unless a large enough economic space can be created to attract and give guarantees to domestic, cross-border and foreign direct investment, the transformation of these economies from extreme dependence to self-reliance cannot be realized within the foreseeable future. It has also been recognized that countries with small populations or per capita gross domestic product (GDP) will continue to find it difficult to attract foreign investment unless this

is within the context of a wider common market. With these beliefs in mind, member states see the specific objectives of COMESA as: (a) the attainment of sustainable growth and development of member states by promoting a more balanced and harmonious development of its production and marketing structures; (b) the promotion of joint development in all fields of economic activity and the joint adoption of macro-economic policies and programs, thus raising the standard of living of its peoples; and fostering closer relations among its member states; (c) co-operation in the creation of an enabling environment for foreign, cross-border and domestic investment, including the joint promotion of research and adaptation of science and technology for development; (d) co-operation in the promotion of peace, security and stability among the member states in order to enhance economic development in the region; (e) co-operation in strengthening the relations between COMESA and the rest of the world and the adoption of common positions in international fora; and (f) working towards the establishment and realization of the objectives of an African Economic Community.

The COMESA Brief points out that in addition to the above objectives, the member states have agreed to create and maintain: (i) a full free trade area, guaranteeing the free movement of goods and services produced within COMESA and the removal of all tariffs and non-tariff barriers; (ii) a customs union, under which goods and services imported from non-COMESA countries will attract an agreed single tariff; (iii) free movement of capital and investment, supported by the adoption of common investment practices so as to create a more favorable investment climate for the whole region; (iv) gradual establishment of a payments union, based on a COMESA Clearing House and the eventual establishment of a common monetary union with a common currency; and (v) the adoption of a common visa arrangement, leading eventually to free movement of people from member states.

As Traore (1993, p.48) points out, the narrowness of COMESA states' individual markets condemns them to join forces if they are to develop their industries and reap the benefits of economies of scale, attract foreign investors by organizing a frontier-free market with a critical mass of potential consumers and create the jobs their constantly expanding populations demand. This is a recognized and accepted need.

In learning about the progress COMESA has made, and the problems and challenges it faces, the reader should keep in mind that the change in 1994 from PTA to COMESA was in name only, not in the ideals and aims outlined earlier. In other words, assessment of COMESA is really the assessment of PTA.

Performance of COMESA to date

It is logical, before discussing impediments to COMESA integration, to first provide the reader with some evidence that indeed COMESA has not achieved its ultimate targets. What has been its performance against the goals and ideals outlined earlier—especially that of faster economic growth, reduction in both rural and urban poverty, and improved standards of living? We discuss this next, using data and information that, as with the rest of Africa, is generally inadequate and incomplete. Part of the evidence (including the data for Tables 1 to 3) results from interviews held by one of the authors in January 1996 with several officials at COMESA Headquarters (the COMESA Secretariat) in Lusaka, the Zambian capital.

Looking at all the objectives and principles of COMESA as outlined above, it is apparent that they encompass ultimate ideals of a free trade area; customs union; common market; economic union; and total economic integration. The following definitions of these terms are borrowed from, among others, Balassa (1961, p.2) and DeRosa (1995, p.9). In a free trade area, countries eliminate all barriers to imports originating from within the region. A customs union involves free trade among partners, but also the establishment of a common external tariff (CET) with the rest of the world (known commonly as third countries). A common market is a customs union with free factor mobility. An economic union involves the adoption of both common external trade policies and the free movement of primary factors of production as well as goods within the union. Finally, total economic integration involves the joint pursuit of all macroeconomic functions by all member states.

The bulk of the discussion in this paper, though, centers around the mostly similar economic implications of free trade and customs unions.

With regard to the achievements of COMESA, it is fair to say that enough agreements and protocols have been signed by heads of state and their finance ministers to facilitate successful integration. But as argued by Bax Nomvete (former Secretary-General of the PTA/COMESA), successful integration is not measured by the type (technical, administrative or policy) and regularity of meetings at which many resolutions and declarations are adopted. Trade, economic growth and poverty statistics are more appropriate yardsticks.

Many regional trading arrangements among developing countries (COMESA included) have not been marked by any significant gains in exports, output, or other measurable economic benefits (see, among others, Langhammer and Hiemenz, 1990; and de Melo and Panagariya, 1993). The most striking characteristic of many countries in Africa (except the Arab North) has been their unsatisfactory economic performance in terms of economic growth over the past two decades. In the second half of the 1970s, real GDP growth per capita remained practically flat, deteriorating significantly in the period 1982-86 when it declined, on average, by almost 2 percent a year. They have continued to experience negative real GDP growth per capita through 1993 (see Fasano-Filho, 1996, p.129). There is little wonder that poverty—discussed earlier under reasons why we chose to examine COMESA—has continued to be a major problem.

One of the most vital criteria for assessing the success of integration deals with the question of whether a "trade creation" effect within COMESA or simply a "trade diversion" effect away from the rest of the world has occurred. As is well known, trade creation (a positive effect of integration) occurs when a shift in product origin occurs from a higher-resource-cost producer to a lower-resource-cost producer. This positive effect of integration occurs when the elimination of tariffs and other barriers on member countries' products motivates domestic consumers to demand imports from other member country producers rather than higher cost (and previously protected) domestic producers. Trade diversion (a negative effect) implies a shift in product origin from a lower-resource-cost nonmember to a higher resource-cost member producer. This negative effect of integration occurs when the institution of a common external tariff on nonmember countries renders their imports uncompetitive (from a market price perspective) with duty-free member country exports.

Tables 2 and 3, which are flip-sides of the same coin, show total intra-COMESA exports and imports for all 22 members for the 9 years 1985-1993. Intra-COMESA trade (exports and imports) was worth US$460 million in 1985, rising to US$817 million by 1993. The average growth in intra-COMESA trade during the period was 7.8 percent. The two tables show, among other things, two interesting stories about COMESA.

