Beyond theatre regionalism:

When does formal economic integration work in Africa?

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Christian Westerlind Wigström, Merton College

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Christian Westerlind Wigström, Merton College, D.Phil.in International Relations, Hilary Term 2013

ABSTRACT

For the most part, formal economic integration between African states can be characterised as 'theatre regionalism': governments sign regional economic agreements with no intention to implement them. Yet amidst widespread theatre there have been a few instances of actual integration. This thesis sets out to explain this variance: under what conditions do African governments implement – and not just sign – formal agreements on regional economic integration? To answer this question the dominant Eurocentric literature on comparative regionalism is amended with insights from the third worldist literature on African states to develop a new approach for comparative analysis, the 'Regionalism as Policy Space' (RPS) framework. This framework models African regionalism as a two-stage game. At the first stage, governments' interests in regionalism are determined by perceptions of the existence of structural cross-issue linkages connecting implementation of regional agreements with the widening of government policy space. Given such linkages, at the second stage, governments of a region engage in a coordination game to establish the distribution of benefits from integration. Variance in the implementation of regional agreements, then, is explained by variance in the existence of perceived cross-issue linkages (the Benefits Existence Condition) and the ability of participating governments to ease distributional tensions (the Benefits Distribution Condition). Four African customs union case studies - the East African customs union of the 1960s and 70s, the customs union of the East African Community in the 2000s, the customs union of the Economic Community of West African States and the Southern African Customs Union – lend strong empirical support to the RPS framework. The thesis ends with a discussion of the role of hegemons and proposes a series of policy measures aiming to reduce the likelihood of theatre regionalism in Africa.

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LIST OF ABBREVIATIONS AND ACRONYMS

ACP Group	Africa, Caribbean and Pacific Islands Group of States
AMU	Arab Maghreb Union
ANC	African National Congress
BLNS	Botswana, Lesotho, Namibia, Swaziland
BLS	Botswana, Lesotho, Swaziland
CCM	Chama cha Mapinduzi (Tanzanian political party)
CEAO	Communauté Economique de l'Afrique de l'Ouest
CEMAC	Economic and Monetary Community of Central Africa
CEN-SAD	Community of Sahel-Saharan States
CEPGL	Economic Community of the Great Lakes Countries
CET	Common External Tariff
CFA franc	franc de la Communauté Financière Africaine
COMESA	Common Market of East and Southern Africa
CRP	Common Revenue Pool
EAC	East African Community
EACSO	East African Common Services Organization
EC	European Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
ETLS	ECOWAS Trade Liberalisation Scheme
EU	European Union
GEAR	Growth, Employment And Redistribution
GDP	Gross Domestic Product
HLTF	High-Level Task Force
IGAD	Intergovernmental Authority on Development
IOC	Indian Ocean Commission

IR	International Relations
ISS	Institute of Security Studies
KAM	Kenya Association of Manufacturers
NAFTA	North American Free Trade Agreement
NRM	National Resistance Movement
NTB	Non-Tariff Barrier
OAU	Organization of African Unity
ODA	Overseas Development Assistance
ODI	Overseas Development Institute
OECD	Organization for Economic Cooperation and Development
PTC	Permanent Tripartite Commission
RIO	Regional Integration Organisation
RPS	Regionalism as Policy Space
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
TANU	Tanganyika African National Union
TLS	Trade Liberalisation Scheme
UDEAO	Union Douanière des Etats de l'Afrique de l'Ouest
UEMOA	Union Economique et Monetaire Ouest Africaine = WAEMU
UMA	Ugandan Manufacturers Association
UN	United Nations
UNECA	United Nations Economic Commission for Africa
UNHCR	United Nations High Commissioner for Refugees
WAEMU	West African Economic and Monetary Union = UEMOA
WTO	World Trade Organization

Chapter 1: Setting the stage

Here is the challenge which destiny has thrown out to the leaders of Africa. It is for us to grasp that golden opportunity to prove that the genius of African people can surmount the separatist tendencies in sovereign nationhood by coming together speedily, for the sake of Africa's greater glory and infinite well being, into a Union of African States.[1]

Ever since independence from colonial authorities in the 1960s, African governments have shown a great interest in signing agreements on regional economic integration. As a consequence, today, every state in Africa is a member of at least one regional integration organisation (RIO) and most are members of two or three[2]. The Democratic Republic of the Congo is a member of four[3]. Given the often cited benefits to African states from integration, this interest in RIO membership is perhaps to be expected; economic integration has the potential to boost economic growth, promote innovation and even stabilise a volatile political environment.

Yet despite the interest in *signing* regional economic agreements, African governments have shown conspicuously less interest in *implementing* the agreements that they have signed. Over the last sixty years, regionalism in most parts of Africa can be characterised as 'theatre': at summits governments sign agreements under much fanfare but once the summit

[1] Ghanaian President Kwame Nkrumah at the launch of the Organisation for African Unity (OAU) in Addis Ababa, 1963, quoted in Amoako, 2005a: 12

[2] See UNECA (2010).

[3] The Economic Community of the Great Lakes Countries, the Economic Community of Central African States, the Common Market of Eastern and Southern Africa and the Southern African Development Community.

is over the spectacle ends and agreements are left to gather dust. In other words, failure to implement agreements seems not primarily to be a function of practical difficulties. Rather, as Sako notes, 'the [African] Continent's high enthusiasm for regional integration has not been matched by commensurate political will and commitment of member states to effectively implement agreements reached under various integration arrangements'[4]. Though rare, there are, however, a few exceptions to this general observation of theatre; in a small number of isolated instances, African governments *have* implemented the regional economic agreements that they have signed. Not all African economic RIOs are theatre. This thesis is about the politics of African economic regionalism; it sets out to identify the conditions explaining this variance in implementation both across and within African regional integration projects. Specifically, the research question asks:

> **Under what conditions do African governments implement – and not just sign – formal agreements on regional economic integration?**

Given the large IR literature on regionalism the absence of a parsimonious, comparative framework to answer this question is somewhat surprising. A general focus on integration experiences in the developed world and the resulting disregard for important political-economy characteristics shared by most African states has meant that even the most promising starting points in the mainstream IR literature are ill-fitted to the African context. Against this backdrop, therefore, I combine insights from the mainstream literature on comparative regionalism with insights from the 'third worldist literature' to develop what I

[4] Sako, 2006: 6

call the ‘Regionalism as Policy Space’ (RPS) framework – a framework which argues that in order to understand when regionalism moves beyond theatre we need to understand how African governments use regionalism to acquire further policy space. The explanatory power of this framework is then tested in the context of four African customs union case studies: the East African customs union of the 1960s and 1970s; the customs union of the East African Community in the 2000s; the customs union of the Economic Community of West African States; and the Southern African Customs Union. As the RPS framework predicts, despite official declarations, the extent to which African governments implement formal regional economic agreements has very little to do directly with their expected impact on trade. Rather, variance in implementation is explained by variance in the presence of structural cross-issue linkages connecting implementation with private government interests such as government revenue, security and international standing.

To prepare for the development of the RPS framework and the empirical analysis in later chapters, this chapter is divided into seven sections. The first section surveys the prevalence of the regionalism-as-theatre phenomenon in Africa. The second section outlines the opportunity costs associated with theatre regionalism and the benefits from successful integration. The third section provides a sketch of the RPS framework and its conditions for *de facto* integration. The fourth section discusses the selection of my four customs union case studies and justifies the comparative approach taken. The fifth section discusses methodology and data. This is followed by a brief section on caveats before the chapter is concluded with a short summary of remaining chapters.

1. REGIONALISM AS THEATRE

1.1 Regionalism

A 'region' is defined as a geographical sub-system which may or may not span across national borders. Beyond that, there is very little consensus in the literature as to exactly what constitutes a region[5]. Neumann identifies three approaches[6]. The outside-in approach defines regions in relation to the global international system with the implication that regions are not self-sufficient units of analysis. The extent of a region is considered to be determined by geography. In contrast, the inside-out approach defines a region according to internal characteristics such as cultural homogeneity, economic and political interdependence and historical ties that distinguish members of the region from those outside. Yet, both of these approaches, Neumann argues, take regions as exogenously given. The region-building approach challenges this and highlights how state as well as non-state actors may have interests in actively shaping regions so as to include or exclude certain members. Thus, a region is constantly in the making.

This thesis adopts a broad definition of 'region' which embraces all of the above. It allows for the relative relevance of the security thinking behind the outside-in approach and the common-interests thinking of the inside-out approach to vary between contexts; and it holds that the exact form of 'regioness' is the result of an ongoing process influenced by active stake holders[7]. It follows that 'there are no "natural" regions' but that 'all regions are socially

[5] See van Langenhove (2003) and Hurrell (1995b).
[6] Neumann, 1994: 53
[7] Hettne and Söderbaum, 2002: 39

constructed and hence politically contested'[8]. Yet despite this seemingly all-encompassing definition, I maintain that geography sets the outer parameters for the contestability of regions. And, as will be clear below, for the purpose of this thesis it makes sense to define regions in terms of groups of *states*. In summary, then, drawing on Vayrynen's and Buzan's definitions[9], I define regions as groups of geographically proximate states with some form of cultural, economic and/or political interdependence, the degree of which may vary over time. Further, in my analysis, 'region' will refer to the sub-continental and not the continental level. This is instrumental for my comparative approach since it allows more than one 'African' region.

Knowing what a region is allows us to think about regionalism and regionalisation[10]. Regionalisation is the organic process of transnational interaction between actors on all levels of society within the region. It is often spontaneous and does not normally have a specified end point[11]. In contrast, regionalism is a conscious policy by governments to cooperate in the pursuit of interests that can only be obtained through regional integration. The form of regionalism can range from promoting regional identities ('soft regionalism') to creating formal regional institutions ('hard regionalism')[12] and is often a mixture of the two. While regionalisation and regionalism are distinct phenomena, it is clear that the former may be both a cause and an effect of the latter[13].

[8] Hurrell, 1995a: 38-39. See also Söderbaum (2004a: 420-421).
[9] Vayrynen, 1984: 340; Buzan, 1991: 190
[10] See Hurrell (1995a: 39-40) and Hveem (2006: 296).
[11] Mansfield and Milner, 1997: 3-4
[12] Fawcett, 2004: 433
[13] Fawcett, 2004: 433

This thesis is about the politics of formal economic regionalism in Africa. Specifically, it is about the politics surrounding why and when African governments choose to implement formal agreements on economic integration. Following Balassa, 'formal agreements on economic integration' can be grouped into five categories, each serving as a building block for the next: free-trade areas, customs unions, common markets, monetary unions and economic unions[14]. 'Formal' in this context must therefore not be thought of in contrast to 'substantive' but in contrast to 'informal' – the expression of regional cooperation studied under the banner of regionalisation. Limiting the inquiry to formal integration naturally suggests an examination of regional integration organisations (RIOs) since these are the vehicles through which governments typically implement regional agreements. Capturing the three aspects identified by van der Vleuten and Hoffmann to be constitutive of a RIO – territoriality, identity and scope[15] – I define a regional integration organisation as a formal institution[16] which, at least officially, is founded by governments with the aim of facilitating regional cooperation.

While increasingly out of fashion[17], the focus on formal economic integration – as opposed to informal regionalisation – is justified on the grounds of both theory and empirics. The extent to which governments implement formal regional economic agreement matters for nearly all types of regional exchange since spontaneous interaction by transnational and sub-

[14] Balassa, 1961
[15] van der Vleuten and Hoffmann, 2007: 6
[16] 'Institution' and 'organisation' will be used interchangeably in this thesis. For discussion on the definition of 'institution' and 'organisation' see, for instance, Mearsheimer (1994/95: 8-9), Keohane (1989: 5) and Ruggie (1992: 573)
[17] See Schulz *et al.* (2001: 2, 4) on the rise of the New Regionalism Approach and its eclectic inclusion of spontaneous processes initiated by non-state actors.

national groups is affected by issues such as tariffs and the right of commercial establishment. Yet surprisingly, given the far-reaching consequences of such agreements, as we will see in Chapter 2 the existing IR literature on regionalism does not provide us with a framework for comparative analysis on the conditions under which African governments choose to implement them. A glance at the state of regionalism in Africa over the last six decades strongly suggests that while implementation of agreements presupposes the provision of such agreements, their provision does not imply their implementation. More often than not, formal agreements on regional economic integration are signed and ignored.

1.2 Theatre

Thirteen economic RIOs exist in Sub-Saharan Africa today[18]. Officially, these RIOs are motivated by a belief in positive financial, economic and social returns from coordinating resources. Former South African President Thabo Mbeki claimed that '[b]ecause our individual economies are small, our hope for a better market share in the global economy lies in our combined efforts'. Accordingly, he argued, 'integration is a means through which all Africans should and must collaborate to harness diffused energies and competencies, utilise our vast natural resources and internal economic strengths so as to give our continent a comparative and competitive advantage in the world market'[19]. Indeed, the official

[18] (1) AMU: Arab Maghreb Union; (2) CEMAC: Economic and Monetary Community of Africa; (3) CEPGL: Economic Community of the Great Lakes Countries (4) COMESA: Common Market for East and Southern Africa; (5) CEN-SAD: Community of Sahel-Saharan States; (6) EAC: East African Community; (7) ECCAS: Economic Community of Central African States; (8) ECOWAS: Economic Community of West African States; (9) IGAD: Intergovernmental Authority on Development; (10) IOC: Indian Ocean Commission; (11) SACU: Southern African Customs Union; (12) SADC: Southern African Development Community; (13) WAEMU: West African Economic and Monetary Union

[19] Mbeki, 2007. Former Nigerian President Obasanjo formulates it less diplomatically: '[there is a] ridiculously large number of often economically unviable states in Africa' (quoted in Aluko, 1991: 37).

enthusiasm among African leaders for RIO membership is enormous: every country in Africa is a member of at least one RIO[20].

Yet the vast majority of these RIOs are characterised by a wide gulf between what is set out in the regional agreement and what is actually achieved. Mistry notes that Africa's commitment to economic integration 'appears to have been visceral rather than rational, more rhetorical than real' and that it fails to take into account 'the day-to-day practical realities of the continent's economic or political life'[21]. A report by Fondad states that 'African integration efforts have had limited impact so far. Perhaps because reality on the ground does not match ideals in treaties, protocols and MOUs the degree of integration remains highly superficial'[22].

Indeed, the history of African regionalism since independence in the 1960s reads like a catalogue of unsubstantiated declarations. In East Africa, in 1975, the East African Legislative Assembly voted to upgrade the East African common market to a fully fledged political federation between Kenya, Tanzania and Uganda[23] seemingly completely oblivious to the fact that the common market effectively had ceased to function half a decade earlier. Similarly, in more recent years, the Intergovernmental Authority on Development (IGAD) which, among other objectives, aims to '[h]armonize policies with regard to trade, customs,

[20] UNECA, 2010
[21] Mistry, 2000: 554
[22] Maruping, 2005: 146
[23] EAC Archive, 1975

[...] and promote free movement of goods, services, and people within the region'[24] has been described as a 'paper tiger'[25].

In West Africa, Nigeria was a champion of the establishment of the Economic Community of West African States (ECOWAS). The foundation Treaty of 1975 embraced the idea of free movement of people – an idea that was inscribed into the 1979 Nigerian constitution together with the goals of African unity and the elimination of racial discrimination[26]. Yet in 1983, the Nigerian government ordered the expulsion of over 400,000 ECOWAS citizens living in the country. A scholar at the time remarked that 'it was maybe a mistake to have advanced a free movement policy in ECOWAS before economic achievements could ensure there would be no backlash'[27]. Even so, the regional policies intended to spur those 'economic achievements' were not implemented either. ECOWAS intended to have launched a customs union by 1990. While talks continue, there is still no ECOWAS customs union today.

In southern Africa, in the wake of Robert Mugabe's victory over the Rhodesian white minority government in 1980, a large number of states came together in the Southern African Development Coordination Conference (SADCC) to reduce their dependence on Apartheid South Africa; and in 1981, the Lusaka Treaty was signed establishing the Preferential Trade Area for Eastern and Southern Africa (PTA). Both of these organisations struggled to realise their treaty goals as member states failed to act on regional decisions. While on the one hand pledging to distance itself from South Africa, Botswana simultaneously refused to leave the

[24] IGAD, 2013
[25] Terlinden, 2004
[26] Nigeria, 1979: Chapter II, article 19
[27] Afolayan, 1988: 15

customs union which tied its economy to the former[28]. Practically all of Botswana's exports remained shipped through South Africa. Similarly, while PTA's intra-regional transit road initiative and clearing house agreement initially achieved a certain degree of success, its central trade-liberalisation programme never took off[29].

These observations all point in the same direction: '[i]f there is a major lesson to be learnt from Africa's experience with economic integration, it is that treaties and regional institutions do not necessarily result in integration. They might be necessary, but they are certainly not sufficient'[30]. Reflecting the gap between the signing and the implementation of agreements, Sidaway and Gibb talk about 'performativity': state representatives perform roles 'expected' of them at RIO summits but once they have played their parts and the summit is over there is little to show for it in terms of *de facto* regional integration[31]. Given the pervasiveness of 'performativity' I argue that there is good reason to expand Sidaway and Gibb's idea and establish a full diagnostic metaphor of African regionalism as 'theatre'[32].

In ordinary language, the word 'theatre' evokes images of actors putting on a performance: delivering arguments and statements which are without consequence once the performance is over. The very point of theatre is to portray a world set apart from reality. In a similar way, I use 'theatre' as a heuristic device to illustrate the extent to which the signing of regional agreements amounts to little more than a performance. Just like theatre in the ordinary sense,

[28] Bowen, 1990: 34-36
[29] Mistry, 2000: 562
[30] Mistry, 2000: 561
[31] Sidaway and Gibb, 1998: 178-179. In Maruping's words, in the context of integration, we are dealing with 'dreams versus reality' (2005: 135).
[32] I owe the phrase 'theatre regionalism' to my supervisor Paul Collier.

regional agreements are not intended to fill a function outside of certain staged events. For reasons discussed later, they are signed for the sake of being signed. Once the audience has left – be it international donors, local businesses or other presidents of the region – reality resumes.

