



Enhancing Intra-African Trade through Functional Cooperation

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The pooling of markets, currencies and economies and the formation of regional political federations within Africa are supposed to increase intraregional and interregional trade gains, competition, employment and investments across the continent. However, this integration process has proven to be time consuming and cumbersome. Even with the progress that has been achieved, trade remains low in African countries. Therefore, there is a need now to consider alternatives. Intraregional trade in the African continent is at 10 percent of total trade, compared with 69 percent in Western Europe, 49 percent in Asia and 40 percent in North America (Velde 2009). Various reasons have been put forward as to why intraregional African trade has remained low, such as high transportation costs, tariffs and customs issues. One alternative way to look at the issue would be to shift the emphasis from the formation of markets and currency unions to the formation of functional cooperation in order to enhance intraregional trade.

According to Girvan (2007), functional cooperation involves “the sharing of services and the undertaking of joint activities in order to reduce costs and achieve synergies.” The advantage that functional cooperation has over regional integration is that it does not require countries to give up their sovereign powers on any matter. Furthermore, regional integration’s benefits are mainly economic, whereas functional cooperation’s benefits encompass both economic and other aspects of human and social development. Regional integration requires countries to give up their sovereignty in matters pertaining to monetary and fiscal policy and to political control which they often do not wish to do. However, functional cooperation is easier to undertake and less cumbersome. Countries simply

need to agree on the best way to share their common resources to better serve the region. This sharing is expected to result in reduced transaction costs and enhanced intraregional trade.

Functional cooperation more often than not involves regional public goods that extend across national borders. For instance, areas where functional cooperation can be undertaken would be in the provision of public health, environment/agriculture/land, security, scientific research and development, transportation and telecommunications, tourism, disaster management and fisheries/water management—to name a few. Functional cooperation is not a new concept, as evidenced by its existence in some parts of Africa. In the first iteration of the East Africa Community (EAC), functional cooperation existed whereby EAC members shared specific public services for their synergic advantages, such as the East African railways, airways, telecommunications and postal services. Transaction costs fell and trade within the EAC region was high. The EAC has since been revived with the signing of the tripartite agreement in 1996; while the East African Customs Union and common market protocol were established in 2010 (Economic and Social Research Foundation 2011). Currently, there are initiatives in the South Africa and East Africa trade blocs to cooperate in joint infrastructure projects—rail, roads and waterways.

In other parts of the world—in particular, in the Caribbean Community (CARICOM)—functional cooperation has been successful in bringing about sustainable development, as evidenced by the improved incomes, economic structures, health, education, safety nets, governance and quality of life in the

countries of the community. The Caribbean region has experienced a reduction of export concentration and an expansion of imports intraregionally. CARICOM intraregional trade in fats and waxes, and animal and vegetable oil constituted almost 90 percent of its total exports in 2006. According to CARICOM (2008), “intraregional trade exports of miscellaneous manufactured articles and beverages and tobacco on average accounted for 40.6 percent and 39.7 percent of CARICOM’s total exports in these respective categories in 2006.” Similarly, CARICOM (2010) notes that “intraregional trade grew 23-fold from 1973 to 2008.” This success has been attributed to the regional integration process, and the explanation to a large extent is found in the functional cooperation underpinning CARICOM’s single market and economy process (CARICOM 2007, 2010).

Given the success of functional cooperation in enhancing intraregional trade in the Caribbean, the efforts in Africa to cooperate in the provision of services ought to be strengthened. The institutional framework exists in African countries and they are already engaging in discussions of the areas where they can cooperate regionally. However, the recent trend is for talks to focus on the formation of common markets or currency unions. More effort should be put toward the common ownership and provision of services, infrastructure and institutional arrangements that will facilitate both intraregional and extraregional trade. The benefits from such efforts would enrich the livelihoods of the residents of African countries with better services and also lead to increased trade.

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