First, two of the 22 members— Kenya and Zimbabwe— enjoy a disproportionate share of exports within COMESA. Over the 9-year period under consideration, the two have accounted for 65 percent of all intra-COMESA exports. In fact, Kenya alone has accounted for 39 percent of all such exports. Yet, as seen in Table 1, the two nations do not even have the largest populations in the region (25.3 million for Kenya, and 10.7 million for Zimbabwe). That position is occupied by Ethiopia (51.9 million) and Zaire/Peoples Republic of Congo (41.2 million).

Table 2: Intra-Comesa FOB Exports (Value in Millions USD)

COUNTRY	1985	1986	1987	1988	1989	1990	1991	1992	1993
Angola	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.55	0.00
Burundi	10.31	10.60	6.47	7.51	5.63	6.10	6.66	8.30	16.00
Comoros	0.41	0.50	1.40	0.40	0.02	0.06	0.06	0.07	0.00
Djibouti	15.62	14.50	19.40	21.00	21.20	23.80	25.90	27.80	56.00
Ethiopia	20.51	26.25	22.57	24.49	27.66	26.61	29.27	32.22	10.00
Kenya	213.15	261.50	250.20	251.70	227.80	244.80	266.20	283.60	234.00
Lesotho	0.00	0.10	0.10	0.10	0.30	0.32	0.32	0.93	0.00
Madagascar	1.35	2.97	15.64	5.39	15.03	18.64	20.48	11.68	13.00
Malawi	26.78	23.57	27.51	32.06	28.15	29.44	34.71	30.54	30.00
Mauritius	3.66	3.82	4.96	6.06	9.32	19.34	21.28	27.40	30.64
Mozambique	1.30	5.44	6.07	4.91	5.03	6.04	7.55	11.04	13.91
Namibia	0.00	0.00	0.10	0.09	0.79	0.59	0.70	0.90	1.82
Rwanda	3.87	4.57	9.36	12.40	12.96	14.05	15.99	0.58	0.00
Seychelles	0.10	0.12	0.04	0.06	0.10	0.10	0.10	0.20	0.00
Somalia	0.41	1.07	2.01	0.53	0.53	0.60	0.67	0.69	1.00
Sudan	0.28	0.28	0.41	0.29	0.29	0.70	0.70	0.70	0.00
Swaziland	6.31	5.43	9.03	15.79	23.52	23.86	26.33	31.38	24.55
Tanzania	12.90	11.32	10.96	18.75	15.91	18.38	22.15	56.10	54.45
Uganda	3.94	1.50	1.10	1.57	1.85	1.94	2.14	3.02	4.00

Zaire	6.60	6.41	6.93	6.46	10.20	9.51	9.88	8.90	14.00
Zambia	29.70	36.22	36.57	47.44	56.32	43.90	53.39	59.50	109.00
Zimbabwe	103.10	113.10	143.90	198.40	196.90	194.70	212.90	200.66	205.00
TOTAL	460.31	529.4	574.7	655.4	659.4	683.5	757.4	796.8	817.4
Kenya & Zimbabwe Share (%)	64	71	69	69	64	64	63	61	54

Source: Comesa Secretariat, Lusaka, Zambia (1996).

Secondly, the members of COMESA have experienced very little change (neither significant trade creation or trade diversion) in the structure of their international trade. Statistics contained in Tables 1 through 3 can be used to illustrate this point. First, intra-COMESA trade was estimated at only 5-7 percent of total COMESA world trade in 1985 (see, among others, Hess, 1994, p.19; and Mutharika, 1994). Intra-COMESA trade in 1993 amounted to US$1,634.72 million (Tables 2 and 3). This is only 6.25 percent of the US$26,131 million total trade with the world in 1993 (Table 1), no change against the 1985 percentage figure. The average annual growth in intra-COMESA trade between 1985-93 (Table 3) was 7.8 percent. For a significant net trade creation effect to be revealed, intra-COMESA trade as a proportion of total COMESA world trade (the 6.25 percent above) should have been larger in 1993. It appears that other "external" forces are determining the structure of these countries' international trade.

Table 3: Intra-Comesa FOB Imports (Value in Millions USD)

Country	1985	1986	1987	1988	1989	1990	1991	1992	1993
Angola	7.70	2.80	9.20	5.20	5.48	5.79	7.30	9.47	6.00
Burundi	35.94	31.20	24.04	28.74	24.40	20.98	26.09	29.85	20.00
Comoros	3.58	4.14	3.16	2.49	3.88	4.49	4.99	4.06	4.000
Djibouti	14.71	20.11	18.03	17.34	22.24	21.75	21.75	23.64	14.91
Ethiopia	9.23	11.66	17.17	12.12	8.51	9.73	9.73	10.83	339.00
Kenya	14.72	24.08	42.25	50.03	56.67	66.57	66.57	61.98	90.00
Lesotho	0.30	0.20	3.30	1.60	1.70	2.24	2.24	1.52	1.00
Madagascar	2.96	5.12	2.96	3.30	4.91	12.02	12.02	13.03	16.64
Malawi	16.78	15.63	19.51	48.84	31.48	36.76	36.76	63.09	68.91
Mauritius	8.65	9.63	18.21	9.28	11.83	29.04	29.04	28.48	37.73
Mozambique	23.56	47.99	67.03	64.80	71.91	91.36	91.36	69.64	71.00
Namibia	0.880	0.70	1.20	0.50	0.80	0.80	0.80	3.95	11.00
Rwanda	42.19	52.77	39.49	37.29	31.08	36.18	36.18	52.33	64.00
Seychelles	7.64	2.43	3.36	2.48	3.16	5.36	5.36	6.10	8.00
Somalia	7.88	16.78	25.48	31.26	32.18	41.09	41.09	35.18	44.91
Sudan	36.58	43.48	36.40	35.90	31.13	38.26	38.26	39.24	27.0
Swaziland	0.71	0.20	4.20	3.92	4.12	5.26	5.26	3.00	1.00
Tanzania	28.221	24.49	33.38	39.83	33.49	39.48	39.48	42.81	67.00

Uganda	86.59	109.49	86.09	95.82	86.72	100.08	100.08	109.55	64.00
Zaire	29.60	51.70	46.46	35.53	37.78	40.83	40.83	40.30	20.64
Zambia	60.00	40.89	46.53	82.97	108.28	91.43	91.43	86.22	82.45
Zimbabwe	21.98	13.85	27.28	46.16	47.66	50.76	50.76	62.50	58.18
TOTAL	460.3	529.4	574.7	655.4	659.4	683.5	757.5	796.8	817.4
Growth (%)		15	9	14	1	4	11	5	3

Source: Comesa Secretariat, Lusaka, Zambia (1996).