Yet to talk about African economic RIOs as unqualified theatre would be to ignore some rare but noticeable successes. Despite the total collapse of the East African Community in 1977 the governments of Kenya, Tanzania and Uganda have over the last ten years established a customs union which – while far from perfect – nonetheless exhibits the constitutive hallmarks of an intra-union free trade area and a common external tariff (CET). Similarly, the governments of the southern African states of Botswana, Lesotho, Namibia, South Africa and Swaziland have remained committed to the Southern African Customs Union (SACU) despite both internal and external challenges. And in West Africa, the members of the West African Economic and Monetary Union (WAEMU) have enjoyed the benefits of a common currency for many decades. These incidences of 'real' integration offer a fascinating topic for research. Indeed, explaining this variance in the extent to which African governments implement formal regional economic agreements is the objective of this thesis. As McCarthy points out: '[o]n a continent noted for its many failed arrangements, a regional integration arrangement that works is exceptional and worthy of closer consideration'[33].

[33] McCarthy, 2003: 606

2. WHY REGIONALISM MATTERS[34]

Understanding the conditions under which African governments implement agreements of formal regional economic integration is not merely a matter of intellectual curiosity. While the impact of economic integration will vary from one African region to another depending on the specific circumstances of each individual case, a large literature points to the existence of benefits that can be expected from regional integration in Africa in general[35]. Mistry, for instance, claims that '[African states'] inability to integrate effectively has resulted in a record of economic and political performance between 1960 and 2000 that compares very unfavourably with the rest of the world'[36]. Many argue that this cost to Africa will become ever more burdensome as the rest of the world economy integrates at an ever quicker pace[37].

The GDP of all 44 Sub-Saharan states combined only amounts to two thirds of the Spanish economy[38]. If we exclude South Africa, the Sub-Saharan economy is smaller than that of the Netherlands. Collier and Venables argue this fragmentation into economically tiny states generates costs through three conceptually distinct mechanisms: (1) unevenly shared benefits from natural advantage, (2) lack of economies of scale in the private sector and (3) lack of

[34] This section focuses exclusively on the consequences of integration and disintegration in Africa. The benefits from integration highlighted in this section are, however, not unique to Africa. Though similarly prefaced with qualifications, also research on the effects of integration in other parts of the world points to significant benefits. See, for instance, Schiff and Vinters (2003), Fernández and Portes (1998), Mirza and Giroud (2004) and Lewes (2002).

[35] See Schiff and Winters (2003) for a detailed policy-oriented account of the links between regional integration development.

[36] Mistry, 2000: 554

[37] Sako, 2006: iv; Mistry, 2000: 554

[38] See Mistry (2000: 555) and Griffith (1995: 150).

economies of scale in the provision of public goods[39]. A continent divided into more countries will be a continent in which the benefits from natural advantages such as deep-sea ports, natural resources and strategic location are less evenly shared compared to the same continent with fewer countries. Americans thousands of miles away in Connecticut are more likely to benefit from the proceeds of Alaskan oil than Canadians living a few miles away from the oil rigs but on the other side of the border.

Fragmentation also causes economic inefficiency. Governments of transit states fail to internalise the benefits from trade accruing to the producing state and may therefore impede transit. For instance, in the beginning of the 1990s, Kenyan president Moi prevented the shipment of Ugandan grain through the Kenyan port of Mombasa. Economic fragmentation is also likely to make economies imprudently reliant on a small number of natural-resource exports and therefore sensitive to commodity price volatility. Had all of Africa been united, the costs from commodity price swings would have been reduced by 0.6%. For a hypothetical United States of West Africa, where the estimated effect is the largest, costs would have been reduced by 1.7%[40].

Further, economic fragmentation creates small and uncompetitive markets which are easily monopolised or captured by cartels. In many parts of Africa, cartelisation of the transport sector, for instance, has increased prices by 30%-50% as compared to a competitive-market benchmark[41]. This does not only have directly detrimental effects on African consumers but

[39] Collier and Venables, 2008
[40] Collier and Venables, 2008: 13
[41] Collier and Venables, 2008: 14

it also makes African economies unattractive to investors[42]. Collier and Venables estimate that increasing the size of the economy (proxied by the size of the labour force) by a factor of 20 reduces the relative price of investment by 13%[43]. Monopolisation of markets may also come from outside. Many African economies are smaller than the balance sheets of international companies involved in extracting their natural resources. This enables foreign companies to hold the host country 'economic hostage' and demand monopolistic privileges[44]. This raises barriers to entry and drives up the cost of investment. Ultimately, high cost of investment slows down growth. Artadi and Sala-i-Martin estimate that if the relative price of investment goods was the same in Africa as in the OECD or East Asia, the average African growth rate would have been 0.44% higher annually[45].

The absence of scale economies because of fragmentation also manifests itself in a general reduction of the sizes of cities which in turn prevents the formation of productive clusters[46]. Collier and Venables argue that a doubling in size – i.e. the merger of two similar-sized African countries – would lead to a 75% increase in the growth of the largest city in the combined state. Importantly, the authors find that this increase in the size of the largest cities would not come at the expense to smaller cities. In fact, 85% of cities would be larger in a combined-state scenario than in the current situation. Following from Rosenthal and Strange's conclusion that doubling city size is associated with a productivity increase of

[42] Sako argues that the high cost of doing business in Africa is at least as important a factor as political risk when explaining the lack of investment on the continent (2006: 7).
[43] Collier and Venables, 2008: 15
[44] Griffith, 1995: 150
[45] Artadi and Sala-i-Martin, 2003
[46] Krugman and Venables, 1995; Puga and Venables, 1996; Fujita, Krugman and Venables, 1999

between 3% and 8%[47], the authors argue that economic fragmentation has undermined efforts to establish a viable manufacturing industry and skewed the continent's production towards agriculture and natural-resource extraction[48].

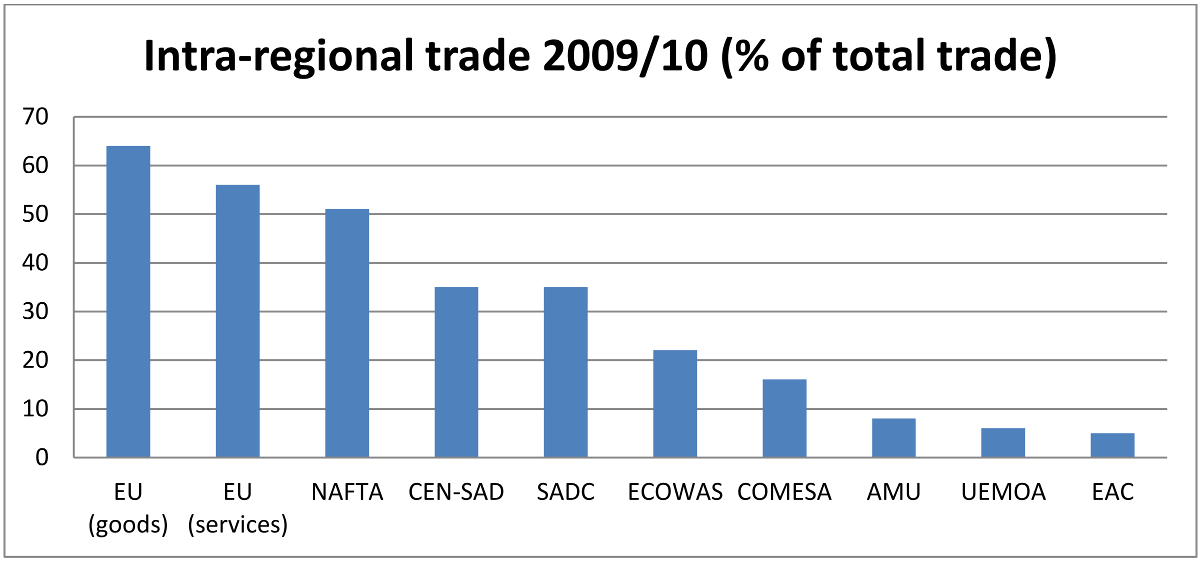
This is supported in a World Bank report which points to the fact that China and India have unified markets with populations that are 70% and 50% larger, respectively, than all Sub-Saharan African countries combined. 'Whereas Shanghai or Shenzen, China, draws on a catchment area for labor and products of several hundred million people, the home market for most African growth centers is limited to a few million.' Consequently, '[e]nabling Africa to develop regional manufacturing clusters that can compete globally requires lowering barriers to productive interaction [...] Regional integration is essential'[49]. Fragmentation, in other words, has not only reduced the size of consumer markets but also increased the cost of production.

Given these costs from fragmentation, the benefits from formal regional economic integration can be expected to be considerable despite the relative sparseness of intra-regional trade links in Africa. In 2010, intra-EU trade as a percentage of total EU trade was 63.7% for goods and 56.1% in services[50]; intra-NAFTA trade in both goods and services as a percentage of total NAFTA trade was 51%[51]. In Africa, largely as a consequence of a heavy emphasis on raw materials, intra-regional trade is much less important relative to external

[47] Rosenthal and Strange (2004) cited in Collier and Venables (2008: 18)
[48] Collier and Venables, 2008: 18-19
[49] Foster and Briceño-Garmendia, 2010: 146
[50] Eurostat, 2012
[51] WTO, 2008: 2

trade. The highest proportion of intra-regional trade to total trade of any RIO is 35% (CEN-SAD and SADC)[52] (Figure 1.1).

Figure 1.1: Low intra-regional trade in African RIOs



Source: For EU: Eurostat (2012); for NAFTA: WTO (2011); for African RIOs (figures for 2009): UNECA (2010)

The comparative insignificance of intra-regional trade means that immediate benefits to the economy as it is organised today are small but over time economic integration is expected to bring about new patterns of production as integration allows new productive clusters to be formed. Benefits are *dynamic* rather than static. In Robson's words: 'what is relevant is not only its [integration's] impact on existing patterns of production and trade, but more

[52] For a full list of figures, see UNECA (2012: 78). Note, however, that this comparison does not list SACU as separate from SADC.

particularly its impact on those patterns that would otherwise emerge in the absence of the formation of regional groupings and on the rate of economic growth'[53].

Overall, Griffith calls the arguments in favour of African economic regionalism 'overwhelming'[54]. A regional approach in areas such as tariff reduction and harmonization of legal and regulatory reforms and rationalisation of payment systems mitigates the problems associated with small economies[55]. As Mold remarks:

> 'As the cornerstone of regional integration, intra-regional trade is unquestionably a priority for African countries. The old myth that African countries have similar endowments, produce a similar range of commodities, and so there is little scope for mutually beneficial trade, needs to be exploded. There are enormous potential benefits from expanding regional trade. The recent Commission for Africa report notes that the Africa's internal market for agricultural products could be worth as much as US$ 50 billion a year, almost three times the US$ 17 billion annual income from exports to the rest of the world [...]. The scope for mutually beneficial trade in manufactured goods and services is similarly enormous. Because productivity differences are relatively small, there is likely to be far more synergies and possibilities of constructive competition between Kenyan and Tanzanian manufacturing industry than between Kenya and, say, the EU.'[56]

Understanding why and when governments choose to implement agreements on formal regional economic integration may, therefore, have important policy implications. In the first instance they concern economic development but, in the longer run, economic development holds the promise of reducing conflict, disease and environmental degradation[57].

[53] Robson, 1998: 271; Robson (1998: 268-277) offers a very clear introduction to the economic reasoning behind this argument.
[54] Griffith, 1995: 150
[55] See Sako (2006: 1).
[56] Mold, 2005: 26
[57] O'Brien, 2000: 64; van der Vleuten and Hoffman, 2007; Amoako, 2005b; O'Brien, 2000; Stadtmuller, 2005: 105-106; Collier, 2007a; Collier *et al.*, 2009; Westerlind Wigstrom, 2008

3. A SKETCH OF THE ARGUMENT

Even though the mainstream IR literature on regionalism is very large there have been surprisingly few attempts at developing parsimonious frameworks for comparative empirical analysis of the 'success' and 'failure' of regional integration[58]. Nonetheless, among those that *have* been presented, Mattli's approach to large-N comparative work[59] has established itself as the seminal contribution[60]. Mattli divides the explanatory variables for the success of regional integration into demand and supply side factors[61]. On the demand side, Mattli argues that the success of formal integration relies on the existence of significant economic gains to the private sector from regional cooperation. Private-sector actors then levy pressure on their governments to provide regional public goods such as the facilitation of regional trade. However, even if all governments in a region are under pressure to further regional integration, collective action problems might still prevent an agreement. On the supply side, therefore, Mattli argues that the success of integration depends on the presence of a hegemon with the capacity to serve as a focal point for regional policy[62]. Looking at a large number or instances of regional integration primarily in Europe, but also in Asia and the Americas, Mattli finds strong empirical support for his framework.

While seeking to retain the transparency of the demand-and-supply approach, I argue that we need to refine and adapt Mattli's conditions for successful formal economic integration in the

[58] See Warleigh-Lack (2006) and Laursen (2003). I go through this in detail in Chapter 2.
[59] Mattli, 1999
[60] See, for instance, Börzel (2011), Laursen (2003) and Söderbaum (2004b).
[61] See Moravcsik (1993 and 1997), Downs *et al.* (1998) and Milner (1997) for other discussions of demand and supply factors in the context of regionalism. For a sociological perspective on the demand for regionalism, see Nicolaidis and Egan (2001).
[62] Mattli, 1999: chapter 3

light of the third worldist literature on African states[63]. African states exhibit eclectic diversity yet the third worldist literature points to a number of common characteristics – characteristics which are more common and/or more pronounced than in the West. Using the IR mainstream's models of international behaviour based on the Western/Weberian ideal type state is therefore unlikely to fruitful[64]. Rather, as Malaquias points out, '*Africa's* historical realities must be at the center of theoretical models which attempt to explain and predict *African* international relations'[65]. For the purpose of understanding the conditions under which African governments implement agreements on regional economic integration, two insights from the third worldist literature are particularly relevant.

First, the interests of *governments* – not states – must be at the heart of any analysis of regionalism in Africa. In Mattli's model, governments supply integration in response to demand for integration by key constituents. This implies a readiness by governments to define their interests in reference to the interests of private actors and civil society at large when pursuing regional policies. In developed states, where strong state institutions force governments to internalise the interests of society at large[66], Mattli shows that this is a fruitful approach: it is in the government's interest to act in the interest of the state. In Africa, however, the weakness of institutional checks and balances means that the role of the government as an aggregator of diverse social interests is much reduced. As a consequence,

[63] See Clapham (1985) and (1996), Herbst (2007) and Dunn and Shaw (2001) for core contributions to the third worldist literature. See also Ayoob (1995), David (1991), Tickner (2003) and Lemke (2003).
[64] See Soares de Oliveira (2007) for a discussion on the need to conceptualise 'post-colonial' African states as distinct from Weberian Western states in the context of understanding the political economy of oil in Africa.
[65] Malaquias, 2001: 27; my italics
[66] See North and Thomas (1973) for a classical analysis of the nature of the 'Western' state and how institutions achieved the alignment of the interests of those who rule and the interests of those who are ruled.

governments often act more as an interest group among others, albeit with access to resources associated with sovereignty[67]. And because the largest beneficiaries from actual economic integration typically are non-state actors, the reduced incentive for African governments to define their interests in reference to the interests of non-state actors compared to the developed world[68] results in a situation in which African governments have less to gain directly from economic integration. Unlike the *signing* of regional agreements which projects an image of good neighbourliness and potentially makes available additional sources of international support, *implementation* of those agreements is typically associated with giving up control over policy areas to a regional body and reducing the scope for trade taxes. Governments therefore have an interest to sign but not to implement formal agreements on economic regionalism. This explains regionalism as theatre. In other words, in Africa, the immediate obstacle to the implementation of regional agreements is not the one represented by the prisoners' dilemma or the coordination problem where rational behaviour in the pursuit of maximum payoffs stalls integration efforts as relayed by the mainstream literature. Rather, in Africa, the immediate obstacle to the implementation of regional agreements is the fact that governments do not perceive there to be any benefits at all.

Second, Mattli treats the decision of governments to implement regional agreements in isolation from other policies. This gives too narrow an account of the potential benefits associated with implementing agreements of formal economic integration in Africa.

[67] Soares de Oliveira, 2007: 25-26. Franck and Rainer (2012), for instance, provide an excellent quantitative study of how African governments redirect state resources to serve members of their own ethnic groups rather than more broadly defined 'citizens'. I return to the tension between government interests and state interests at numerous points in later chapters.
[68] Kalu, 2004; Oyejide, 2010: 2. See also ODI (2007a: 8) and Page (2003).

Naturally, regionalism is not pursued in isolation from other policies in any part of the world. However, the unusually large freedom of African governments to define their own interests combined with the idea that African governments' international behaviour is a result of 'omnibalancing' – that is, of balancing not only external but also internal threats[69] – makes linkages between trade regimes and issue areas such as security and government revenue unusually decisive in Africa. In this context, regional trade agreements are not necessarily about trade but need to be analysed as one of many omnibalancing tools. As a consequence, we are faced with the possibility that an absence of benefits to governments stemming *directly* from changes to the trade regime could be compensated for by benefits in other issue areas. To identify the conditions for the implementation of regional agreements, therefore, we should draw on the issue-linkage literature to understand how governments perceive causal structural cross-issue linkages between integration and the achievement of private government interests. These include increased government revenue, enhanced security and improved international standing. Conceptually, we can think of these interests as determinants of a government's 'policy space'. Policy space is defined as the freedom from internal and external constraints available to governments to pursue their preferred policies[70].

On this basis, I develop an approach which I refer to as the Regionalism as Policy Space (RPS) framework. The RPS framework models the implementation of regional economic agreements as a two-stage game. At the first stage, individual governments determine their own interests in the implementation of the agreement based on the strength of "integration – policy space" linkages. At the second stage, the interests of individual governments need to

[69] David, 1991
[70] See Koivusalo *et al.* (2009: 105).

be accommodated regionally. At this point, the coordination problem of finding a distribution of benefits acceptable to participating governments emphasised by Mattli resurfaces[71]. It follows that for formal economic agreements to be implemented two conditions need to hold. First, at least one participating government must perceive the existence of strong structural cross-issue linkages between implementation and the widening of policy space. I label this the Benefits Existence Condition. Second, subject to the perceived existence of such causal linkages, all participating governments must be satisfied with the distribution of benefits from implementation. I label this the Benefits Distribution Condition.

Just as in Mattli's framework, the presence of hegemons is an important factor to consider when predicting whether a regional economic agreement is likely to be implemented. However, the heightened risk of trade diversion and industrial polarisation effects in Africa renders the influence of hegemons on economic integration more ambiguous than typically relayed by the mainstream IR literature since they have the potential to exacerbate distributional tensions[72]. The RPS framework does therefore not consider the effect of hegemons *separately* from the two RPS conditions but argues that the influence of hegemons is channelled *through* the RPS conditions.

[71] For other treatments of the importance of collective action problems for our understanding of regionalism, see Laursen (2003), Keohane (1989 and 1993), Olson (1965), Higgott (1998), Bach (2005) and Krasner (1976).
[72] For classical contributions to the hegemony literature, see Olson (1965) and Kindleberger (1973).

Table 1.1: A first glance at the set of variables

Dependent and independent variables of the RPS framework	
Dependent variable	1. The implementation of formal agreements on regional economic integration
Independent variables	1. The Benefits Existence Condition 2. The Benefits Distribution Condition

Both sets of variables are operationalised in Chapter 3

The main message of the RPS framework is that the implementation of formal agreements on regional economic integration for the sake of achieving economic integration is unlikely. Formal agreements on regional economic integration in Africa will only be implemented when they are seen to widen the policy space of governments. While the RPS framework is a big departure from Mattli's private-sector focused approach its essence reflects a long-standing observation by neorealists, certain scholars on the European Union and Africanists regarding the primacy of political considerations behind economic regionalism[73]. Nonetheless, I am unaware of any explicit use of the policy space concept in the construction of independent variables for comparative studies of regionalism in the existing literature.

Though relying heavily on the work of others, my thesis contributes to the regionalist literature by marrying the most fruitful approach to comparative regionalism from the mainstream IR literature with the third worldist literature on the specific political economy of African states. In doing so I bring together a large number of disparate developments in the regionalist field into one coherent and transparent heuristic framework allowing for a

[73] See, for instance, Mearsheimer (1994/95), Moravcsik and Nicolaidis (1998), Leblond (2008) and Clapham (1996).

systematic and comparative empirical analysis of the conditions under which African governments implement – and not just sign – formal agreements on regional economic integration. In addition, I contribute to the literature by presenting a new body of primary data[74].

4. CASE SELECTION AND JUSTIFICATION OF COMPARATIVE APPROACH

To support this argument and investigate the research question empirically, I employ a comparative case-study approach. By comparing cases of theatre with cases when governments actually have implemented agreements I hope to be able to test the conditions derived by the RPS framework[75]. Crucial for a rigorous comparative study is that cases are selected so as to be informative in their own right as well as comparable and therefore informative as members of a group of cases.

The first step to ensure comparability when looking at formal economic integration is to look at the same type of formal economic integration across all cases. Balassa's aforementioned categorisation of regional economic integration into five 'evolutionary' stages – free-trade areas, customs unions, common markets, monetary unions and economic unions – offers a neat starting point[76]. In this thesis, I will seek to explain observed variance in the extent to which African governments have implemented customs union agreements. According to both

[74] See Section 5.2 below.
[75] In Lawson's words: '[o]nly by investigating the factors and conditions that are associated with both flourishing and withering regionalist experiments can we derive credible conclusions about causation' (2009: xiv).
[76] See Balassa (1961).

the OECD and the WTO a customs union is defined as an economic bloc in which member states have abolished barriers on intra-union trade to create an intra-union free trade area and impose a uniform tariff regime on third-party goods – a so-called common external tariff (CET)[77].

Customs unions are interesting for two reasons. First, they represent an advanced form of regional economic integration with clearly defined characteristics. In particular, the necessary but insufficient requirement that a customs union be surrounded by a CET provides an operationalisable 'cut-off point': a customs union without a CET is not a customs union. Second, despite representing a relatively advanced stage of formal economic integration, customs unions are still common enough in Africa to allow for an interesting universe of cases. As I discuss in Chapter 8, the focus on customs unions is operational rather than conceptual; it is motivated by the need for cross-case comparability rather than by the limits to the RPS framework's applicability.

On paper, there are ten African RIOs which have been, are, or have declared they will become, customs unions (Table 1.2). Economy of scope restricts this study to provide in-depth analysis of four of these. On the one hand, to be informative, the selection of cases should ideally display large variance in the dependent and independent variables; on the other, to be comparable, the selection of cases should be as similar as possible in all other regards[78]. As a trade-off between these two objectives, I select two theatre cases – ECOWAS and the East African customs union (1963-77) – and two cases of successful formal

[77] WTO and OECD online glossaries
[78] George and Bennett, 2004: 83; Axline, 1994

economic integration – the EAC (2005-2007) and SACU. The membership of the respective customs union is shown in Table 1.3[79].

Table 1.2: The universe of African customs unions

A large number of African customs unions
1. Arab-Maghreb Union (AMU)
2. Economic and Monetary Community of Central Africa (CEMAC)
3. Common Market for East and Southern Africa (COMESA)
4. East African customs union (1963-1977)
5. East African Community (EAC) customs union (2005-2007)
6. Economic Community of Central African States (ECCAS)
7. Economic Community of West African States (ECOWAS, 1975-)
8. Southern African Customs Union (SACU, 1910, 1969, 2002-)
9. Southern African Development Community (SADC)
10. West African Economic and Monetary Union (WAEMU)

The four customs union case studies in later chapters are marked in bold.

[79] As is clear from Table 1.3, an admittedly marginal but nonetheless convenient feature of choosing these four cases is that they have the advantage of non-overlapping memberships – a feature which allows for an exclusion of multi-RIO dynamics from the discussion. Any other combination of sub-Saharan RIOs would entail at least one state being member of two of them.

Table 1.3: Membership of the four customs unions selected as case studies

EAC (1963-1977)	EAC (2005-2007)	ECOWAS	SACU
Kenya, Tanzania, Uganda	Kenya, Tanzania, Uganda; Burundi and Rwanda joined in 2007	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo	Botswana, Lesotho, Namibia, South Africa, Swaziland

Within them and between them these cases display considerable variance in both the dependent and the independent variables. The East African customs union in the 1960s and 70s was initially considered a success story. In 1963, the leaders of Kenya, Tanganyika/Tanzania and Uganda decided to maintain the customs union inherited from the British. However, already after two years, the Tanzanian government under president Nyerere violated the terms of the regional agreement by introducing quotas on Kenyan and, later, Ugandan goods. This started a rapid demise of the East African customs union which by the end of the 1960s amounted to little more than theatre. Ultimately, in 1977, the East African integration project collapsed entirely. Over the same time period, structural cross-issue linkages perceived by the three governments to connect honouring the customs union with widening their policy space were successively weakened. At last, the Kenyan government was the only one that perceived any benefits at all yet growing Kenyan dominance in the region prevented a satisfactory regional distribution of benefits.

Like an African phoenix, the East African customs union was revived in 2005. Between 2005 and 2007, the Kenyan, Tanzanian and Ugandan governments implemented the EAC customs union protocol as agreed: intra-union barriers were lowered and a CET erected. This was preceded by a gradual reversal of the weakening of structural cross-issue linkages in the 1960s and 70s over the course of the late 1980s, the 1990s and the early 2000s. Increasingly, the East African governments came to see the implementation of the customs union as a means to widening their policy space. At the same time, though Kenya remained dominant, the three governments were able to reach an agreement on the distribution of benefits from the customs union through intense intergovernmental negotiations over the course of the early 2000s.

Ever since its inception in 1975, the ECOWAS customs union has been characterised by theatre. Despite a large number of signed treaties and agreements, implementation has remained elusive. To this day, 37 years after its founding was agreed to by fifteen West African governments, unilaterally imposed intra-union tariffs still prevail and there is no CET. Until the early 2000s, the period since ECOWAS's founding was also a period characterised by an absence of perceived strong cross-issue linkages between implementation of the customs union and widening of government policy space. Indeed, most governments feared that implementing the customs union would come *at the expense* of policy space. This began to change in the early 2000s. Yet as the perception of the existence of benefits from implementation grew, the question of their distribution became increasingly important – a question that has yet to be resolved.

In contrast, the member governments of SACU have both established an intra-union free trade area and maintained a CET on third party imports. While the exact nature of the linkages has evolved, participating governments on both sides of the 1994 democratic transition in South Africa have nonetheless consistently perceived there to be strong cross-issue linkages between customs union implementation and widening policy space. The five governments have also been able to find solutions to the distribution of benefits from the customs union even though distributional tensions remain subject to continuous debates on part of all members.

Table 1.4: Overview of dependent and independent variables in the four case studies

	East Africa (1963 -77)	EAC (2005-07)	ECOWAS	SACU
Benefits Existence Condition	Rapid weakening of linkages	Gradual strengthening of linkages	Linkages largely absent	Strong linkages
Benefits Distribution Condition	Increasingly hard to resolve	Gradual convergence of positions	Unresolved	Resolved but continuously debated
Status of customs union	From implemented to theatre	From theatre to implemented	Theatre	Implemented

While displaying considerable variance, the four customs unions share a number of similarities beyond their status as (aspiring) customs unions. First of all, they are all characterised by hegemonic presence. Kenya is the dominant power in East Africa; Nigeria dominates West Africa even though France has preserved aspects of its competing extra-regional hegemonic status; and Southern Africa is completely dominated by South Africa. Second, in addition to the obvious similarities between the East African customs union in the 1960s-70s and the EAC today there are also similarities between the EAC and SACU. Not only were the most recent customs union agreements in the two regions signed at similar times (2004 and 2002, respectively), but both SACU and the EAC have a long imperial pedigree without which the current customs union arrangements cannot be understood. Third, ECOWAS and SACU, for their part, share the experience of the dominant member being larger in economic terms than all the other members combined.

Similarities such as these allow for a certain degree of control but, as always in political science, a comparative approach can always be challenged on the basis that cases are *sui generis*. As Laursen asks: 'If integration schemes in different parts of the world are so different, [...] does it make sense to compare them?'[80]. As long as we are aware of the challenge of differences and point out when it is likely to influence inference, I strongly believe that there are insights to be had from comparisons. And so does Laursen[81]. My contribution to the field can therefore be seen as a response to Schulz, Söderbaum and Öjendahl's call for further comparative studies of regionalism as a way to 'avoid the devil of exaggerated contextualisation and the deep blue sea of general theory'[82]. Indeed, until more systematic comparisons are carried out regionalism 'remains an under-researched and perhaps even under-contextualised field given its major importance'[83].

[80] Laursen, 2003: 283
[81] For further support of the comparative approach to the study of regionalism, see Axline (1994).
[82] Schulz *et al.*, 2001: 240
[83] Schulz *et al.,* 2001: 272

5. METHODOLOGY

5.1 Linking the dependent and the independent variables

Using a grounded theory approach, this thesis deduces a hypothesis about why and when African governments move beyond theatre integration[84]. As sketched earlier in this chapter and as developed in later chapters, this hypothesis provides us with a set of dependent and independent variables whose relationship is tested in the context of the four customs union case studies. Ascertaining these relationships requires a transparent methodology.

To explain variations in the dependent variable, each case study is initially subjected to a two-part within-case analysis. First, I investigate the dependent variable according to an operationalisation presented in Chapter 3. Having discussed the extent to which a particular customs union agreement has been implemented, I then employ process tracing to assess the extent to which variance in the dependent variable can be explained in terms of variance in the Benefits Existence and the Benefits Distribution Conditions[85]. Van Evera states that in process-tracing '[e]vidence that a given stimulus caused a given response can be sought […] in the testimony of actors explaining why they acted as they did'[86]. In practice, this means examining relevant accounts of the policy making processes within and between member-state governments and then detecting when the status of the Benefits Existence Condition and

[84] 'Grounded theory' refers to an approach which allows hypothesis generation to be influenced by empirical data (Strauss and Corbin, 1994). This is similar to Finnemore's idea of 'abduction' which provides a middle ground between deductive and inductive approaches to explanatory research (Finnemore, 2003: 13). In the context of this thesis, the interplay of hypothesis generation and empirical data takes the form of taking seriously the empirics of African states as illuminated by the third worldist literature when deducing the RPS hypothesis.

[85] See Bennett and Elman (2006: 262).

[86] van Evera, 1997: 65

the Benefits Distribution Condition had a causal effect on the extent to which the customs union was implemented. Not only do I look at general economic and systemic factors, but, importantly, I scrutinise the dialogue and documents surrounding decisions in the context of regional integration. Naturally, for the sake of economy, the accounts will have to be episodic rather than comprehensive.

The within-case approach is then supplemented by cross-case comparisons in the concluding chapter. George and Bennett argue that the 'combination of cross-case and within-case analysis greatly reduces the risks of inferential errors that can arise from the using either method alone'[87]. The cross-case analysis serves to highlight the commonalities and differences between the cases and compare those findings with the predictions of the conceptual framework. This is important for assessing the generalisability of the findings from the individual customs-union cases and therefore important for the translation of my research into tentative policy suggestions.

5.2 Data

For my case studies, the dependent variable requires data on the extent to which governments have implemented customs union agreements. After the exposition of theatre regionalism at the beginning of this chapter it is clear that official declarations by political leaders are not sufficient to establish the degree of implementation. I attempt to mitigate this problem by triangulating from at least three sources including (1) official documentation from the

[87] George and Bennett, 2004: 234

regional secretariat which, in my experience, is more reliable than national documentation[88]; (2) the WTO data base on applied tariff rates; (3) independent assessments by organisations such as the World Bank, UNECA and Office of the US Trade Representative; and (4) qualitative assessments by media and civil-society organisations.

Similarly, data on the independent variables (the Benefits Existence and the Benefits Distribution Conditions) comes from a rich variety of sources. On top of a substantial body of policy research conducted mainly by international organisations and think tanks such as the UN and the Society for International Development (Nairobi), there is a rich secondary academic literature on each of the four cases[89]. Nonetheless, I make use of primary sources to the greatest extent possible. Two types of primary sources are consulted. The first consists of newspaper articles and RIO documents and briefs. The library at Rhodes House, Oxford, which specialises in the history and current affairs of the Commonwealth and sub-Saharan Africa, has a unique collection of Commonwealth government publications as well as long catalogues of African newspapers.

Second, to complement these written primary sources, in the case of the East African Community I have conducted elite interviews with regional and national bureaucrats. Between the 19th of April and the 13th of May 2011, I carried out 18 elite interviews for the

[88] I think that this is a consequence of the political economy of the relationship between regional bureaucrats and national politicians. Typically, national authorities are ultimately responsible for implementing regional policies. By pointing to flaws in the implementation, bureaucrats can motivate transfer of power over implementation to the regional secretariat.

[89] For ECOWAS see, for instance, Asante (1986), Ezenwe (1983), Oyejide, Elbadawi and Yeo (1999) and Senghor (1999). For EAC see, for instance, Adar (2000), Delupis (1970) and Hazelwood (1979). For SACU see, for instance, Davies (1994), Hentz (2005), Kumar (1992) and Gibb (2006).

East African cases in Nairobi, Arusha and Dar es Salaam and attended the second ever EAC Symposium. The interviews conducted in the field were complemented by further elite interviews over the phone and via email from Britain once I had had a chance to review the first round of interview material. Following the recommendations of Gillham[90], I have employed an unstructured interview approach so as not to force interviewees into defending particular official statements. In the second week of May 2012, I returned to Arusha to carry out a systematic survey of the material related to the East African custom union at the EAC archive. The East African focus of my field research is explained by the poor availability of on-line primary sources for this region compared to the other regions. A major challenge in consulting both primary and secondary sources in the context of my inquiry has been to filter information about the true reasons for seeking to promote or hinder integration from political positioning. A conspicuously free and critical press in many of the examined cases has been very helpful.

6. CAVEATS

Any research design involves trade-offs which influence the quality and comprehensiveness of the explanations produced. This is an exploratory piece of research which seeks to engage with theatre regionalism in a systematic and comparative way to understand why and when some African governments implement formal agreements on regional economic integration while most do not. It is in the very nature of comparative regional studies that they trade depth for breadth and that they assume that regions which are infinitely different nonetheless

[90] Gillham, 2000: chapter 3

are similar enough to warrant comparison. As a result, my thesis does not aspire to compete with the comprehensiveness and detail of the single-case analyses of my four customs unions such as Hazlewood on the EAC in the 1960 and 70s and Gibb, and McCarthy on SACU[91]. Rather, I stand on the shoulders of their work in order to identify those aspects that are applicable outside the geographical field they normally inhabit. I hope that my work, in turn, will inspire future researchers to carry out comparative regional studies in other areas of the world.

Moreover, regardless of scope, it needs to be recognised that inference, in part, is tainted by subconscious decisions made on the basis of the researcher's own cultural background[92]. Ideally the impact of this bias can be mitigated by a rigorous and consistent methodology. However, even then, the many deliberate decisions about what to include and exclude still affect the inquiry. Thus, I am aware that my choice of case studies is likely to have an effect on inferences made about African regionalism in general.

Similarly, the decision to focus on regionalism as opposed to regionalisation necessarily skews the analysis in the direction of formal actors even though informal actors offer a fascinating topic in their own right. Moreover, research on Africa is often beset by issues of data availability and data quality. While I have gone to great lengths to ensure that data points are backed by several – and ideally unrelated – sources there have been situations in which the state of the available information makes inference impossible. Where I rely on such information, I point this out.