Given the large role played by non-COMESA trade in the import/export structures of COMESA countries, one might question the wisdom and effect of these countries pursuing an economic integration scheme. The answer lies in the fact that static trade creation/diversion analysis ignores key dynamic effects of integration which do play a crucial role in motivating the formation of the integration schemes. Specifically, participation in an integration scheme is often viewed as the only means for breaking the shackles of limited domestic markets as well as an unfavorable post-colonial import/export trade structure. Regional market expansion may make possible the furthering of import substitution policies, increase in export stability, increased efficiencies resulting from increased competition, and increased foreign inflows. Over time, these dynamic effects can contribute to economic growth. Unfortunately, COMESA is too young for these effects to be experienced in any meaningful way.

The major conclusion to be drawn from the above analysis is that there has been no increase in intra-COMESA trade creation nor any evidence yet of dynamic benefits as a result of integration. In addition to the other economic statistics cited earlier, this leads us to our next major question: What have been the impediments to achievement of the integration objectives and ideals? This question, addressed next, forms the bulk of this paper. We start by looking at factors that have nothing (or very little) to do with structural adjustment programs (SAPs) that most of these countries have implemented, and later on we look at SAP-induced impediments to integration.

NON-SAP IMPEDIMENTS TO INTEGRATION AND ACHIEVEMENT OF PURPOSES

Initial rigidities

Several factors present at the time most African countries gained their independence can be cited as contributory to the failure of integration thus far. Among these structural deficiencies are dependence on a few (and primary, as opposed to value-added) exports; capital-intensive production; and underdevelopment of human capabilities. We discuss each of these in turn.

Dependence on a few, primary, exports

A major congenital rigidity of most COMESA economies is that their colonial masters encouraged the development and export of a few primary raw material products meant to service factories in Europe, a situation that has changed very little in the 1990s. Oxfam (1993) goes so far as to suggest that overdependence on commodity exports on depression-prone world markets is at the heart of Africa's trade crisis. More than any other developing region, Africa depends on primary commodities—such as coffee, cocoa, cotton and copper—to generate the foreign exchange needed to buy imports. For historical/colonial reasons, Africa's major export markets are also identical, a fact which causes its own problems.

Table 4 shows the extent of commodity export dependency of 15 of COMESA's 22 members. Primary commodities constitute an average of 82.6% of total export earnings for these countries, of which 59.4% are from single commodities. Apart from creating balance of payments problems if production of the single commodities is disrupted, any slump in world commodity prices erodes the ability of COMESA economies to maintain investment in infrastructure, to say nothing about the negative effects on regional integration efforts.

Capital versus labor intensity

Another structural bottleneck of COMESA economies is their reliance more on capital rather than labor-intensive techniques of production, a situation many critics attribute to the nature of the import-substitution-industrialization (ISI) strategy embarked upon after independence for most of these countries. Donges and Heimenz (1991, p.217) point out that import-substitution policies tend to favor: (1) production of relatively capital-intensive products— as typically the industrial structure gets diversified in the vertical direction; (2) the application of capital-intensive technologies—because of relatively low barriers to imports of capital goods; and (3)

an inefficient use of capital—owing to the lack of competition in domestic markets. All this happens at the expense of labor-intensity, of which COMESA has a relatively large endowment.

Table 4: Commodity Dependency of Selected African Countries, 1992

Primary commodities as a % of Total Export Earnings	Country	Individual Commodities as a % of Total Export Earnings
99.9	Mauritania	(iron ore 45.0/fish 42.0)
99.7	Zambia	(copper 98.0)
97.9	Rwanda	(coffee 73.0)
97.9	Niger	(uranium 85.0)
95.1	Burundi	(coffee 87.0)
95.0	Uganda	(coffee 95.0)
95.0	Namibia	(diamonds 40.0/uranium 24.0)
94.7	Somalia	(live animals 76.0)
93.4	Malawi	(tobacco 55.0/tea 20.0)
90.0	Ethiopia	(coffee 66.0)
88.9	Burkina Faso	(cotton 48.0)
88.5	Sudan	(cotton 42.0)
84.3	Mali	(live animals 58.0/cotton 29.0)
83.3	Togo	(phosphates 47.0)
82.0	Guinea Bissau	(cashew nuts 29.0/groundnuts 23.0)
79.3	Tanzania	(coffee 40.0)
76.3	Mozambique	(fish 27.0/prawns 16.0)
72.0	Chad	(live animals 58.0/cotton 29.0)
71.6	Senegal	(fish 32.0)
68.7	Zaire	(copper 58.0)
68.5	Ghana	(cocoa 59.0)
63.2	Sierra Leone	(diamonds 32.0)

61.5	Kenya	(coffee 30.0)
56.9	Zimbabwe	(tobacco 20.0)
48.0	Gambia	(groundnuts 45.0)
46.2	Lesotho	(mohair 24.0)

Source: Reconstituted from Table 3 (Oxfam 1993, P. 8)

(c) *Underdevelopment of human capabilities*

With a 1993 combined population of about 290 million (Table 1), COMESA economies are potentially rich in human resources. Yet as Stewart (1991, p.426) points out, people have been relatively neglected, badly educated and in poor health, with their capacities frequently under-used. The consequence is low labor productivity and lack of competitiveness, despite very low wages. It is easy to flame controversy in a paper like this, but few people would argue that part of the reason for Africa's poor educational record originates in its colonial history, which left the continent with a markedly worse educational structure than any other region in the world. For example, Stewart (1991, p.426) points out that Africa's primary school enrollment ratio in 1965 was less than half that of East Asia and Latin America and only two-thirds that of South Asia, while secondary educational enrollment rates were less than a quarter of those elsewhere. Twenty years later, in 1986, the gap between Africa and the rest of the developing world was still as large as before.