[91] Hazlewood, 1979; Gibb, 2006; McCarthy, 2004
[92] Cox, 1987: 207

And even with these caveats in mind, it is important to repeat that I in no way hope to capture the full set of factors explaining the conditions for formal economic integration in Africa. As King, Keohane and Verba express it, '[e]ven the most comprehensive description done by the best cultural interpreters with the most detailed contextual understanding will drastically simplify, reify […] reality. No description, no matter how thick, and no explanation, no matter how many explanatory factors go into it, comes close to capturing the full "blooming and buzzing" reality of the world'[93].

7. STRUCTURE OF THESIS

To answer my research question, the thesis is structured into four parts. Having introduced the theatre diagnosis and research question in this chapter, Chapters 2 and 3 develop a conceptual framework for comparative case-study analysis of the dependent variable based on the existing literature. Once the framework has been established, Chapters 4-7 present the empirical within-case analysis of four customs union case studies: two cases of theatre integration (the East African customs union 1963-77 and the ECOWAS customs union) and two cases where the customs union agreement actually was implemented (the EAC customs union 2005, and the Southern African Customs Union). Finally, in Chapter 8, I conclude the thesis by making cross-case comparisons and discuss the policy implications of my findings for formal economic integration in Africa.

[93] King, Keohane and Verba, 1994: 43

Chapter 2: Regionalism as Policy Space

Potential benefits to Africa from formal regional economic integration are huge. Though prefaced by qualifications, research surveyed in the first chapter points to productivity gains and a better environment for innovation; to cheaper public goods provision and more diversified economies; and to a more evenly distributed natural-resource wealth and, in the long run, to improved conditions for health and peace. These findings are in line with research on the benefits from integration in other parts of the world. Not surprisingly, the existence of these regional public goods has given rise to a large literature on regional integration within the wider International Relations discipline.

While incredibly diverse, the mainstream of this literature has for the most part been prompted by, and interested in, the European integration experience[1]. Unsurprisingly, therefore, models developed to explain regionalism have typically presupposed an idea of the state as it appears in the West: an ordered aggregator of diverse social interests which successfully separates the domestic from the international. In what has become known as the 'third worldist' or 'Africanist' literature, scholars of African states have pointed out that such presumptions reduce the applicability and relevance of these models in the African context. Most African states are neither ordered aggregators of diverse social interests nor able (or willing) to separate the domestic from the international. Models built around the idea of

[1] Dunn, 2001a

Western states are, therefore, unlikely to be well placed to explain the regional and international behaviour of African states.

Yet while the third worldist literature is rich in single-case, contextual treatments of African regionalism, there has yet to be developed a framework that incorporates the insights from third worldism for the purpose of systematic, large-N analysis. The objective of this chapter is to plug that gap. The ambition is to combine the conceptual and methodological rigour of the mainstream literature with third worldism's contextual understanding of the nature of African states to arrive at a hypothesis for comparative analysis of why it is that sometimes African governments have implemented agreements of formal economic integration and sometimes they have not.

To this purpose, the chapter is divided into four sections. The first section looks very briefly at how mainstream regionalist schools explain regional cooperation between states before it hones in on the challenges for the comparative literature. I identify Mattli's Europe-focused comparative framework as the most promising approach to parsimonious, cross-regional studies of RIO 'success' so far. The second section discusses features of domestic, regional and international political economy in Africa which suggest the need to marry the transparency of Mattli's framework with insights from the third worldist literature in order to explain when African RIOs can be expected to implement agreements. Following on from these first two sections, the third section proposes a comparative framework which models African regional integration as a two-stage game: at the first stage, individual governments' interests in implementing regional agreements is determined by the extent to which a government perceives there to be structural issue linkages between integration and the widening of its policy space; at the second stage, the signatories of a regional agreement have to agree on an intergovernmental distribution of benefits from implementation. I dub my approach the 'Regionalism as Policy Space (RPS)' framework. A fourth section summarises and concludes the chapter.

1. CONDITIONS FOR REGIONALISM: THE LITERATURE

1.1 Many answers to the same question[2]

Sometimes the potential of reaping regional public goods leads to (actual) regional cooperation and sometimes it does not. In the first chapter, this was made very clear in the context of Africa but it is also true of other parts of the world – both now and in the past. The benefits of regional integration which motivated the European integration project after World War II were arguably already there before the War yet instead of integration and cooperation the 1920s and 30s were marked by disintegration and conflict. Trying to explain when states engage in formal economic integration and, conversely, when they do not, has spawned a

[2] In what follows, I provide a short survey of the mainstream schools of thought on regional integration in International Relations: neorealism, hegemonic stability theory, neofunctionalism, neoliberal institutionalism, liberal intergovernmentalism and constructivism (See Schulz *et al.*, (2001: 2) for a slightly different list of dominant theories). For more comprehensive surveys, please see Hurrell (1995b), Fawcett (1995 and 2005) and Lawson (2009). Despite the explicit brevity of the survey here it could be argued that two further schools should be discussed: Deutsch's Transactionalism and Buzan's Regional Security Complex Theory (RSCT). After some consideration, however, I have decided to omit these theories. Except for the renewed attention given to Deutsch's security communities very little has been written in a transactionalist vein in the last decades. Indeed, Deutsch himself argued that it could not be applied outside Europe (Acharya and Johnson, 2007: 6). (For foundational literature on Transactionalism, see Deutsch *et al.*, 1957; Deutsch, 1964 and 1966.) Similarly, RSCT's primary focus on regional security rather than formal economic integration motivates its exclusion from my literature survey. For foundational literature on RSCT, see Buzan (1991) and Buzan and Waever (2003).

vast and diverse literature within the IR discipline – each with its own focus and explanatory emphasis.

Neorealism[3] which maintains 'the primacy in all political life of power and security'[4] explains regional integration in reference to international power politics and states' concern with survival[5]: states pursue formal integration only when it furthers the overarching objective of state survival given the distribution of power in the anarchical international system. By implication, rather than determining state behaviour regional cooperation merely serves to facilitate an orderly imposition of the existing balance of power[6]. In this sense, neorealists see strong parallels between conditions for formal economic integration and alliance formation[7]. Hegemonic stability theorists refine neorealism's analysis of the conditions for cooperation by highlighting the particular role of hegemons. A hegemon is defined as a state with superior material capabilities and a larger control over outcomes relative to other states in the international (sub-)system[8]. According to this theory, successful international cooperation – economic or other – is particularly likely in the presence of a hegemon with sufficient interest in international order for it to be rational from a cost-benefit

[3] The main difference between neorealism and its predecessor, classical realism, is the latter's insistence that while the structure of the international system is key to understanding state behaviour, human nature must also be included as an important explanatory factor. Morgenthau, for instance, claims that 'the social world [is] but a projection of human nature onto the collective plane' (1962: 7). For a foundational text on neorealism, see Waltz (1979).

[4] Gilpin, 1986: 305

[5] Donnelly, 2005: 29. Morgenthau stated that 'international politics, like all politics, is a struggle for power' (1978: 138).

[6] Mearsheimer, 1994/95: 7; Evans and Wilson, 1992: 330

[7] See Walt (1987) and Mearsheimer (1995; 83).

[8] See Ougaard (1988) for a survey of hegemony definitions.

perspective to bear the full cost of providing international public goods[9]. Despite the risk of hegemonic dominance, weak states have power-related interests in creating and strengthening RIOs as a way of constraining regional-leader behaviour while at the same time offering a forum to articulate their opinions and interests and find support among likeminded neighbours[10]. Moreover, weaker neighbours are more likely to engage in regional integration when regional institutions facilitate 'bandwagoning' – that is, as a means to reaping benefits from allegiance to the hegemon[11].

The explanation for regional integration offered by neofunctionalism takes a completely different starting point: rather than seeing integration as a consequence of strategic decisions by states anxious for survival, it views integration as a result of spontaneous, market-driven, cross-border transactions by transnational and sub-national actors. These transactions force states to cooperate on issues such as regulation and taxation – a process that Haas refers to as 'functional spillover'[12]. Regional institutions are established by governments to assist with the management of regional policies[13].

Neoliberal institutionalism and liberal intergovernmentalism, in turn, disagree with both neorealism's exclusive focus on structural explanations and neofunctionalism's claim that formal integration is an expression of spontaneous interactions. Both, they argue, imply too

[9] For some foundational texts on hegemonic stability theory see Gilpin (1975), Kindleberger (1976), Krasner (1976) and Keohane (1980).
[10] Hurrell, 2005: 50
[11] This is closely related to Pedersen's (2002) idea of regional institutions as instances of 'co-operative hegemony'.
[12] Haas, 1958: 297
[13] Haas, 1968

passive a state – a state that merely reacts to its position in the international power hierarchy or to market-driven processes outside of its immediate control. Rather, in order to understand when the presence of potential regional public goods leads to formal regional integration we need to take state preferences into account[14].

Specifically, neoliberal institutionalism, while accepting neorealism's basic assumption of an anarchic international order[15], argues that states *choose* to cooperate regionally when coincidences of strategic and economic interests have been identified which can only be reaped by cooperation. However, unless the conflictual and uncertain elements of the anarchical environment somehow can be mitigated, fears of free-riding and defection make sustained cooperation so unlikely as to render it irrational from a cost-benefit point of view. Successful economic integration, therefore, requires an institutional setting. By creating fora for repeated interaction these institutions introduce regularity and predictability to the international system which creates an environment conducive to cooperation[16]. Thus, institutions are viewed as purposive solutions that states supply to come to terms with specific collective-action problems[17]. Like hegemonic stability theorists, neoliberal institutionalists point out that the presence of regional hegemons may facilitate regional integration. However, unlike hegemonic stability theory, neoliberal institutionalism claims that hegemons, as guarantors of international order, facilitate cooperation by reducing

[14] Moravcsik, 1997: 513
[15] Axelrod and Keohane, 1993
[16] Burchill, 2005: 65; Gowa, 1986
[17] Keohane, 1993: 274; Barnett and Finnemore, 1999: 699

transaction costs and mitigating uncertainty – and not by forcing other states to cooperate out of state-survival considerations[18].

Liberal intergovernmentalism goes one step further and explains the conditions under which states exhibit preferences for regional integration in addition to the conditions for intergovernmental bargaining[19]. It postulates a two-step process whereby, in the first instance, governments define a set of interests through a 'domestic preference formation process'[20] which takes its starting point in the interests and preferences of political parties, businesses and other interest groups which, in turn, are determined 'by the constraints and opportunities imposed by economic interdependence'[21]. Each equipped with a set of preferences for specific forms of regional policy coordination, then, in the second instances, governments come together to bargain for their preferred outcomes[22]. The actual outcomes of these interstate bargains are determined by the relative bargaining power of governments and the ability to incentivise smaller states to support a regional bargain by side payments[23].

Critiquing the exclusively material focus of all the above schools[24], constructivism highlights the role of ideas, identities and norms in shaping state behaviour[25]. Building on the insights

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[18] Keohane, 1984: chapters 8 and 9
[19] Moravcsik, 1993
[20] Moravcsik, 1993: 481
[21] Moravcsik, 1993: 517
[22] Caporaso (1998) points out that the way governments respond to pressure groups according to Liberal Intergovernmentalism makes it rather similar to neofunctionalism.
[23] Moravcsik, 1993: 504-507, 517; Farrell, 2005: 7
[24] Baldwin, 1993; Reus-Smit, 2005
[25] For core literature on constructivism, see Keohane (1988), Wendt (1994), Adler (1997), Ruggie (1998), Wendt (1999), Checkel (1999) and Reus-Smit (2005). The view within constructivism that materialist factors have a role to play alongside ideas is sometimes referred to as the 'modernist branch' (Checkel, 1999: 456). Not all constructivist agree on the merits of the rationalist schools, though. Some adhere to a methodological

of sociological institutionalism, constructivism argues that regional institutions and regional identities are locked in a two-way causal mechanism. On the one hand, regional ideas, identities and norms promote integration and the establishment of RIOs by generating collective self-interests, and facilitate the overcoming of collective-action problems by achieving a collective understanding of the problems faced[26]. On the other hand, RIOs promote integration by fostering a sense of regional identity and expectations of further interaction[27]. An important implication of the constructivist logic is that identities change over time. The rationalist 'two-step' process[28] whereby states first form their interests (based on material gains) and then set out to achieve them does not accurately capture the complexities at hand. Rather, 'identities and interests are always in process during interaction'[29]. In other words, for states to engage in successful regional integration, according to constructivism, national identities and norms have to converge on a new, regional, level which allows the internalisation of the costs and benefits of regional cooperation.

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purism which sees close to no explanatory space for rational self-interested behaviour. See, for instance, Christiansen (1997).

[26] Wendt (1994) points out that ideas, identities and norms may be 'negative' in the sense that countries identify their neighbours as antagonists rather than protagonists. And indeed there are a number of instances where closely integrated economies have become hostile because of their internal trade (the Northern and Southern States in 19th century America, East and West Pakistan in the mid 20th century, the members of EAC in the 1970s). This would validate the neorealist assumption about competition for relative gains by means of a constructivist logic. However, Wendt then refers to an extensive literature claiming to show the prevalence of 'positive' identities in the international system (Wendt, 1994: 386).

[27] Wendt, 1994; Finnemore, 1996; Checkel, 1999: 548-549. There are IR theorists who argue that constructivism owes more to critical theory than sociology. See Reus-Smit (2005: 195).

[28] See Legro (1993).

[29] Wendt, 1994: 386

1.2 The challenge for comparative regionalism

Even this brief survey of the mainstream regionalist literature[30] makes clear the incredible diversity of explanatory variables employed by those studying formal integration. While testifying to the depth and breadth of the IR subfield, this diversity presents a challenge for scholars of comparative regionalism who in order to draw generalisable inference across cases require parsimonious models[31]. Borrowing the term from Diez and Wiener[32], Warleigh-Lack notes how '[t]he well-worn dialectic between neofunctionalism and intergovernmentalism in EU studies ultimately failed to generate workable theories, and scholars in this field – historically the prime example of regional integrational studies – now find themselves working with a "*mosaic*" [...] of various concepts, approaches and projects in a period of revision and experimentation'[33]. This 'mosaic' is also a pronounced feature of non-European regionalism studies. Sbragia observes that '[t]he study of "comparative regionalism", not surprisingly, is ill-defined. Scholars often use the term loosely to refer to the study of practically any form of regionalist project involving various forms of political or economic co-operation outside of the EU whether or not they are interested in comparison. [...] If the field of comparative regionalism exists, its boundaries are certainly permeable –

[30] By limiting myself to the mainstream schools I omit the literature under the umbrella name of the 'New Regionalism Approach' (NRA) advocated by Acharya and Johnston (2007), Hettne and Inotai (1994), Hettne and Söderbaum (2000), Grant and Söderbaum (2003) and Söderbaum (2004a: 429). This is justified on the basis that the NRA dependent variable is very different from mine: the NRA literature explicitly shies away from a exclusive focus on formal regionalism arguing instead that 'existing theories in the field may help us understand parts of [...] regionalisation processes, but it is our conviction that a multidisciplinary and comprehensive theoretical construct is required to see beyond particular aspects, sectors and cases' (Hettne and Söderbaum, 2000: 471). NRA is fundamentally more interested in grass-root regionalisation processes than the state-led regionalism dynamics of interest to this thesis (Grant and Söderbaum, 2003: 4). Naturally, where relevant for regionalism, I will nonetheless refer to the NRA literature in later chapters.

[31] George and Bennett, 2004: 31. Laursen remarks that '[s]cholarship on regional integration faces the challenge of developing more comparative research design for additional comparative research' (2003: 291).

[32] Diez and Wiener, 2004

[33] Warleigh-Lack, 2006: 750-751; my italics

just as is its subject. Its character is interpreted in many ways depending on the perspective of the author, the area of the world with which the author is most familiar, and the theoretical orientation applied.'[34]

Yet efforts to contain the mosaic and re-introduce analytical rigour by singling out a limited number of explanatory variables applicable across cases have been made. For instance, in his attempt to bring together what he refers to as 'old and new regionalism', Warleigh-Lack presents a list of four independent variables: (1) rationale for initiating regionalisation ('genesis'); (2) the way the regionalisation process works ('functionality'); (3) ideational/affective factors at work ('socialisation'); and (4) effect of regionalisation on member states/other states ('impact')[35]. While arguably important for understanding the conditions for formal economic integration in Africa, Warleigh-Lack arrives at these independent variables in reference to a different dependent variable from mine. Rather than limiting itself to the implementation of formal agreements on regional economic integration – my dependent variable – Warleigh-Lack's dependent variable concerns a wide array of informal and 'not necessarily formally institutionalised' integration processes[36]. This makes his approach less relevant for the development of my conceptual framework.

Another example of seeking to impose order in the mosaic is offered by Laursen who provides a set of independent variables more clearly focused on regionalism: (1) the interests of member states; (2) the roles and capacities of regional institutions; and (3) the impact of

[34] Sbragia, 2008: 32-33
[35] Warleigh-Lack, 2006: 762-765
[36] Warleigh-Lack, 2006: 758

external factors such as globalisation. But while Laursen's focus on state-led formal economic integration corresponds to mine, his research question, and therefore his dependent variable, is left unclear. Laursen gives four tentative suggestions: (1) the functional scope of RIOs; (2) their respective institutional systems; (3) the size of RIO membership; and (4) the differences in RIO impact[37].

A third and, for my purposes, more fruitful approach to disentangling the mosaic is offered by Mattli[38]. Mattli sets out to address two related puzzles: 'why have so many attempts at integration failed while a few have been crowned with success?'; and 'what explains when outsiders seek to become [RIO] insiders?'[39]. Here, I limit my presentation of his framework to those aspects that relate to the first question since that is the very topic of my own research. To allow for a large-N comparative study of the conditions for successful formal integration, Mattli divides the explanatory factors into two discrete camps: demand-side factors and supply-side factors[40].