Other Non-SAP Factors

In addition to the structural rigidities discussed above, other non-SAP factors have contributed to non-achievement of integration objectives and ideals. Among these are: parochialism, dependence on the developed West, proliferation of regional groupings, politics, a huge external debt burden, transport problems, lack of information, Africa's economic crisis, dis-equalizing effects of integration, deleterious world economic conditions, bribery and corruption, as well as war, drought and disease. We look at each of these next.

(d) *Parochialism*

Problems in COMESA stem from failure, on the part of member-state governments, to internalize COMESA agreements in their national administrations and development plans (Nomvete, 1993, p.51). In many of the member states cooperation does not go far beyond the signing of treaties and protocols. Moreover, some governments do not send to meetings those officials who have the appropriate expertise on the issues to be discussed. For example, Bax Nomvete, first Secretary general of the PTA (COMESA), maintains that it is not unusual for an official who is a general economist or administrator to be designated to attend all cooperation meetings, irrespective of whether the topics to be discussed are technical, policy or administrative matters. The result, of course, is that appropriate substantive ministries, whose officials or experts do not attend such meetings, are generally unaware that collective decisions are being taken on topics in their fields of competence. Hence no action is taken to implement the decisions or to set aside funds for the implementation of programs adopted.

(e) *Excessive dependency of COMESA states on the developed West*

As a result partly of the congenital rigidities discussed earlier, it is no secret that many African nations generally still depend on the West for imports of raw material-supplies and manufactured products, even in cases where products of comparable quality may be available in member states. This runs counter to the rationale for creating bigger markets to facilitate the growth of viable production ventures. High dependence on imported raw materials from the West makes COMESA economies particularly vulnerable to foreign exchange availability—which in Africa is typically in short supply. Secondly, inter-sectoral and intra-sectoral linkages are bound to be weak, because firms buy their requirements from outside COMESA, rather than from within.

There are a number of reasons for the continued dependence on the West. Two of these (cited by Nomvete, 1993) are worth noting. First, the preference for Western imports is attributable to habit, where both consumers and the importers prefer anything "Western." Secondly, many of the imports from the West are tied directly to aid programs which tend to favor imports from the aid-giving country: nearly two thirds of capital and commodity aid and an even higher proportion of technical assistance require imports from the aid-giving country. This happens regardless of the suitability of the products for local conditions. About US$5 billion worth of goods exported by COMESA members to developed countries are re-imported back into the region by other members. And as a SADC Top Companies Report (1994, p.57) notes, tied aid is known to play a role in this distortion.

(f) *Proliferation of regional groupings*

Why—the logical question can and should be asked—does Eastern and Southern Africa need COMESA, SADC, and the Southern African Customs Union (SACU, whose members are: Botswana, Lesotho, Namibia, South Africa and Swaziland)? With the exception of Botswana, all 9 other members of SADC (Angola, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe) are also members of COMESA. Three of the five SACU members are also members of both SADC and COMESA.

Almost half of COMESA members are also members of SADC, whose membership is smaller than COMESA's. This may tend to weaken the integration process. It leads to costly competition (even for attention and resources); conflict; inconsistencies in policy formulation and implementation; unnecessary duplication of functions and efforts; fragmentation of markets and restriction in the growth potential of the sub-region. SADC was formed in 1980 to reduce member countries' dependence on the then apartheid South Africa. Since May 1994 South Africa has had a Nelson Mandela-led black majority government and apartheid is officially over, throwing into serious question SADC's raison d'etre. And as Hess (1994) points out, talk of merging SADC and COMESA has not yielded any results. Bureaucracies have a tendency to be self-perpetuating.

(g) *Political obstacles to integration*

A sustained political and ideological will to succeed, on the part of individual member governments, is critical to the success of any regional economic grouping. This is an argument that McCoy (1993, p.88) articulates with regard to the Caribbean Community (CARICOM). As with CARICOM, COMESA lacks a viable and stable commitment by member country governments, a complaint echoed by many of those interviewed by one of the authors in January 1996 at the Secretariat in Lusaka. Several different political ideological perspectives also exist, especially with regard to Sudan, Ethiopia, Angola, Burundi (where a July 1996 military coup against majority-Hutu President Ntubantunganya restored former minority-Tutsi President Pierre Buyoya), Mozambique, Rwanda, Zaire and Somalia—the civil war-ravaged members of COMESA. Other member governments—especially Zambia, Malawi, and to some extent Zimbabwe and Kenya—have experienced sweeping shifts in development ideology, leading to changing policies with regard to COMESA. In Zambia, for instance, commitments made by the post 1964 (independence) Kenneth Kaunda administration were either ignored or modified beginning in 1992 by the free market oriented Frederick Chiluba government. In the Peoples Democratic Republic of Congo (the name Zaire assumed when President Laurent Kabila defeated the now late President Mobutu Sese Seko in 1997), there has not yet been enough time for us to discern any clear and coherent policy direction.

As McCoy (1993) correctly argues, "ideological pluralism" has a fragmentary influence on such groupings as COMESA because different governments have different conceptions as to how the goals of COMESA are to be fulfilled. Exporters have also been unable to establish themselves in certain markets within the grouping because of "their failure to comply" with market practices there. A case in point is Zaire, where they are expected to pay a commission (bribes) to agents. It is not surprising, therefore, that COMESA does not have adequate mechanisms to verify and enforce agreed-to policies. No supranational body with any effective enforcement authority within a member country's borders exists.