In order for regional integration to be 'demanded', Mattli argues, there must exist a 'relatively significant' potential for economic gains to private-sector actors from market exchange within a region for integration to succeed. 'The demand for regional rules, regulations, and policies by market players is a critical driving force of integration.'[41] In line

[37] Laursen, 2003: 283-291. Also summarised in Warleigh-Lack, 2006: 761-762
[38] Mattli, 1999
[39] Mattli, 1999: 41
[40] Mattli is not the only author to analyse the drivers behind regional integration in terms of demand and supply side factors. See, for instance, Moravcsik (1993 and 1997), Downs *et al.* (1998), Milner (1997), Padoan (2001), Malamud (2006) and Börzel (2011).
[41] Mattli, 1999: 42

with the discussion in the previous chapter about the gains from integration, Mattli argues that there often are considerable economic gains from internalising regional externalities and lowering transaction costs imposed by the existence of national borders for trade and investment. Since private actors – primarily large export firms – are likely to be the biggest benefiters from integration, these are also the biggest drivers behind the demand for formal economic integration[42]. This leads to the demand condition for successful formal integration: 'the potential for economic gains from market exchange within a region must be significant'[43]. The view that demand for integration comes from the markets reflects important aspects of liberal accounts of regional dynamics. Given the focus on trade liberalisation among most RIOs, underlining the importance of demand among traders seems intuitive.

Mattli notes, however, that 'demand for integration on the part of big business does not automatically translate into success'[44]. Supply conditions outlining the circumstances under which political leaders are 'willing and able to accommodate demands for regional institutions at each step of the integration process'[45] constitute the second half of the story. Willingness depends chiefly on the payoffs of integration to these political leaders. Mattli argues that since formal integration entails a sacrifice of certain aspects of sovereignty, political leaders have to be convinced that benefits from integration to them outweigh this loss of control. Such a trade-off is unlikely to look attractive in economically good times since marginal benefits in terms of retaining office (being re-elected) are likely to be small

[42] Mattli, 1999: 44-50
[43] Mattli, 1999: 42
[44] Mattli, 1999: 50
[45] Mattli, 1999: 42

when the politician already is popular. In economic downturns, however, the balance shifts in favour of integration: the loss associated with giving up of control over certain policy areas to a regional body is smaller than the increased chances of staying in power[46].

Willingness to pursue formal economic integration needs to be matched by an ability to do so in order to satisfy the supply condition. Recognising the *public* good quality of the benefits from integration, ability to integrate, Mattli argues, is primarily a function of the severity of the regional collective-action problem. There are two particularly relevant manifestations of this problem: the problem of defection and the problem of coordination. This leads the formulation of a weak and a strong supply condition for successful economic integration. In order to combat defection – i.e. a scenario typically characterised by the well-known prisoners' dilemma in which it is rational for each signatory to defect from its obligations after signing a regional treaty in order to free-ride off the other signatories' efforts – Mattli argues that: 'a group of countries seeking integration must establish "commitment institutions" such as centralised monitoring and third party enforcement'[47]. This is treated as a 'weak' supply condition since the provision and implementation of rules is possible without it. However, formal economic integration without commitment institutions is likely to be more 'elusive'.

More important, Mattli argues, is the coordination problem – the problem of agreeing to one of many possible positive outcomes when these outcomes have distributional consequences for the signatories. This motivates the strong supply condition: 'successful integration

[46] Mattli, 1999: 51
[47] Mattli, 1999: 54

requires the presence of an undisputed leader among the group of countries seeking closer ties. Such a state serves as focal point in the coordination of rules, regulations, and policies; it also helps to ease distributional tensions through, for instance, side payments'[48]. Both supply conditions hark back to ideas present in the hegemonic stability literature and neoliberal institutionalism.

Combining the demand and the (strong) supply condition, Mattli arrives at a matrix of comparative integration outcomes. In regions where both the demand and the supply condition hold we should expect the most successful RIOs; in regions where neither of the conditions hold we should expect to see the least successful RIOs; in regions where one or the other holds but not both, we should expect to see a mixed record of RIO success.

Figure 2.1: Mattli's outcome matrix

		(uncontested) regional leadership	
		Yes	No
(Potential) market gains from integration	Relatively significant	Success most likely	Mixed record
	Relatively insignificant	Mixed record	Success least likely

Source: author's adaption of Mattli's Figure 3.3[49]

Mattli's demand-and-supply framework has been a leading fix point in the field of comparative regionalism since its publication in 1999. In developing their own frameworks discussed above, both Laursen and Warleigh-Lack refer to Mattli as a defining attempt at

[48] Mattli, 1999: 56
[49] Mattli, 1999: 66

crafting a rigorous conceptual approach for comparative work[50]. As Laursen puts it: '[t]he Mattli framework for studying regional integration [...] has the clear advantage of simplicity, singling out a small number of variables as decisive for the success of integration'[51]. Indeed, this framework allows Mattli to investigate the performance of eleven RIOs, spanning two centuries and four continents – probably the largest N of any qualitative comparative study of regionalism to date. And in addition to being a widely known point of reference in the literature, for the purpose of this thesis Mattli's framework offers a particularly interesting point of departure for developing my own framework in that it – unlike Warleigh-Lack's and Laursen's – has a research question and dependent variable very similar to mine. Table 2.1 provides an overview of the differences and similarities of Mattli's study and mine.

Table 2.1: Comparison between Mattli's point of departure and mine

	Mattli's research	My research
Research question	Why have so many attempts at integration failed while a few have been crowned with success?	Under what conditions do African governments implement agreements on regional economic integration?
Research focus	State-led formal (economic) integration	State-led formal economic integration
Dependent variable	Establishment of common rules, regulations and policies	Implementation of formal agreement of regional economic integration
Geographical application	Europe (primarily), North America, Latin America and Asia	Africa
Explains choice of 'level' of integration?	No	No

[50] Laursen, 2003; Warleigh-Lack, 2006. In addition to Laursen (2003) and Warleigh-Lack (2006), the framework developed by Mattli is a significant point of reference for, for instance, Väyrynen (2003), Sbragia (2008), Obydenkova (2011) and Börzel (2011). See also Söderbaum (2004b: Chapter 2).

[51] Laursen, 2003: 18

2. INTEGRATION IN AFRICA: TOWARDS A NEW FRAMEWORK

Despite the impressive power of Mattli's framework to explain the relative successes and failures of a large number of RIOs, particularly in Europe, it is less suitable for comparative work on African RIOs. There are two reasons for this. First, in Mattli's model, governments supply integration in response to demand for integration by non-government constituents. In other words, Mattli's framework relies on the readiness and necessity of governments to internalise the interests of private actors and civil society when pursuing regional policies. This is a fruitful approach in developed states where strong state institutions serve to align the interests of governments with the interests of society at large to create 'state interests'. In Africa, however, the strength of such institutions is typically much reduced. As a consequence, governments often act more as an interest group among others – albeit with access to resources associated with sovereignty – than as aggregators of diverse societal interests. As a consequence, any analysis of African regionalism needs to take its starting point as the interests of governments – not the interests of states.

In a context where payoffs to private actors and civil society are much less influential in determining policy, there may still be payoffs to governments from signing regional agreements, but the payoffs to governments from actually implementing those agreements are either absent or highly diffuse; implementation typically entails giving up control over policy areas to a regional body and reducing the scope for trade taxes. This explains regionalism as theatre. In other words, in Africa, the central obstacle to the implementation of regional agreements is not the one represented by the prisoners' dilemma or the coordination problem where governments know that there are benefits to be had if only defection could be avoided and coordination ensured. Rather, in Africa, the central obstacle to the implementation of regional agreements is the fact that government do not perceive there to be any benefits at all.

At first glance, this seems to rule out implementation of formal economic integration in Africa entirely: if foreign and trade policies of African states largely are determined by the private interests of governments which have little to gain from regionalising trade we should never expect to see any regional economic agreements implemented. However, this ignores the possibility that governments may perceive economic integration to be causally related to benefits obtainable in other issue areas. Policies of regional integration are not pursued in isolation from other policies in any part of the world. However, the unusually tenuous connection between the interests of governments and the interests of states combined with challenges of unusually severe resource constraints makes linkages between trade regimes and issue areas such as security and government revenue unusually decisive in Africa. In other words, the second reason why Mattli's framework is unlikely to predict whether a regional agreement will be implemented is because its exclusive focus on the immediate trade-related consequences of economic integration to the economies involved leads to incorrect conclusions about the stakes at play. To understand the conditions for the implementation of regional agreements, therefore, we need to look at how governments package the costs and benefits from integration with costs and benefits in other issue areas. This changes the political economy of formal economic integration entirely. In the following two sub-sections I discuss these two observations in turn.

2.1 The role of governments

In order to understand the conditions for formal regional integration between states in Africa, we first need to understand the nature of the states involved. From the outset it should be noted that there is no more an 'African state' than there is a 'European state' or an 'Asian state'; any treatment of African states as rigidly conforming to a model of the 'African state' is a simplification of a hugely complex collection of differences across both space and time[52]. Nonetheless, there is a large literature – sometimes referred to as the 'third worldist' or 'Africanist' literature[53] – which argues that it is possible to highlight certain features of states which are accentuated in Africa compared to other parts of the world and which affect the way these states behave internationally[54]. David, for instance, remarks that '[d]espite the vast differences among the states considered as belonging to the Third World, there are also fundamental similarities that justify considering them together'[55]. Similarly, Clapham argues that despite noted differences, 'the monopoly state [a way of organising the state that sprung up after independence] none the less exhibited many of the same characteristics across sub-Saharan Africa as a whole'[56].

[52] Allen, 1995; van Cranenburgh, 2008; Dunn, 2001a

[53] For some core texts see Ayoob (1995), Clapham (1996), David (1991), Dunn and Shaw (2001), Kalu (2004), Lemke (2003), Neumann (1998) and Tickner (2003). Here, I am not attempting to explain why African states share certain commonalities. Clapham (1985: Chapters 1 and 2) provides a good introduction on this point.

[54] For a discussion on the ability to generalise about the 'third world', see Clapham (1985: Chapter 1).

[55] David, 1991: 238

[56] Clapham, 1996: 58. Chabal and Daloz go so far as to claim that '[a]lthough there are obviously vast differences between countries in this respect [their 'instrumentalisation of disorder'], we would argue that what all African states share is a generalized system of patrimonialism and an acute degree of apparent disorder, as evidenced by a high level of governmental and administrative inefficiency, a lack of institutionalisation, a general disregard for the rules of the formal political and economic sectors, and a universal resort to personal(ized) and vertical solutions to societal problems' (1999: xix).

This third worldist literature which emerged in opposition to the often western bias of the IR literature[57] has spent considerable effort studying the idea of the state in the developing world and what that means for international relations[58]. It observes that the domestic environment for decision making in developing countries – most visibly in Africa – typically has very little in common with that found in developed countries. In contrast to the often assumed Westphalian or Weberian ideal-type state in the IR literature[59], many developing states lack a solid national identity, or an 'idea of the state', and are often contested by various interest groups[60]. Moreover, 'socio-political cohesion is especially weak; consensus on the "rules of the game" is low; institutional capabilities in terms of the provision of order, security and well-being are limited; and the state is highly personalised'[61]. Chabal and Daloz refer to this as the 'non-emancipated' state[62]; state and society are not entirely distinct[63].

In states where the state-society distinction is blurred the holders of state power are in many ways more like an interest group among others – albeit one with access to the domestic and international resources associated with recognised claims to sovereignty[64]. This undermines the idea of a government as an institutionalised aggregator of interests held by diverse groups across society[65]. In practice, this has both been a cause and effect of lower levels of transparency and weaker checks and balances on the government's actions than in many

[57] Hurrell, 1995b: 339; Lemke, 2003; Dunn, 2001a
[58] Dunn, 2001b: 46-47
[59] For an introduction to the Weberian ideal-type state, see Soares de Oliveira (2007: 22-27).
[60] See Dunn (2001b).
[61] Tickner, 2003: 314
[62] Chabal and Daloz, 1999: 5-8. see also Khadiagala and Lyons (2001b).
[63] Clapham, 1985: 42. Soares de Oliveira writes: '[i]n the post-colonial state, there is hardly a boundary between state and society and parochial interests penetrate the state itself (Soares de Oliveira, 2007: 26).
[64] Kalu, 2004; Clapham, 1985: Chapter 3. See also Migdal (1994) and Franck and Rainer (2012).
[65] Moravcsik writes: '[g]roups articulate preferences; governments aggregate them' (Moravcsik, 1993: 483).

other parts of the world[66]. As a consequence, the government is less likely to internalise the interests of society at large – what sometimes is referred to as 'state interests' – when designing and pursuing policy[67]; policies are based on a set of private interests defined by members of government rather than by a diverse public electorate[68]. Indeed, David observes how 'Third World leaders [...] will sometimes protect themselves at the expense of the interests of the state'[69]. Similarly, in his study on the policy processes of African states Kalu claims that 'officials of the government are less concerned about the problems of citizens [...] [instead] officials of government produce a domestic policy outcome based on the values of the governing elite'[70].

Naturally, there are elements of governments overriding state interests also in Western/Weberian states yet the frequent absence of entrenched formal and institutionalised mechanisms to hold governments accountable to the electorate accentuates such behaviour in most African states[71]. Clark puts it succinctly: [t]he concept of national interest fails patently in Africa [...] [since] state leaders will only follow policies that extend the interests of their populations, as they understand them, if they feel somehow accountable to their populations.

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[66] Clapham, 1996; Kalu writes: '[the] absence of an established policy framework [...] creates opportunities for mismanagement of public resources and no mechanism for holding public officials accountable for their role in government. This means that most issues on the policy agenda are recycled for rent-seeking purposes without clear plans for their implementation' (Kalu 2004: 67).

[67] For a critical stance on the existence of aggregated "state interests", see Narizny (2007) and Clark (2001: 90-91)

[68] This is not the place to discuss the vast literature on various forms of patronage and their wider effects on African politics but it is obviously true that also governments that are relatively freer from institutionalised checks and balances have obligations towards its key backers. For an overview of the importance of patronage in African politics see for instance Arriola (2009), Bayart (1993), Chabal and Daloz (1999), Jackson and Rosberg (1982), Roth (1968), Tangri (1999) and de Walle (2003). For literature on the relation between clientelism and accountability, see Lindberg (2010), Kitschelt and Wilkinson (2007), and Bratton (2007).

[69] David, 1991: 236

[70] Kalu, 2004: 73. See also Clapham (1985: 39-40) and Soares de Oliveira (2007: 26-27).

[71] Chabal and Daloz, 1999: 8; David, 1991

In colonial and post-colonial Africa, however, leaders have frequently felt little or no obligation towards the populations they rule, unlike in modern Europe'[72].

The dominance of government interests over 'state' or 'national' interests is particularly pronounced in the context of designing foreign and trade policy. This has large consequences for our understanding of the drivers behind regionalism[73]. Khadiagala and Lyons' qualitative study of African foreign-policy making notes that 'African foreign policy decisionmaking [sic] has always been the province of leading personalities' and that the 'behavioural patterns in inter-African relations and organizations reinforces the predominance of presidents as foreign policy makers. Through summits and other high-level meetings, continental and regional organizations nurtured the perception of foreign policy as a conclave of the mighty'[74]. Presidential control over international and regional policy in African states was noted immediately after the withdrawal of colonial administrations. In 1966, Zartman observed how '[s]pecific, even minute, decisions may be made by the president whose prestige in Africa and experience in dealing with other leaders gives him a special competence in inter-African relations. His anger and his ardour, his whims and his convictions, may become the mood of his country's policy, and his friendships and acquaintances mark its limits'[75]. Despite the wave of democratisation in the 1990s, presidential control over inter-African relations prevails[76]. In part this can be explained by the fact that even though, on paper, the introduction of elections has established institutional

[72] Clark, 2001: 92. See also Clapham (1985: Chapter 3).
[73] Clapham, 1996; Söderbaum, 2004a; David, 1991: 243
[74] Khadiagala and Lyons, 2001b: 5
[75] Zartman, 1966: 100
[76] Rakner *et al.*, 2006; quoted in ODI, 2007a: 8

accountability mechanisms aligning the interests of the executive with those of society at large, the often observed habit of voting along ethnic rather than policy lines has limited their efficacy[77].

Even in South Africa, the African country arguably most likely to have an institutionalised foreign policy process, big-man policy is rule rather than exception. In 2001, Venter remarked that '[h]ighly personalized styles of policymaking and decisionmaking [sic] were common then [during Nelson Mandela's rule] and are even more common today under the Mbeki presidency. Mandela's towering personality, international prestige, and stature made him an important figure in South Africa's foreign relations. His command and seeming domination of every major foreign policy decision almost overshadowed the role of the cabinet, parliament and the DFA [Department for Foreign Affairs]'[78]. Similarly, a survey of trade-policy processes in a number of developing countries by the ODI concludes that while the South African Parliament has an important role to play in terms of approving agreements, '[i]n South Africa the Executive Branch is solely responsible for trade policy formulation and negotiating international trade agreements'[79].

Naturally, 'presidential' foreign and trade policy should not be taken to mean that it always is the president personally who devises and implements such policy. In most cases, the policy process is shared between a number of ministries, departments and export promotion agencies typically with the ministry of foreign affairs or ministry for industry and trade as

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[77] Robinson, 2009; ODI, 2007a: 6. For a discussion of the challenge posed by ethnicity for IR theory, see Malaquias (2001).
[78] Venter, 2001: 164
[79] ODI, 2007a: 17

central coordinator[80]. Yet the policy process remains 'presidential' in the sense that all of these actors fall under the control of the executive branch. An ODI report notes that 'the executive is likely to be particularly dominant relative to the legislative in shaping trade policy. In part, this is rooted in the overall context of executive dominance in most African countries [...]. Furthermore, civil servants conduct international trade negotiations with a primary accountability to the executive'[81]. The report goes on to note that the executive typically also is considerably stronger relative to the private sector than in the developed world. This is echoed by Ikiara *et al.* who claim that 'reviews of economic policy making in developing countries, and in Sub-Saharan Africa in particular, point to the dominance of the executive or the presidency in the policy formulation process. [...] The contributions of research institutions, the private sector and the civil society are often either ignored or given inadequate attention and priority'[82].