(h) *Africa's debt burden*

Africa, generally, has experienced mounting external indebtedness accompanied by very high debt service ratios which have diverted a significant portion of export earnings from development programs (including those that are specifically integration-related) to debt servicing (PTA, 1992, p.5). A debt service ratio measures debt-service payments as a percent of export earnings. Of the 9 countries in the world whose 1996 debt is unsustainable, 5 are in COMESA: Zambia, Mozambique, Burundi, Zaire and Sudan (Financial Mail, 30 June 1996). These countries do not have the capacity to service existing debt from export earnings, capital and aid flows without undue burden on their people.

No one is more succinct about Africa's debt problem than Boutros Boutros Ghali, Africa's first UN Secretary General, when he says that external debt is a millstone around the neck of Africa. For African nations excluding the Arab North, external debt jumped from 29.2 percent of GNP in 1980 to 108.8 percent by 1992 (Oxfam, 1993).

Any attempt at appreciating Africa's debt situation ought to start by recognizing that debt problems are largely a symptom of other sources of economic difficulty (such as political turmoil, failed government and SAP policies, and worse-than-expected terms of trade), and it is these—as one author observes—which make loan repayment burdensome. A shortage of foreign exchange, and of the imports it can buy, is at the heart of many of these difficulties. And as Quarcoo (1990, p.10) observes, the need to divert scarce foreign exchange derived from limited export proceeds to debt service payments means that other critical development needs must be sacrificed. In Zambia there is the unhappy circumstance that a significant portion of the debt between 1985 and 1987 went to providing the salaries and upkeep of technical experts from the source countries, as well as acquiring equipment which never really increased productivity. More recently Profit (June 1994, P. 29) says donor assistance to Zambia reached an all-time high of US$1.3 billion per year from 1992 to 1994, but 98 percent of this was used to pay off foreign debt (a classic case of donors/lenders making payments to a country only to pay themselves)—instead of, for instance, being spent on integration and development related local investment in requisite infrastructure.

(i) *Transport problems*

The transport infrastructure for intra-COMESA trade (including roads, rail systems, air and some shipping) is not only inadequate, but in many cases non-existent. Burundi, Comoros, Lesotho, Mauritius, Rwanda and Somalia, for instance, have no railway systems. Individual systems may also not always be fully compatible, especially in terms of intermodal transfer of goods. In some cases, parts of the network (especially in war-torn states such as Mozambique, Angola, Zaire and Burundi) need urgent rehabilitation and upgrading.

Interviews we held with the COMESA Secretariat in Lusaka revealed that the COMESA road network consists of approximately 561,000 km of classified roads, of which only 64,000 (11.4%) are tarred. The main transport corridors are essentially focussed in an east-west direction from the ports to the hinterlands, with very few north-south links. The main corridors are:

- Mombasaà Nairobià Kampalaà Kigalià Bujumbura.
- Dar-es-Salaamà Kigomaà Bujumburaà Kigali.
- Nacalaà Blantyreà Lusaka.
- Maputoà Bulawayoà Lusaka.
- Maputoà Lubumbashià Lusaka.
- Beiraà Harareà Lusaka.

The above network has been characterized by high operating costs due primarily to poor road conditions and cumbersome transit operations. This limitation, no doubt, does not help the integration process.

(j) *Lack of information*

Nomvete (1993, p.53) makes the useful point that lack of information has also hindered the development of intra-COMESA trade. Most African nations are traditionally linked to former colonizing nations and, as a consequence, there is an acute lack of awareness of what other African countries can offer to substitute for the products currently being sourced from the developed countries. Lack of information is also a direct result of inadequate economic infrastructure in COMESA, especially in telecommunications and transportation facilities, directly hindering interaction among COMESA countries. Yet as Brahmbhatt and Dadush (1996) argue, high-quality communications are essential for countries that aim to participate in global production structures (some established by multinational corporations); to respond promptly to rapidly changing market conditions; or to participate in new export markets for long-distance services such as data processing, software programming, and customer support.

(k) *Africa's economic crisis*

It is no secret that with less than two years to the 21st Century, most African economies are in a near-hopeless situation. Weak and stagnant economies are a major obstacle to integration because of their negative impact on government policies.

The fundamental causes of Africa's structural crisis are quite diverse and complex, and we urge extreme caution about any simple diagnoses and prescriptions with regard to the region's economies.

Some causes are deeply rooted in history— as with the mono-cultural or single-commodity-dependent, primary-export-led economies that colonial masters bequeathed to individual nations at independence; some lie in nature—as with the proneness to drought in recent years; some lie in the external economic environment—as with the oil shocks of the seventies that led to a mounting oil import bill, and the protectionist trade policies of the developed West; some lie in wrong domestic policies—as with the anti-rural bias evident from the lack of support for agricultural development through improper pricing and other incentive policies; and a variety of burdensome African government interventions in commerce, trade and industry with little or no public benefit.

Yet other causes are direct results or exacerbations of the World Bank and IMF's structural adjustment programs, as with the many devaluations of African currencies which, instead of inducing the required supply response from non-traditional exports, has let inflation loose.

Both the causes and extent of Africa's economic crisis are so diverse and complex as to make regional economic integration difficult at best, impossible at worst. As Nomvete (1993) observes, most African nations entered the 1990s poorer than they were in the 1970s. Most of them are faced with mounting economic problems, minimal to negative economic growth rates, low domestic savings and investment, severe foreign exchange scarcity, balance of payments difficulties and a heavy foreign debt burden.

Such a period of economic weakness is not a favorable time to formulate long-term plans to promote intra-sub-regional or regional trade. Nomvete (1993) says that pressures are such that governments will give priority to domestic crisis management and take protective measures against other countries, including the regulation of the domestic economy in sensitive sectors and the imposition of restrictions on imports and on the use of scarce foreign exchange.