The heightened separation of government interests from state or national interests has profound consequences for our understanding of the dynamics of regional integration in Africa. Rather than trying to understand the variation in the extent to which formal agreements on regional economic integration are implemented in reference to variations in payoffs to states we need to look at variations in payoffs to governments. At the centre of any analysis of African regionalism lie government interests – not state interests – even though,

[80] ODI, 2007a: 7
[81] ODI, 2007a: 8
[82] Ikiara *et al.*, 2004: 217. This is further supported by Oyejide's and Fosu's (2010) comprehensive survey of trade negotiations in Africa.

formally, regionalism takes places between states[83]. And once we remove, or significantly weaken, the link between benefits to non-state actors and benefits to governments, *signing* regional agreements may still be associated with payoffs to governments but *implementing* them is not. This explains regionalism as theatre.

Signing regional agreements is an important expression of the possession of sovereignty since the engagement with other states presupposes that possession[84]; it offers an opportunity for African leaders to project an image of themselves to both each other and to domestic constituents as contributing to a greater Pan-African 'cause'[85]; and, considering the interest and prestige awarded regionalism by powerful international donors, signing regional agreements serves as a means for African governments to signal a willingness to pursue development and be 'modern'[86]. We have entered the domain of 'sovereignty-boosting' regional governance[87]. Herbst argues that this insight is central since '[t]he key to understanding the fate of regional cooperation in Africa is to discard the assumption that there is an inevitable conflict between sovereignty (or, more precisely, the prerogatives of individual leaders) and regional cooperation'[88].

[83] David makes the same point claiming that 'the leader of the state rather than the state itself should be used as the level of analysis' (David 1991: 237). Clapham, similarly, observes that 'the less solid the state, the greater the need to look beyond it for an understanding of how society that it claims to govern fits into the international system' (Clapham: 1996: 5).
[84] Sidaway and Gibb, 1998: 178-179; Söderbaum, 2004a: 426; Bach, 2005
[85] Fawcett and Gandois, 2010: 629-630. For a discussion of the complicated relationship between Pan-Africanism and regionalism in Africa, see Mkandawire (2011)
[86] Robson, 1993; Schirm, 2002: 22-23. The title of Saasa'a edited volume on African regionalism – *Joining the Future* – points in this direction too (Saasa, 1991). My supervisor Paul Collier has pointed out that this is not dissimilar to the drive to convert to Christianity in central and Eastern Europe in the last half of the first millennium AD.
[87] Söderbaum, 2004a
[88] Herbst, 2007: 129

However, *implementing* regional economic agreements is likely to seem undesirable to most African governments – even in the presence of potential regional public goods as discussed in Chapter 1. Implementing regional agreements entails surrendering at least some degree of control over policy areas over which a government previously had complete sovereignty. In Africa, where, '[s]overeignty has been nothing short of a security regime'[89] precisely because it often is the only thing that distinguishes governments from other interest groups, the perception of loss from integration in the form of restrictions on sovereignty is likely to be a bigger impediment to implementation than in most parts of the world[90]. In addition, actually implementing formal economic integration is likely to result in an atypically large revenue loss to most African governments since they are atypically dependent on trade taxes as a source of income since trade taxes are easier to administer than income and corporate taxes[91]. Zee shows that while African tax revenues on average only amount to roughly half of those in the OECD countries relative to GDP (approx. 18% and 36%, respectively, between 1975 and 1989), the contribution of trade taxes towards those revenues are between 10 and 15 times higher. Between 1985 and 1989 the figures were 32.2% and 2.2%, respectively[92]. Giving up the power to regulate tariffs, in other words, could be very expensive for the national Treasury even if it were to raise the welfare of society as a whole. Moreover, as anywhere in the world, in actually implementing regional economic agreements, African governments risk losing the financial support of domestic protectionist lobbies[93].

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[89] Barnett, 2002: 59

[90] See Clapham (1985: 114-115) and (2011). For a discussion of the importance of the international sovereignty regime built on recognition – so-called 'juridical sovereignty' – rather than *de facto* control, see Barnett (1995).

[91] McCarthy, 2004: 164; Clapham, 1985: 93-98

[92] Zee, 1996

[93] Cavoli and Rajan, 2009: 27. See also FAO (2010).

In this context, therefore, the biggest obstacle to the implementation of regional agreements is not the insurmountability of collective action problems between states which impedes the attainment of payoffs[94] but the absence of payoffs to governments. As Herbst puts it, in Africa, '[t]he coordination problems [...] are not that significant an issue because these cooperative agreements are not designed to actually do something'[95]. In this sense, in the first instance, neither the demand condition (gains to private actors) nor the supply condition (overcoming of collective action problems) of Mattli's Europe-focused approach accurately captures the political economy of regionalism in Africa; rather, the political economy of regionalism in Africa is one marked by the absence of benefits to governments.

However, despite the lack of benefits to governments stemming directly from implementing agreements of formal regional economic integration, implementation of regional agreements is possible. To see when and why, we need to broaden our analytical horizons and consider the wider context in which governments enter regional agreements. Benefits from regionalising trade regimes are not necessarily limited to boosting trade.

2.2 The role of cross-issue linkages

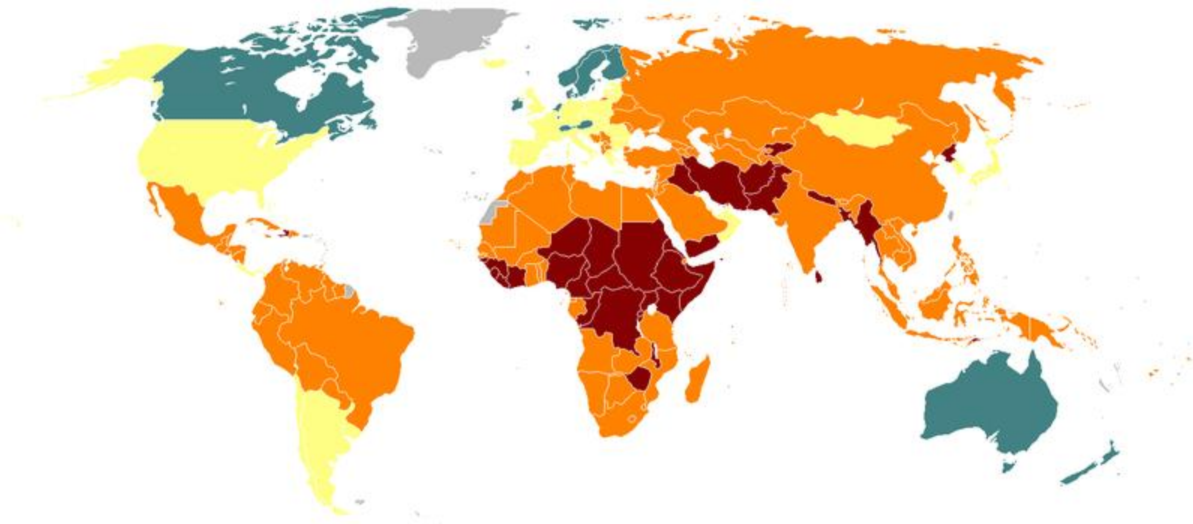
The relative freedom enjoyed by most African governments to define foreign and trade policy objectives of their states should not be mistaken to mean that African governments

[94] In other words, I do not agree with Snidal who writes that '[t]he problem of international cooperation is essentially one of collective action' (Snidal, 1985a: 923).
[95] Herbst, 2007: 137

necessarily have the resources to achieve those interests. On the contrary, financial, institutional and/or legitimacy constraints impeding the governments' ability to achieve their preferred outcomes are severe[96]. As both a cause and effect of this observation, it has become commonplace to refer to African states as 'weak' or, in some cases, 'failed'[97]. The map below is a graphical representation of *Foreign Policy's* 'Failed States Index 2011'[98]. Countries coloured dark red and orange are deemed 'critical' and 'in danger'. All African states belong one of these two groups[99]. Even if individual states at times may experience periods of relative political and economic strength, state 'weakness' is endemic to the regional neighbourhood of any part of the continent. This typically boosts insecurity and retards development for the entire region[100].

[96] Clapham makes this point exactly: '[t]his lack of immediate institutional constraints on rulers [of the third world] combined with the intense constraints under which they operate as a result of their states' position in the global political structure and economy, account for many of the most paradoxical aspects of third world politics – especially viable in the arena of foreign policy' (Clapham, 1985: 72). Similarly, Soares de Oliveira notes that 'the paradox at the heart of the postcolonial state is that it is both strong and weak' (Soares de Oliveira, 2007: 26).
[97] See Rotberg (2002 and 2003) for a discussion of a systematic definition of 'weak' and 'failed' states. See Dorff (2000) and di John (2011) and Dunn (2001b) for critical views on the use of the weak and failed state concepts. See Mayall and Soares de Oliveira (2011) for a discussion on the impact of 'failed states' on international relations and foreign interventions. For the processes leading to state failure, see Soares de Oliveria (2007: 28-30).
[98] Foreign Policy, 2012
[99] As we can see, African states are by no means unique in being categorised as 'critical' or 'in danger'. The situation is similar in large parts of Asia and South America too. It should be recalled that I in no way claim that the characteristics of African states are unique to African states – merely that they are more accentuated and/or more common.
[100] For an analysis of the detrimental effects of being in a bad state 'neighbourhood', see Collier (2007b).

Map 2.1: Failed States Index



Legend: dark red: 'critical', orange: 'in danger', light yellow: borderline/stable, blue: most stable; Source: Foreign Policy (2012)

To mitigate their financial weakness, African governments have come to rely on large transfers of official development assistance (ODA) from abroad[101]. In 2010, ODA amounted to $47 for every man, woman and child in Africa. The equivalent figure for Asia is $10[102]. Reliable figures for the relative sizes of these flows for individual countries area sparse. However, the according the World Bank, net ODA receipts made up 52.7% of government expenditure in Kenya in 1992, 15.7% in 2002 and 22.6% in 2010. For Namibia, the equivalent figure in 1992 was 14.0%. Kenya and Namibia are relatively developed economies in African terms. In 1992, Burundi received 103.1% of government expenditure in net ODA and in 2010 the equivalent figure for the Democratic Republic of the Congo was 189.1%[103].

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[101] Kalu, 2004: 80

[102] OECD, 2012

[103] World Bank, 2012. For a critical assessment of the impact of aid on economic governance in Africa, see Bräutigam and Knack (2004).

In part as a consequence of weak state institutions and economic stagnation, most African states have experienced violence in the last fifty years[104]. Between 1961 and 2004, there were 80 successful and 181 unsuccessful coups in Africa. Botswana and Namibia were the only states without unconstitutional attempts to seize power[105]. In addition, there have been at least ten secessionist movements in Africa[106] and for most of the continent's post-independence history it has been plagued by civil war. From the mid-1960s until the early 1990s, there were persistently between 6 and 8 civil wars raging at the same time. The number shrunk towards the end of the 1990s when it all of a sudden rose again. The figure has once again decreased since the mid-2000s[107].

The combination of often severe domestic political and financial constraints and a comparatively large freedom to define their states' foreign and trade interests has led to a situation in which African governments use the latter to mitigate the former[108]. African governments use the state apparatus as a gatekeeper between the domestic and international realms, using foreign and trade policy to achieve domestic policy aims[109]. David refers to this as 'omnibalancing': whereas the international policies of governments of developed countries which primarily are determined by the need to manage external opportunities and threats he argues that African governments' international policies are a result of seeking to balance both

[104] It is outside the scope of this thesis to discuss the reasons for the high incidence of civil wars and coups in Africa but I refer to Collier and Hoeffler (2005) and Collier *et al.* (2009) for an introduction to the literature.
[105] Ngoma, 2004
[106] McNamee, 2012. Only two secessionist movements have been successful, however: Eritrea (1993) and South Sudan (2011).
[107] Hoeffler, 2008
[108] Clapham, 1996: 247
[109] Cooper, 2002; Soares de Oliveira, 2007: 41

the external *and the internal* environment[110]. Kalu makes a similar argument claiming that, 'on international economic issues, decision-makers in Africa act *as if* they are involved in simultaneous play at the domestic and international game tables'[111]. In other words, the distinction between domestic and regional/international politics is largely artificial: African governments use foreign and trade policy to strengthen themselves not only against other governments but also against domestic challengers[112].

In this context, regional trade agreements are not necessarily about trade. Rather, they need to be understood as one of many 'omnibalancing levers' which ultimately serves to ensure the ability of the government to remain in power and achieve its preferred policy objectives in the face of serious external and internal constraints. Indeed, Clapham goes so far as to say that, in the case of Africa, '[w]here regionalism amounted to anything more than a formality, it did so because it helped serve the cause of state and regime preservation'[113]. Conceptually, we can think of this as an expression of 'issue linkage': African governments perceive the issue area of regional trade to be connected to the issue area of, in this instance, government preservation[114].

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[110] David, 1991: 238
[111] Kalu, 2004: 70; italics in original
[112] Clark, 2001: 95; Ayoob, 1998
[113] Clapham, 1996: 121, see also page 11. Similarly, Kiplagat, argues that governments in 'new states' only engage in international law to the extent that it benefits their interests (Kiplagat, 1995: 265). See also Khadiagala and Lyons (2001a: 2). Indeed, even the World Bank concedes that 'the purpose of integration [in the developing world] is often political, and the economic consequences, good or bad, are side effects of the political payoff' (World Bank, 2000: 11).
[114] See Clark (2001: 94-99) for a discussion of the importance of 'regime security' (as oppose to state security) for understanding the international behaviour of African states.

The IR issue-linkage literature argues that we should expect such connections to have large effects on regionalism[115]. Haas defines 'issues' as 'separate items that appear on the agenda of negotiators'[116]. 'Issue linkage', then, refers to 'bargaining that involves more than one issue'[117]. Once issues are linked, policies in one issue area are expected to have consequences for outcomes across other issue areas: actor A agrees to act in issue area X because doing so is seen to lead to a favourable outcome for actor A in issue area Y. Issue linkages have received considerable attention in the context of regionalism as a means of overcoming the collective action problems inherent in international cooperation[118]. Oye, for instance, argues that '[w]hen nations confront a single-play game on one issue, present defection [from cooperation] may be deterred by threats of retaliation on other iterated issues'[119]. In other words, a government which has an incentive to defect from its obligations under a particular regional treaty will refrain from doing so because it fears that it will be negatively affected overall since its receipts of benefits in other issue areas are linked to its commitment to the regional agreement. As a consequence, issue linkages can be expected to make regional cooperation possible in situations in which regional negotiations otherwise – had they been treated in isolation from other issues – would have broken down. Sandler argues that the collective action problem associated with providing the public good of regional integration is particularly likely to be mitigated if the provision of the non-excludable public good is linked to the receipt of an excludable private good[120]. That is, if a government knows that its receipt

[115] I was first alerted to the issue-linkage literature by Betts (2009).
[116] Haas, 1980: 364
[117] Haas, 1990: 76
[118] See, for instance, Haas (1980), Tollison and Willett (1979) and Moravcsik (1993).
[119] Oye, 1985: 17
[120] Sandler and Hartley, 1995. see also Betts (2009: 38).

of, say, a cash transfer or security guarantee is contingent on liberalising regional trade, it is more likely to stay committed to its regional obligations.

Like much of the existing literature which looks at issue linkages as an independent variable explaining international cooperation, these mechanisms rely on 'tactical' issue linkages – that is, linkages established by virtue of being part of the same round of formal negotiations[121]. In a context where the aim is to mitigate the problem of defection, such linkages are likely to play a large role; knowing that all parties are better off if they cooperate, governments are willing and able to engage in tactical swapping of commitments across issue areas. As we saw above, however, the main obstacle facing African regionalism is not so much defection as it is the perception among governments that they have nothing to gain at all from implementing the agreements that they have signed. In this context, 'structural' issue linkages are likely to be more important than 'tactical' issue linkages since, in the absence of benefits, there is nothing for participating governments to swap. As we will return to again in Chapter 3, 'structural' cross-issue linkages are linkages that create a *causal* link between action in one issue area and outcomes in another: action in one issue area is perceived to cause a favourable outcome in another, regardless of how issues have been packaged at formal rounds of negotiations[122]. The presence of structural linkages has the potential to change the structure of payoffs to governments from implementing agreements on formal regional integration by linking it to issue areas in which governments do perceive there to be important payoffs.

[121] See Betts (2009: 40), who cites Aggarwal (1998), McGinnis (1986) and Stein (1980) as examples of literature with a 'tactical' focus.
[122] In practice, it is not unlikely that there could be some overlap between tactical and structural linkages.

Against this backdrop, I argue that the presence of strong linkages between integration and core government interests is likely to be decisive in determining the extent to which regional agreements are implemented; for African governments formal economic integration is not necessarily about the regionalisation of trade. This is in line with Fawcett's and Hurrell's argument that 'economic regionalism can often be a mechanism by which broader security and political goals can be pursued. Moreover, even if regionalism is to be built around economic considerations, it is unlikely to prove resilient if there is serious divergence over other issues'[123]. Above all, I argue, it is important that implementation is perceived to have a structural relationship with widening the 'policy space' of African governments. For this reason, I argue for a new approach to the comparative study of the extent to which African governments implement regional economic agreements – an approach which I label the Regionalism as Policy Space (RPS) framework.

3. REGIONALISM AS POLICY SPACE

The constraints under which African governments operate often impose severe limits to their freedom of action; financial limitations have made governments reliant on external financial support and arguably subjected them to increased threats of unrest and domestic discontent. Conceptually, we can think of this as the 'policy space' of African governments being severely curtailed. The São Paolo Consensus of 2004[124] defined 'policy space' as 'the scope for domestic policies, especially in the areas of trade, investment and industrial development'

[123] Fawcett and Hurrell 1995: 4. See also Kahler (1995: 9) and Söderbaum (2004a: 425).
[124] Named after the UNCTAD IX meeting held in São Paolo in June 2004.

which might be ‘framed by international disciplines, commitments and global market considerations’[125]. The concept sprung up in response to a fear that governments of developing countries wishing to participate in the global economy would see themselves forced to join multilateral organisations dictating standards in areas such as trade, labour rights, intellectual property rights and the environment, without any real ability to influence the standards to which they commit[126]. This would ultimately restrict the ability of governments to pursue their own policy agendas. Mayer notes how ‘the outcome of the Uruguay Round (UR) of multilateral trade negotiations has extended the scope of multilateral disciplines to include rules that impinge directly on domestic policies [and that this] may explain why much of the debate on policy space is confined to trade policy and concerned with how the UR agreements restrict the sovereignty of nation-states to make their own policy decisions’[127].

In the context of multilateral organisations and their impact on developing-country members, the policy space concept is also linked to questions of regional integration. On the outskirts of the regionalist field, Shadlen compares the loss of policy space for developing country governments as members of the WTO and as parties to ‘regional-bilateral’ trade agreements, respectively. By ‘regional-bilateral’ agreements Shadlen refers to agreements whereby, say, an African state gains market access to NAFTA or the European Common Market[128]. Closer to the topic of this thesis, is Abugattas’s work on how pressures of the multilateral trading

[125] Quoted in ODI (2007b: 1)
[126] Gallagher, 2005; DiCaprio and Gallagher, 2006; Brown and Stern, 2006; UNCTAD, 2007. For a discussion of the link between policy space and intellectual property, see Roffe *et al.* (2007).
[127] Mayer, 2009: 374
[128] Shadlen, 2005. For a study on policy space in the context of EPA negotiations, see Asche and Engel (2008).

system forces developing countries into regional blocs which, in turn, 'by locking in a wide array of policies and instruments, may well preclude policy options or policy space available for adopting adequate development-oriented policies'[129]. Also Mashayekhi *et al.* refer to the impact of regional trade agreements on the policy space available to developing-country governments. The authors argue that the WTO need to manage the interface between the multilateral trade system and RIOs in such a way to ensure as much policy space as possible for developing-country governments to be able to pursue national development objectives[130].

As indicated by these studies, the policy space concept has been prominently used in the field of international political economy in connection with multilateral organisations[131]. However, the countries most affected by the lack of policy space have opted for a broader definition of policy space. 'Policy space', according to the G77, is the extent to which 'development strategies [are] comprehensively nationally owned'[132]. It amounts to 'a general freedom from external constraints'[133]. In their work on the impact of globalisation on domestic health policy formulation, Koivusalo *et al.* go even further. Pointing out that there is no conceptual reason to think of 'policy space' solely in relation to external constraints, the authors define policy space 'as the freedom, scope, and mechanisms that governments have to choose, design, and implement public policies to fulfil their aims'[134]. This is the definition of 'policy space' employed in this thesis. Echoing the omnibalancing theory of African

[129] Abugattas, 2004: 3
[130] Mashayekhi *et al.*, 2005
[131] Gallagher, 2005. See Alvarez (2011) for an international-law perspective on the issue of policy space in the context multilateral organisations.
[132] Quoted in ODI (2007b:2)
[133] ODI, 2007b: 2
[134] Koivusalo *et al.*, 2009: 105

intergovernmental relations it acknowledges that policy space can be restricted by both internal and external constraints.

The Regionalism as Policy Space (RPS) framework, then, draws on a diverse but distinct set of literatures. It combines (1) the characterisation of regionalism as a collective-action game from the mainstream IR literature; and (2) the two insights into the nature of African states from the third worldist literature; with (3) the literature on the importance of issue linkages in overcoming collective-action problems; and (4) the literature on policy space as a way of conceptualising the freedom, scope and mechanisms available to governments for pursuing their objectives.

Pulling these ideas together, the RPS framework models African integration as a two-stage game. At the first stage, individual governments' interest in integration is determined by the presence or absence of linkages with policy space. This is about the existence of benefits from integration. Subject to the presence of issue linkages, at the second stage, the governments of a region engage in negotiations on how to accommodate individual governments' interests in integration at the regional level[135]. At this point, collective-action problems prominently discussed in the mainstream IR regionalist literature resurface. Since, as argued, structural linkages are likely to play a large role defection is unlikely to be a serious challenge: if a government perceives the implementation of a regional agreement to *cause* wider policy space it has no incentive to defect. The coordination problem, however,

[135] In this sense, the structure – though decidedly not the substance – of the RPS framework is not dissimilar from Moravcsik's liberal intergovernmental approach.

remains[136]. That is, implementation of a regional agreement is contingent on the ability of participating governments – i.e. the signatories of the regional agreement – to agree on a regional distribution of benefits from integration. This two-stage game is captured in the two-part RPS hypothesis:

1) **Agreements on formal regional economic integration will only be implemented when at least one participating government perceives implementation to be structurally linked to widening its policy space and,**
2) **subject to the perceived existence of such structural linkages, all participating governments are able to reach a regional agreement on the distribution of benefits from implementation.**

That is, at least one participating government needs to perceive the *implementation* of that agreement, as opposed to the mere signing of it, to be causally linked to easing the constraints on its ability to achieve its preferred policy objectives. Schematically, this corresponds to actor A (government) acts in issue area X (implementation) with the expectation that this will lead to a favourable outcome in issue area Y (policy space). In situations where no government perceives there to be cross-issue linkages between implementation and policy space we should not expect to see any interest in, and therefore no progress towards, actual integration. However, even in instances where at least one government perceives such linkages overcoming theatre regionalism is by no means guaranteed. Since any government has the option of vetoing the regional implementation of signed agreements, that (or those) government(s) which perceive cross-issue linkages to exist need to ensure that *all* governments in the region are satisfied with the distributional

[136] As we saw, also Mattli (1999) plays down the seriousness of the defection problem and emphasises the coordination problem instead. Overcoming the defection problem is a 'weak' condition; overcoming the coordination problem is a 'strong' condition. Snidal makes a similar point noting that in the coordination game, defection is not a problem since neither party has an incentive not to cooperate once they have agreed on a set of policies (Snidal, 1985a: 932).

consequences of implementation. This requires the successful conclusion of intergovernmental negotiations on how the costs and benefits of implementation are to be shared. It is only once both the existence and distribution of benefits from integration have been established among governments of a region that we should expect to see regional agreements of formal economic integration implemented. The operationalisation of this hypothesis in the context of the four customs union case studies is discussed extensively in the next chapter but before that four points need to be made.

First, the hypothesis is phrased in terms of *perception*. Given the degree of uncertainty about the exact objective, material consequences of economic integration – particularly in Africa where data collection frequently is poor[137] – government action will inevitably be guided by interpretations of facts rather than the facts themselves. As Haas puts it: '[i]f the emphasis is on how actors perceive the need for collaboration, certain activities or places cannot by definition be regarded as a "collective good". Whether they are so regarded depends on the mixture of perceptions and the modes of reasoning employed by those who fashion [international] regimes [e.g. trade agreements]'[138]. This conforms to a constructivist formulation of 'structure' advocated by Wendt which is further discussed in Chapter 3[139].

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[137] De Lombaerde *et al.*, 2008: 2. See also Axline who writes: '[t]here is likely to be[...] a period of uncertainty and instability preceding the point at which this favorable distribution of opportunity costs occurs, and in integration schemes among underdeveloped countries this time period is likely to be much longer than in industrialized regions' (Axline: 1977: 104).

[138] Haas, 1980: 360

[139] Wendt, 1999: 20. See also Betts (2009) for a clear application of Wendt's argument.

Second, even though the RPS hypothesis' emphasis on 'political' benefits differs from emphasis on 'economic' benefits in Mattli's approach[140], the idea that states join RIOs for political rather than economic reasons is of course not new. The neorealist literature has been arguing for the security rationale for decades[141]; in the context of the European Union, authors such as Leblond, Milward, Moravcsik and Nicolaidis, and Erikssen and Fossum emphasise the political drivers behind the integration process[142]; and as we saw in connection with the third worldist literature, the political rationale behind joining RIOs has been a central theme also in the literature on African regionalism[143]. Yet not only am I unaware of any explicit use of the 'policy space' concept as a driver for regionalism[144], moreover, I have also not come across attempts to integrate the idea of governments' quest for policy autonomy as an independent variable in comparative studies of the conditions for the implementation of regional agreements.

Third, it is worth emphasising once again that the RPS framework focuses on the interests of governments. This is motivated by the extent of government control over foreign and trade policy noted above and is in complete contrast to Mattli's Europe-focused hypothesis that '[t]he pressure for [...] regional institutional arrangements does not come from the top but from the bottom, that is, the initiators [...] are typically not the political leaders but market actors'[145]. By implication, the success of formal economic integration is potentially sensitive

[140] Also Moravcsik (1993) emphasises the economic rationale behind the demand for integration.
[141] See, for instance, Mearsheimer (1994/95).
[142] Leblond, 2008; Milward, 2000; Moravcsik and Nicolaidis, 1998 and 1999; Erikssen and Fossum (2000)
[143] Clapham, 1996; Herbst, 2007; Söderbaum, 2004a; Khadiagala and Lyons, 2001b, Sidaway and Gibb, 1998
[144] As we saw, the closest we get in the existing literature on Africa is the idea of 'sovereignty-boosting regionalism' (Söderbaum 2004a).
[145] Mattli, 1999: 190

to changes in governments even if the underlying structural conditions for integration, e.g. the volume and direction of regional trade flows, remain the same[146]. Implicit in the RPS framework, therefore, is an acceptance of a key claim of critical international political economy underscored by third worldism: the interests of the government are not automatically the same as the interest of society at large[147]. The fact that most African governments have privileged theatre over actual integration despite large gains to African societies provides a first tentative empirical support for this claim; that South Africa changed its policies regarding SACU when it moved from apartheid to ANC rule, provides a second.

Fourth, the RPS framework does not prescribe *which* government or *how many* governments (beyond one) in a region need to perceive integration to be conducive to widening policy space. Instinctively, and in line with hegemonic stability theory, we might expect the interests of the government leading the most powerful state to be the most relevant[148]; the government of a regional hegemon is more likely to extend its sphere of interest outside the national borders and may therefore have a larger interest in integration than governments of smaller states with more narrowly defined interests. However, it is also possible for governments of smaller states to consider formal integration instrumental to their core interests. Pevehouse, for instance, shows how governments on the periphery of large regional groupings, particularly the EU, see RIO membership as a way of locking in structural reform which they know would otherwise be difficult to get through domestic legislatures[149]. The particular constellation of key governments cannot be thought of in conceptual terms but will

[146] See Herbst (2007: 129).
[147] See Söderbaum (2004a: 419), Tickner (2003: 314), David (1991) and Herbst (2007).
[148] See Narizny (2007), Brawley (2010) and the literature survey in the first section of this chapter.
[149] Pevehouse, 2005

most likely vary from region. In some regions, the government of a hegemon may be the driving force; in other regions, it can be a group of governments which – potentially for disparate reasons – perceive formal economic integration to widen their policy space. My argument is that *de facto* integration requires that *at least one* government perceives implementation to further its policy space. As soon as one government does, the perceived benefits can be distributed across all participating governments. I return to the role of hegemons both in the operationalisation of the RPS framework in the next chapter and the again in the concluding chapter of this thesis.

In summary, following from the third worldist literature, the first claim of the RPS framework is that, in Africa, government interests and not state interests are the main determinants of regionalism[150]. In an interview in 2009, Xavier Carim, deputy director-general at the South African Department of Trade and Industry (DTI), noted that 'regional integration is still a top down approach' in the context of SADC[151]; and the *East African* reports that '[t]he process of integration is led and directed by the partner states' governments, especially their Heads of State'[152]. The second claim of the RPS framework combines insights from the third worldist and the issue-linkage literature: governments' policies regarding regionalism are likely to be decisively influenced by issue areas that at first glance have little to do with formal economic integration and changes to the trade regime.

[150] See Haarlov (1988: 21-23) and Axline (1977).
[151] *Engineering News* (Johannesburg), 3rd August 2009
[152] *East African* (Nairobi), 22 March 2010

4. CONCLUSION

The objective of this chapter has been to derive a hypothesis for comparative analysis of the extent to which regional agreements are implemented in Africa. To this purpose, I surveyed the existing literature and identified Mattli's demand-and-supply framework as the most promising point of departure. However, noting the special circumstances surrounding trade policy making in most African states as highlighted by the third worldist literature I argued that Mattli's framework needed to be amended. On this basis I proposed the Regionalism as Policy Space (RPS) framework which models African integration as a two-stage game: at the first stage, individual governments determine their interests in implementing regional agreements based on the perceived presence of cross-issue linkages connecting implementation with policy space; at the second stage, the interests of participating governments are subjected to regional intergovernmental bargaining to determine the distribution of any benefits perceived to stem from implementation. Before we can test this new hypothesis in the context of the four customs union case studies, however, we need to go into much greater detail of why and how governments perceive there to be links between integration and policy space. We need to operationalise the RPS hypothesis. This is the topic of the next chapter.

Chapter 3: Unpacking the RPS framework

The previous chapter was about "*why* the RPS framework?"; with a starting point in the existing literature it arrived at a conceptual hypothesis. This chapter is about "*how* the RPS framework?"; it translates the conceptual discussions into variables for empirical research and explores the framework in the context of the four customs-union case studies introduced at the beginning of this thesis. Overall, the objective is to identify both the kind of evidence that would allow us to accept the RPS hypothesis and the kind of evidence that would require us to reject it.

For this purpose, the chapter is divided into six sections. The first discusses the operationalisation of the dependent variable – the implementation of formal economic integration; the second and third sections explains how and why governments perceive links between integration and policy space and subsequently develop the two RPS conditions; the fourth section provides an introduction to the case studies through the prism of the RPS framework; the fifth section examines the falsifiability of the RPS framework and discusses alternative explanations to be investigated; and the final section concludes the chapter.

1. OPERATIONALISING 'IMPLEMENTATION'

The research question of this thesis concerns the conditions under which Africa governments implement regional economic agreements. Measuring implementation empirically is notoriously difficult[1]: not only do the indicators of successful implementation span areas as diverse as tariff reduction, tax harmonisation, joint third-party negotiations and common monetary arrangements but, as Robson points out, many of them are not easily quantifiable[2]. This makes it difficult to assess the extent to which an individual agreement has been implemented and renders cross-case comparisons almost impossible. As discussed in the first chapter, this motivates selecting four examples of the same 'kind' of integration project for the empirical application of the framework: the customs union.

Customs union agreements, however, are not all identical in scope. For instance, while some, e.g. the 2002 SACU Agreement, call on the creation for a joint management and pooling of customs revenue[3], others, e.g. the customs union agreed to in the revised ECOWAS Treaty of 1993, leave member states to manage their own customs revenues subject to constraints[4]. There are, however, two objectives which are constitutive of all custom union agreements: (1) the reduction/elimination of intra-union trade barriers, and (2) the erection of a common external tariff (CET) against third-party imports. Assessing the implementation of customs union agreements in the four case studies, I will look exclusively at these two policy objectives.

Naturally, this exclusive focus is not without complications since it ignores aspects of agreements that – while not constitutive of a customs union – are potentially important to the

[1] De Lombaerde has made large contributions to the literature on this topic. See, for instance, de Lombaerde (2006), de Lombaerde and van Langenhove (2005), de Lombaerde *et al.* (2008) and de Lombaerde *et al*. (2010).
[2] Robson, 1983
[3] SACU, 2002
[4] ECOWAS, 1993

signatories and the operation of the agreement. However, I argue that this loss of empirical completeness is outweighed by gains in operational clarity. Looking at the same two policy objectives across all cases overcomes the problem of finding implementation benchmarks that are both ‘comparative’ and ‘reflexive’ – i.e. that allow comparison of implementation both between agreements and against stated aims within agreements[5].

The next task, then, is to identify proxies which capture the extent to which internal trade barriers have been lowered and a CET erected. Rather than looking at proxies for the effects of these policies, such as impacts on the direction and volume of regional trade flows[6], I propose to look at the internal and external trade barriers directly. This is because, hypothetically, we can imagine a scenario in which changes in trade barrier fail to have an effect on trade flows or a scenario in which trade flows change without changes in trade barriers. For the empirical work, then, the dependent variable is operationalised as changes to the trade regimes themselves.

For the CET, this is relatively straightforward. By looking at tariff data, we can establish the extent to which member governments of a customs union maintain the same tariff regime against third-party imports. For the internal trade barriers, however, we need to consider the impact of both tariff and non-tariff barriers (NTBs). NTBs include obstacles to trade such as cumbersome customs procedures, discriminatory product and/or process regulations on imported products and road blocks. This is a complicated issue because not only is there only

[5] De Lombaerde and van Langenhove, 2005: 4

[6] See, for instance, World Bank (2002).

very limited data available on NTBs outside of the developed world[7], but in the developing world it is also often unclear to what extent NTBs are the result of top-down policies and not the result of opportunistic and/or uninformed behaviour on the part of customs officials, policy officers and local administrators. In a comprehensive survey of the implementation of regional agreements in Africa, UNECA makes this very point:

> 'It is difficult to verify the level of performance of the REC [Regional Economic Communities] countries in the removal of these [non-tariff] barriers because they cover a wide range of trade-retarding policies and activities, most of which are not directly measurable. Such NTBs include deliberate stalling in issuing customs clearance papers by rent-seeking customs personnel, the mounting of unofficial, hence illegal, road blocks at which cross-border traders are harassed. One reason for the difficulty in capturing this performance is that, unlike tariffs, data on NTBs are often not comprehensively published, even at the national level.'[8]

To keep the focus on explaining *policy* as opposed to opportunistic behaviour by individual customs and law-enforcement officers, I will, in addition to data on tariffs, only look at changes to NTBs that are unequivocally a matter of government policy. In practice, this means focusing on government-mandated border closures, exchange rate controls and quotas though there is some variation between cases. While I hope to identify some of the most notable changes in government-imposed NTBs I do, for the reasons highlighted above, by no means claim to be comprehensive.

In summary, the 'implementation of customs unions' is operationalised as the extent to which governments converge on a common external tariff on third-party imports and adjust their

[7] For general difficulties in quantifying NTBs in way that makes them comparable across jurisdictions, see Mold (2005: 5-8). With regard to Africa specifically, Mold notes that '[u]nfortunately, NTB data is only available for a few African countries. [...] The most comprehensive existing data set on NTBs, UNCTAD's Trade Analysis and Information System (TRAINS) contains comprehensive and reliable data for only *one* African country (Cameroon)' (2005: 25; my emphasis).