(l) Dis-equalizing effect of COMESA integration

Some countries in COMESA (notably Kenya and Zimbabwe, judging from their dominance of intra-COMESA exports reflected in Tables 2 and 3) are economically more advanced than the others. COMESA works on the premise that the benefits of integration will be distributed among member states in an equitable manner. However, the elimination of trade barriers and the adoption of common investment policies do not necessarily lead to such an equitable distribution, but rather support or stimulate the tendency of investments to concentrate on the relatively more advanced economies (Nomvete, 1993).

Various mechanisms directed towards the equitable distribution of benefits become necessary. In COMESA's case, no mechanism has resolved the issue. It is this tendency for the polarization of development in some members of COMESA, especially the inequitable distribution of new activities in the production and research sectors, which may be one of the greatest threats to integration.

(m) Unstable world economic conditions

Exacerbating COMESA's troubled economies (and therefore inhibiting integration) have been a succession of unfavorable world economic conditions. COMESA economies, as well as those of many other developing nations, have suffered as a result of negative developments in the wider world economy. The IMF (1994, p.63) points out for instance that the most adverse effects have come from changes in the terms of trade. Two major recessions in the industrial countries since 1980 depressed demand for developing country output and put downward pressure on commodity prices and, hence, on the commodity export prices of these countries. Negative terms of trade movements, as the IMF observes, also reduce output by increasing the cost of imported intermediate and capital goods, on which all COMESA members are heavily dependent.

(n) War damage, Disease and Drought

We would be remiss, in a paper discussing COMESA integration, not to make reference to the disastrous effects of war, drought, and disease on national and regional economies. The point was made, in the introduction to this paper, that COMESA has the most distressing list of nations (of any African regional grouping) that have effectively ceased to function as modern nation states. Burundi, Rwanda, Mozambique, Sudan, Ethiopia, Somalia, Angola and Zaire face enormous and expensive reconstruction problems from years of civil wars that have left them desperately short of skills and infrastructure that will take a generation to rehabilitate. Likewise there is a massive back-log of unfulfilled social development. They cannot, therefore, be expected to be equal and effective participants in a regional economic grouping.

Disease—from malnutrition to Aids—cannot be ignored either. Many analysts, among them Holman (1993) point out that Aids is already taking a heavy toll on Africa generally. More than half of the world's more than 15 million sufferers are in Africa, many from the skilled urban class on whose shoulders ought to lie squarely the arduous task of rejuvenating African economies through structural reforms, regional integration, and other means. At the micro-level—in various ministries, companies and industries—Aids-related problems come in the form of falling effectiveness, productivity and efficiency due to disability, rising sick leaves and time taken off by employees to care for relatives.

Finally, COMESA has had its share of drought-induced impediments to integration. Several countries have been constant victims of either inadequate rains or drought during the last 10 years. Ethiopia's experience in the mid-80s is by far the worst case. In 1992 Southern Africa experienced its worst drought in living memory, whose effects crippled agriculture, cutting supplies of raw inputs to down-stream industries which in turn rely on agro-based industries for a huge slice of their domestic sales. In Zambia, the 1992 drought precipitated a 39.3 percent drop in agricultural output (see, among others, Price Waterhouse, 1993, p.6). Given that most of Africa's population depends on agriculture for their livelihood, it is not difficult to see how drought affects their standard of living (and death).

(o) Bribery and Corruption

A final impediment to integration is the issue of bribery and corruption in Africa generally. As in many other developing regions, corruption is prevalent at many levels and in different forms—including government (and government ministries) in the awarding and execution of contracts, and at customs check points in many parts of COMESA. A related, and serious, impediment germane to foreign direct investment (FDI) into Africa generally deals with what Grant (1992, p. 27) calls "press images of corruption in Africa." Grant sums up this concern when he says:

Africa receives terrible press in the United States, not only the corporate, but also the public image being one of abject poverty. The image is also one of corrupt governments which, when taken together, very much discourages potential investors.

The foregoing discussion has centered around factors inhibiting COMESA integration that are not directly associated with economic reform programs suggested by the Washington-based Bretton Woods Institutions (BWIs)—the World Bank and the IMF. But, as we

shall see next, there are impediments to integration specifically induced by structural adjustment programs (SAPs).

SAP-INDUCED IMPEDIMENTS TO THE ACHIEVEMENT OF COMESA AIMS

All COMESA member states are currently implementing, at different stages, structural adjustment programs (SAPs) under World Bank and IMF tutelage. Effective SAPs ideally should assist sub-regional economic integration since their main purpose is to rekindle economic growth by increasing the mobility of production factors (including labor and raw materials) and by decreasing economic discrepancies. But certain aspects of structural adjustment programs as dictated by both the World Bank and IMF (such as the content of conditionality or policy strings attached to loans; and the speed and timetable of the adjustment process) may in fact be a hindrance to integration in COMESA. Conditionality has traditionally included the adjustment (devaluation) of local currencies and/or floating of hitherto fixed exchange rates; the decontrol of internal price systems as well as external and internal trade flows (trade liberalization); abolition of state enterprises and monopolies in both production and marketing; reforming of banking policy, including interest rate decontrol; cutting the state budget, including the removal of all consumer subsidies and other social expenditures; and reduction in money supply accompanied by a general public sector wage and salary freeze to control inflation. We look at some of the SAP-induced factors, next .

The counter-factual argument

It is necessary, first, to point out that the discussion on SAP-induced impediments to COMESA integration is not a wholesome condemnation of the usefulness and relevance of SAPs in Africa, the need for which (but not necessarily the mode of implementation) the authors of this paper explicitly recognize. Neither can we forget the counter-factual argument. Most African nations embarked on World Bank and IMF supported SAPs in the early 1980s because of economic distress. African countries embarked on SAPs because they found what Edward Jaycox (the long-serving World Bank Vice-President in charge of Africa) calls "their backs to the wall." In the Courier (1991), Jaycox says most countries did not introduce SAPs enthusiastically:

> *They entered into SAPs because they were desperate and when they did so there were no goods on the shelves, no spare parts, no trucks, no batteries and no tires...no drugs in the clinics, no chalk and books in their schools.*

What would have happened in the absence of SAPs? In other words, what sort of economic mess were COMESA members in before the onset of World Bank and IMF supported reform efforts, and what sort of mess would COMESA states be in now in the absence of SAPs? Although counter-factuals such as this are hard to prove, in most African nations it is easy to make educated guesses as to what would have happened (because of the many and deep-rooted structural deficiencies discussed earlier), and it is most probable that even if economies have continued to perform poorly under SAPs, they would have performed *even poorer* without them.

Contradictory effects of SAP measures: conflict between IMF demand-management versus World Bank supply-response measures

Killick (1992, p.8) makes the useful point that the demand-management approach of the IMF (with its emphasis on reducing imports and government expenditure) and the supply-orientation of the World Bank (emphasizing exports or outward-orientation) are not always easy to reconcile. There is the danger, he argues, that IMF-type programs which envisage large reductions in imports will erode export supply responses, to say nothing of the costs imposed by way of foregone output. Cuts in public expenditure almost invariably affect items which are essential for long-term development, notably expenditure on developing human capabilities (health, education, and training), on R&D in priority areas, and on infrastructure, especially in rural areas (Stewart, 1991, p.427). Trade (import and export) liberalization is another major element or policy string attached to procurement of loans from the World Bank and the IMF. But as Stewart points out, current adjustment packages make no special efforts to promote regional trade in their support of undifferentiated import liberalization. Because of the highly competitive nature of products from outside COMESA (especially from Asia), generalized import liberalization can discourage regional trade—which has continued to be low in Africa, accounting for no more than 5 percent of official or documented trade.

It is not surprising that the path of World Bank and IMF-induced economic reforms in such countries as Zambia and Zimbabwe is littered with corporate casualties. Companies have either been thrown out of business by competing imports, recession-induced low demand, or crippled to death by high interest rates brought by liberalization and government attempts to curb inflation. At the high rates (which averaged around 65 percent in Zambia between 1992 and 1995) credit is beyond their reach, and companies cannot invest or reinvest in production, let alone meet their working capital requirements.

If a country like Zambia which is heavily raw-material and input import-dependent sees the opportunity to invest in export-oriented industries that will sell to other COMESA countries, there's a definite SAP-induced impediment to integration if the needed imports to support export production cannot be made under the demand-management approach.

Identity/similarity of SAP programs in the region

As indicated elsewhere in this paper, most of these countries pursue similar reform programs (at the same time) and face the same World Bank and IMF conditionalities. As part of SAP they all aim to reduce imports. If one country's imports are another's exports and the former are cut as part of the demand-management approach, this obviously affects exports. In 1991, for example, Zambia's exports to Zimbabwe were reduced because, as part of its own SAP, Zimbabwe had to reduce its imports in line with its own tight foreign exchange situation. This amounted to a loss of export earnings for Zambia.

Asymmetry of the adjustment process

A far more serious problem at the international level deals with what Woodward (1992, p.148) describes as problems in the global adjustment process, specifically what he calls "the asymmetry of macro-economic adjustment." Woodward reminds us that the process of macro-economic adjustment centers around the pressure on countries such as those in COMESA with balance of payments (BOP) deficits to reduce them, without any equivalent pressure on surplus nations to reduce their surpluses.

If Woodward's useful argument is taken—that one country's BOP deficit is by trade definition another country's BOP surplus, just as one country's imports are another country's exports—then the asymmetry is further compounded by the demand-orientation of IMF programs, requiring adjusting developing countries to reduce demand or imports as part of conditionality. This situation tends to push developing deficit nations into reducing their demand as a means of external adjustment, but surplus nations are under no equivalent pressure to allow an off-setting increase in their demand. When deficit nations represent a large proportion of the world economy— as they currently do—the net effect is to slow down the growth of demand, and thus of income, in the world economy. The above scenario leads to a reduction in the rate of growth of demand for the exports—both primary and manufactured—of countries like those in COMESA that are trying to adjust.

PRELIMINARY SUMMARY

This paper has been an attempt to look at the problems and challenges facing one of Africa's largest regional economic groupings, the common market for Eastern and Southern Africa (COMESA). Specifically, we have discussed some of the factors that to date have made it difficult for COMESA to achieve its integration aims and ideals. These aims and ideals include static performance indicators (such as trade creation) as well as dynamic effects over time. African economies in general (and those of COMESA particularly) suffer from too many structural rigidities to allow for free and fair regional markets and smooth integration.

Many of the impediments to integration have nothing to do with the structural adjustment programs (SAPs) dictated by the World Bank and IMF and pursued by states in the region. Among the major non-SAP impediments to COMESA integration are structural rigidities (such as dependence on a few primary exports and underdevelopment of human capabilities); parochialism; dependence on the developed West; proliferation of regional groupings; politics; a huge external debt burden; transport problems; lack of information; Africa's economic crisis; dis-equalizing effects of integration; deleterious world economic conditions; as well as war, drought and disease.

The major SAP-induced impediments seem to originate from the imports side: where all countries are encouraged to export (under the World Bank's outward orientation), but at the same time the demand-management approach of the IMF calls for cut-backs in imports. This is an obvious contradiction given that COMESA countries pursue simultaneous and identical adjustment programs.

Economic integration is a complex process. Africa, unfortunately, has yet to succeed in having a regional grouping that has all three fundamental conditions necessary for the success of economic integration: sustained political commitment, regular growth of national economies, and no major economic sub-regional disparity. As Traore (1993) correctly points out, in the economic sphere most of the countries have in fact stagnated or lost ground over the past decade and now have to apply the painful solution of structural adjustment, the latter bringing its own impediments to integration. COMESA, therefore, is far from living up to its advance billing as savior of economies in Eastern and Southern Africa. Having said that, our firm and unambiguous stand is that COMESA member states must not only continue but also intensify efforts at removing (or, at least, reducing) the many obstacles to integration currently besetting the regional grouping. We say this because, among many other important reasons, a truly regional and hemispheric-wide cooperative arrangement has many benefits to (and for) business. We discuss some of these next, under "major implications for business."

MAJOR IMPLICATIONS FOR BUSINESS

What, then, are the immediate and likely long-term implications for business of the circumstances in COMESA that we have discussed in this paper? We believe that in order to be both comprehensive and meaningful, any such discussion (of the implications for business) must address both ***O*pportunities** and ***T*hreats** created. This section addresses both.

Opportunities for Business

Both in theory and in practice, creation of a single market (which is the intent of COMESA) offers significant opportunities because individual-country markets that were formerly highly protected from foreign competition are opened: to both intra-COMESA trade and foreign direct investment (FDI). Both of these (increased intra-COMESA trade and a more enabling environment for foreign businesses via FDI) are uncontestably powerful instruments (though by no means the only ones) towards Africa's much needed exposure to the world economy. Such enhanced exposure and participation in the global economy has the potential benefit of exposing African business (and business people) to new ideas, technologies, and products; improved resource allocations; heightened competition as a spur to achieving world standards of efficiency (Brahmbhatt and Dadush, 1996, p. 47); wider product and service options for consumers; and the ability to tap cheaper sources of finance internationally.

As Hill (1998, p. 256) argues in the case of the European Union (EU), it is equally true that to fully exploit such opportunities it will pay for non-COMESA firms to set up subsidiaries in COMESA member states. Those firms that do not establish themselves now run the risk of being shut out of COMESA by non-tariff barriers. A second potential opportunity for business arises from what Hettne (1996) refers to as the development strategy implied in regional integration activities. We have in mind (for business in COMESA) what Hettne calls the conscious fostering of complementaries, industrial projects, and joint investments in transport, infrastructure etc. The latter, as we have seen earlier in this paper, is currently inadequate at best. The potential for better and wider technology transfer within and into the region from outside also has to be underscored.

Additional opportunities arise in part from the inherent lower costs of doing business in a single market as opposed to 22 national markets, each with different tariff structures and requirements. When (and if) COMESA becomes more integrated as most of the impediments we have discussed are overcome, then the free movement of goods and services across borders; harmonized product standards; and simplified tax regimes will make it possible for COMESA-based companies to realize potentially enormous cost economies by centralizing production where the mix of factor costs and skills is optimal. Some of this is already happening, as the case of *Colgate Palmolive (Zambia Limited)* illustrates. Muuka (1998) says the Ndola (Zambia) based multinational decided to rationalize operations by first of all laying off 112 Zambian workers and eight managers (from a total workforce of 170 in Ndola alone). Then it closed down its soap production line and moved several production facilities to Harare, the Zimbabwean capital. Part of the reason for the move was to take advantage of economies of scale, as Harare was seen by the company as more central and more cost effective than other alternative locations.

The South African factor

South Africa's role in any meaningful economic transformation in much of the southern half of the African continent cannot be overemphasized. As Danso (1995) points out, South Africa's highly developed manufacturing sector producing such exportable items as food products, transportation equipment, machinery, and textiles together with its financial, technical, and capital assets presents Africa (and especially COMESA, of which it is not yet a member) with the needed springboard for endogenous continental development and eventual integration. The role of South Africa becomes even more critical if Africa is to have a place in the new world trading system under the World Trade Organization, a fact not to be overlooked by both African leaders and Afro-supportive business.

Threats to Business

Along with the emergence of business opportunities created by a multi-country COMESA market will be numerous problems and threats. Some of these are already apparent, emanating largely from the many, deep-rooted and diverse current impediments to integration that we have discussed earlier on in this paper. For one thing, the business environment within COMESA is likely to become much more competitive. Low barriers to trade and investment between COMESA member countries is likely to lead to increased price and quality (not to mention delivery and reliability-based) competition—a benefit for consumers. The implication for indigenous African businesses and for FDI is that to survive in such a tougher, single-market environment, companies will need to take advantage of opportunities offered by the creation of COMESA to rationalize their production and reduce their costs. Otherwise they will be at a definite disadvantage. The stakes are much higher for indigenous businesses in COMESA member states, as they have to compete with non-COMESA and global companies that possess superior product and marketing (not to mention management) strategies.

IMPLICATIONS AND FUTURE RESEARCH

As described throughout this paper, COMESA comprises a relatively poor but a very large (in terms of population) market opportunity for domestic as well as multinational businesses. As businesses throughout the world look to expand markets globally, a large integrated market should be highly desirable both as a final market for products as well as a destination for FDI. However, due to the factors described above, COMESA's integration has not progressed to levels consistent with the aspirations of its founders. While many of these impediments are "Non-Sap induced," it is ironic that SAPs, which are often supported by governments of countries which are home to major multinational businesses, can retard the integration process which would be of benefit to the

multinational enterprises! Therefore we encourage multinational businesses to take a long term view as to whether SAPs are universally desirable, especially with their implications for integration movements. In addition, to the extent that business activities in COMESA can nullify some non-SAP impediments –such as transportation, capital versus labor intensity in production, human capital development etc—businesses should include this long term payoff (reduction of impediments and thus enhancement of future business opportunities) in their private decision making process.

We believe one fruitful avenue for future research would be a study of what special opportunities are presented to businesses (both domestic and international) given the "partial fulfillment" or transitional nature of this and other integration movements among developing regions. Dynamic circumstances, and even the existence of impediments (SAP and non-SAP), may actually present unique opportunities. Given the expected continued existence of these impediments and therefore the evolutionary long term nature of the integration process, identification of these opportunities would be worthwhile not only in terms of near term profits, but pursuit of these opportunities may actually lead to a dynamic which reduces impediments and thus facilitates the integration process.

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