[8] UNECA, 2010: 231

intra-union tariffs and NTBs in accordance with the signed customs union agreement (Table 3.1). As the case studies will show, the reduction of intra-union trade barriers does not necessarily mean their elimination; all four customs unions studied in subsequent chapters allow for certain barriers to remain either over a transitional phase or permanently. However, such barriers need to be sanctioned by all member governments.

Table 3.1: Operationalisation of implementation

Operationalisation of dependent variable	
Implementation of CET	1. Convergence of tariff regime of signatory states towards third parties in accordance with customs union agreement
Implementation of intra-union free trade	2. Reduction of intra-union tariffs in accordance with customs union agreement 3. Reduction of government-imposed, intra-union NTBs in accordance with customs union agreement

It should be noted, however, that this operationalisation comes with an important caveat: whereas all customs union agreements involve changes in the trade regimes of member states, not all changes in the trade regimes of member states involve customs union agreements. Trade barriers have been lowered globally over the last few decades as a result of multilateral and bilateral agreements that have nothing to do with regional customs unions[9]. Neither the fact that Senegal has reduced its tariffs on imports from Ghana nor the fact that Ghana's and Senegal's tariffs on EU imports have converged over the last ten years need therefore be an indication of the implementation of the ECOWAS customs union but

[9] See, for instance, Subramanian and Wei (2007).

could equally be the result of the two states' membership in the WTO and the Lomé Convention. To capture these critical nuances it is important to complement any data on changes in tariffs and NTBs with information on the origin of those changes. As a consequence, any quantitative data on the dependent variable produced in subsequent chapters is supported by considerable descriptive, qualitative discussions[10].

The four case studies provide fascinating variance in the degree of implementation both across time and space. For instance, despite inheriting a CET and intra-union free trade area from the British colonial authorities in the early 1960s, the East African governments imposed quotas and closed intra-union borders soon after independence; this process was then reversed in the 1990s and early 2000s when the EAC customs union was resuscitated. While the governments of the SACU member states maintain a CET and intra-union free trade area, the members of the ECOWAS customs union have yet to achieve either. In order to explain this variance within the proposed framework we need to operationalise the RPS hypothesis.

[10] The need to establish the origin of changes in the trade regimes is, however, only relevant when we observe policy that conforms to such an agreement, i.e. when tariffs on third parties converge across members and/or intra-union trade barriers are lowered. In cases where we observe policies that go counter those agreed to in the customs agreement, this link is irrelevant. In fact, it is extremely unlikely that a government would increase its intra-union tariffs *because* of the customs union agreement. In these cases, it is enough to establish that such policies were pursued *despite* the agreement. It then falls on the independent variables to explain why. This point is particularly relevant to the analysis of the EAC customs union in the 1960s and 70s (Chapter 4) which takes its starting point in a customs union with a CET and very low internal trade barriers but which then disintegrated over time.

2. THE BENEFITS EXISTENCE CONDITION[11]

The RPS hypothesis states that implementation requires at least one participating government to perceive structural linkages between implementation and policy space and that linkages thus perceived need to be accommodated regionally through intergovernmental agreements on the distribution of benefits. In order to test this hypothesis empirically it is necessary to unpack the ideas of 'policy space', 'issue linkage' and 'benefits distribution'. Combining the parsimony and transparency of Mattli's model and the two insights from the third worldist literature discussed in the previous chapter, I operationalise the two-part RPS hypothesis in the form of two conditions.

The Benefits *Existence* Condition is concerned with how and when individual governments perceive links between integration and policy space; the Benefits *Distribution* Condition identifies situations in which the existence of such links is likely to lead to the regional implementation of signed agreements. For the distribution of benefits to be a relevant concern for participating governments they need to perceive there to be benefits to distribute in the first place. Conceptually, we can therefore think of the Benefits Existence Condition as primary and the Benefits Distribution Condition as secondary[12]. Empirically, however, the relationship between the two is more complicated. In this section I unpack the first of these

[11] I am heavily indebted to Betts (2009) for the operationalisation of the Benefits Existence Condition. Betts employs the idea of structural issue linkages in the context of international cooperation on refugee regimes. While adapting and amending his operationalisation to suit my research question and the specifics of the RPS framework, I have nonetheless followed his template closely.

[12] Initially, I retained Mattli's jargon and referred to the Benefits Existence Condition as a 'demand condition' and to the Benefits Distribution Condition as a 'supply condition'. However, unlike in Mattli's model where the demand stems from market actors and supply from public officials, the RPS focus on governments on both the 'demand' and the 'supply' side makes this terminology confusing.

conditions; in the next section I discuss the second and return to the questions of their interaction.

2.1 Government revenue, security and international standing

The Benefits Existence Condition identifies situations in which governments perceive links between integration and policy space. It is a necessary but insufficient condition for the implementation of customs unions in Africa. In Chapter 2, 'policy space' was defined 'as the freedom, scope, and mechanisms that governments have to choose, design, and implement public policies to fulfil their aims'[13]. I propose to proxy governments' pursuit of policy space with their pursuit of revenue, security and international standing. The first two of these three proxies can be understood in absolute terms: regardless of international comparisons a government's freedom to choose, design, and implement public policies is likely to increase with increases in the government's political and financial control and capabilities[14]. In addition, a government's policy space is affected by its position relative to other governments. I refer to this as its 'international standing'[15]. Above all, in Africa this consideration captures the government's relationship with international bilateral and multilateral donors but it also captures the government's relationship with, and prestige among, its regional peers. Naturally, international standing is often a function of material factors such as government revenue and security capabilities[16]; indeed, in the case studies the revenue and international standing are often analysed together. Yet governments can also

[13] Koivusalo *et al.*, 2009: 105
[14] See, for instance, Malan (1996), Mayer (2009) and Ocampo and Vos (2008). See also Clark (2001).
[15] See, for instance, Oya (2006) and Soludo and Ogbu (2004). Indeed, this consideration constitutes the origin of the policy-space concept.
[16] Indeed, as we saw, this is the core claim of neorealism.

improve their international standing without increasing their material capabilities by, for instance, hosting prestigious conferences, assuming chairmanships in well-known organisations and forming alliances at multilateral negotiation. This is closely related to Nye's idea of 'soft power'[17]. Just like increased revenue and increased security, increased international standing is likely to give a government greater freedom to pursue its preferred policy objectives by enhancing its international credibility.

Accepting these three empirical representations of the policy space concept – which I refer to as 'core government interests' – the Benefits Existence Condition claims that implementation of agreements of formal economic integration in Africa requires at least one participating government to perceive links between integration on the one hand and increased government revenue, improved security and/or enhanced international standing on the other. Once again it is worth noting that the Benefits Existence Condition holds for a given region even if only one government in that region perceives there to be cross-issue linkages. In theory, the presence of perceived benefits can then be spread across all the governments of the region by means of re-distributional arrangements. While distributional tensions certainly can be expected to be easier to overcome in situations in which all governments, or at least a significant number thereof, perceive that they would benefit from implementing the customs union already before commencing negotiations on distribution; conceptually, we have no reason to believe that an intergovernmental agreement on the distribution of benefits is impossible with only one government arguing for the policy space benefits.

[17] Nye, 2004

As we will see in the next four chapters, there is considerable evidence supporting the necessity of linkages between customs union implementation and government revenue, security and international standing. Ugandan president Museveni's interest in raising his international prestige by becoming President of East Africa was a decisive factor explaining the implementation of the East African customs union in 2005; the dependence on transfers from the Common Revenue Pool among the Botswana, Lesotho, Namibian and Swazi governments was critical in retaining SACU after the fall of apartheid in South Africa and so was the new ANC government's perception of SACU as a means of avoiding a deterioration in government security caused by mass immigration. Conversely, during the first three decades of the failed ECOWAS customs union project, perceptions of relationships between integration and increased revenue, improved security and enhanced international standing were largely absent. In order to establish that these claims are causal, however, we also need to operationalise the idea of linkages.

2.2 Institutional and ideational linkages

For a government to perceive there to be a relationship between integration and policy space there needs to be a structural connection between the two issue areas. In broad terms, 'structure' in IR theory is understood as the forces that enable or constrain the actions of an actor[18]. Depending on the background of the scholar, however, the specific understanding of what determines those structures differs. In Wendt's words: '[w]here neorealist and constructivist structuralisms really differ [...] is in their assumptions about what structure is made of. Neorealists think it is made only of a distribution of material capabilities, whereas

[18] Buzan and Little, 2002; Wendt, 1987, 1995, 1999; Bieler and Morton, 2001; Sewell, 1992; Milner, 1991

constructivists think it is also made of social relationships'[19]. In addition, liberals include institutional elements in their definition of structure since they argue that institutions affect behaviour[20]. Betts summarises conceptions of structure across the different schools of thought as being of a material, ideational and/or institutional kind[21]. Given the methodological challenges involved in establishing material relationships between two issue areas and the discussion in the previous chapter of the decisive role of interpretation of material conditions even in instances when such relationships can be established, I follow Betts' operationalisation of structural linkages as 'the institutional and ideational forces that enable or constrain the actions of an actor'[22] – an operationalisation which, in turn, is based on Wendt[23].

Institutional Linkages

Institutions have the potential to link issue areas by making the achievement of one outcome contractually contingent on action in another[24]. This makes the issue linkage causal; the contract ensures that actor A's action in issue area X *causes* a favourable outcome for actor A in issue area Y. In the context of customs union implementation, the institutions most likely to create such contractual linkages are the regional customs-union bodies themselves. The four case studies show how variations in the institutional design of these RIOs affects the presence of links between integration and core government interests. However, customs

[19] Wendt, 1995: 73
[20] Moravcsik, 1997
[21] Betts, 2009: 42
[22] Betts, 2009: 42
[23] Wendt (1999: 20) cited in Betts (2009: 42).
[24] For a comprehensive survey of the role of institutional design for regional integration see Acharya and Johnston (2007)

union RIOs are not the only institutions capable of establishing contractual issue linkages. At times, donors have made agreements of assistance or trade preferences contingent on the implementation of regional trade liberalisation and/or CET. So for instance, while the institutional linkage most relevant for explaining the implementation of the customs union in Southern Africa was a result of the design of SACU, the institutional linkage arguably most relevant for explaining the (lack of) implementation of the customs union in West Africa was the result of the design of the EPA negotiations with the EU.

In addition to institutional design, the existence and strength of institutional issue linkages are determined by institutional credibility. Contractual obligations which lack credibility are unlikely to establish credible links between integration and core government interests. This explains the weakening of institutional linkages in East Africa in the 1960s and 70s even though the institutional design of the EAC remained unchanged; mutual distrust between the East African presidents – particularly after the rise of Idi Amin – undermined the credibility of East African agreements as a means to connect integration to government interests. By implication, institutional design may in some cases be another instance of theatre and must therefore not be studied in contextual vacuum[25]. This brings us back to the importance of government perception highlighted by the RPS hypothesis: more important than the alleged 'objective' existence of issue linkages is the *perceived* existence of issue linkages.

[25] Acharya and Johnston, 2007: 28; Wangwe *et al.*, 2010: 97

Ideational Linkages

Ideas have the potential to connect issue areas with each other. They do that by creating 'a perception of the causal relationship between two areas'[26] in the mind of an actor. Once conceived, an idea influences the behaviour of an actor by changing the structural environment. If, for instance, a government has become convinced of the idea of 'comparative advantage' it perceives a causal connection between the issue area of 'trade' and the issue area of 'efficiency'; the government perceives that stimulating trade (issue area X) *causes* efficiency gains (favourable outcome in issue area Y). Ideational linkages are the result of fashions, learning and technological progress[27]. For instance, while the Keynesian economic doctrine had been all but abandoned by the leading financial and economic institutions after its heydays in the 1950s and 1960s it returned to the mainstream discourse in the wake of the financial crisis in 2007-08[28].

Given the often personalised character of African regional politics and the concomitant weakness of African institutions, ideational linkages can be expected to be particularly important for our ability to explain why some customs union agreements have been implemented and not others. At points, ideas have been intersubjective: in the early days of African independence Pan-Africanism created links accepted by most African governments between integration on the one hand and revenue, security and international standing on the other. At other points, ideas have been highly subjective: whereas Nigerian president Gowon initially perceived there to be strong links between integration in ECOWAS and international

[26] Betts, 2009: 44

[27] For the role of ideas in IR scholarship, see for instance Goldstein and Keohane (1993), Philpott (2008) and Williams (2004).

[28] Skidelsky, 2009

standing, his successor and most of his regional peers did not. Whether subjective or intersubjective, the four cases show that ideational issue linkages between integration and core government interests are crucial to understanding variations in implementation across customs unions in Africa.

Combining proxies of policy space with the operationalisation of issue linkages, we are in a position to assess the explanatory power of the Benefits Existence Condition in the customs union case studies. We can predict that it is only in the context of evidence of at least one government perceiving strong institutional and/or ideational links between integration on the one hand and revenue, security and/or international standing on the other, that we should expect customs union agreements to be implemented. In the absence of such evidence – or in the context of evidence of negative links between integration and core government interests – we should expect to see theatre.

But while the Benefits Existence Condition is necessary, it is not sufficient. For issue linkages perceived by one or more governments to acquire the form of policy implemented across the region, the governments of all customs union member states need to be satisfied with their respective share of the benefits perceived to spring from their joint project. That is, once governments perceive custom union implementation to have the potential to deliver benefits by promoting their policy space, they will be concerned with the distribution of those benefits.

3. THE BENEFITS DISTRIBUTION CONDITION

The third worldist literature suggests that the collective-action problem of agreeing on a distribution of benefits from formal economic integration is exaggerated in Africa since, in most cases, governments which have signed a regional agreements do not perceive there to be any benefits to distribute – often out of fear to be eroding sovereignty and/or the trade-tax base[29]. However, in instances where the Benefits Existence Condition holds and participating governments therefore do perceive there to be benefits from implementing regional agreements, finding a solution to the distribution of those benefits becomes important.

Implementing a customs union agreement can lead to unequal distribution of benefits through two processes: trade diversion and industrial polarisation[30]. In the former case, the erection of the CET diverts member state A's trade with cheaper third-party exporters to more expensive imports from member state B thereby raising prices in member state A while stimulating growth in member state B[31]. In the latter case, the creation of an intra-union free trade area leads to the polarisation of production in member state A at the expense of establishment in member state B since companies can enjoy positive cluster effects in member state A without losing access to the market in member state B by virtue of the intra-union free trade area. Industrial polarisation effects are particularly likely in customs unions with members at

[29] By implication, I do not agree with Söderbaum who claims that 'the distribution effect of regionalism is perhaps the single most important issue in the debate on regionalism in Africa and the South.' (Söderbaum, 2004b: 90). Distribution is important but only in so far as there is something to distribute and this, I argue, is the single most important issue.

[30] The distribution problem has been extensively discussed in the existing literature and there is no need for me to reiterate it here. Instead, see for instance Laursen (2003), Yoshimatsu (2006), Keohane (1989 and 1993), Olson (1965), Higgott (1998), Bach, (2005) and Krasner (1976).

[31] Lipsey, 1957; Balassa, 1968; Krueger, 1999; Meade, 1955

different levels of economic development since more developed members offer producers more advanced physical and financial infrastructure and therefore serve as natural centres of gravity around which firms can congregate[32].

Given that the production capacity and infrastructure are likely to be correlated with national material capabilities the trade diversion and the industrial polarisation effects can be expected to be more pronounced in the presence of a hegemon. Contrary to a number of scholars on regional integration who emphasise the potential of the hegemon to act as a mediator of distributional tensions in its role as focal point and paymaster[33], therefore, I argue that hegemonic presence has the potential of both exacerbating and mitigating the coordination problem[34]; it exacerbates the coordination problem be making trade diversion and industrial polarisation effects more pronounced and it mitigates those very effects by its regional leadership. The net effect cannot be determined conceptually but will vary from customs union to customs union. This suggests that we ought to focus directly on participating governments' satisfaction with the distribution of costs and benefits from integration rather than focusing on the presence of an undisputed leader[35].

[32] Industrial polarisation has, for instance, been extensively discussed in the context of SACU. See Maasdorp (1982), Gibb (1997) and Kirk and Stern (2003).
[33] See, for instance, Mattli (1999), Kranser (1976) and Keohane (1980).
[34] Examining RIOs worldwide characterised by hegemonic presence, Willerton *et al.* conclude that '[w]here there is a regional hegemon, there is almost certainly some level of mistrust. The history of the US and Canada indicates that even within this long-standing, stable, and peaceful relationship, the weaker party had significant levels of wariness vis-à-vis the regional hegemon. In other situations the levels of mistrust can be quite high, which is decidedly the situation between Russia and many of the CIS member states' (Willerton et al., 2011: 1).
[35] See Snidal (1985b) for a critical discussion of the treatment of the presence of hegemons as a sufficient condition for international cooperation.

How benefits are to be distributed is ultimately a result of intergovernmental negotiations. The tools employed to ensure the agreed distribution is likely to vary between cases but we can think of them as belonging to two broad categories: (1) compensating mechanisms and (2) asymmetrical obligations. Whereas the former has received considerable attention in the literature on African regionalism[36] the latter is more commonly discussed in the European context – typically referred to as 'variable geometry'[37]. Under a compensation-based benefits distribution approach, member governments agree to a system of transfers whereby governments perceived to be gaining from the customs union arrangement at the expense of other members compensate those other members. Under an asymmetric-obligations-based benefits distribution approach, member governments agree that some member governments are allowed protective measures disallowed others. Both of these distribution approaches are found among the four case studies: ECOWAS and SACU employ a transfer-based system while the EAC governments agreed on a 'Principle of Asymmetry' allowing the Tanzanian and Ugandan governments to maintain certain transitional measures of tariff protection against Kenyan imports even as the Kenyan government removed the same on imports from Tanzania and Uganda.

The Benefits Existence Condition discussed in the last section identifies situations in which individual governments are likely to perceive links between integration and policy space; the Benefits Distribution Condition identifies the subset of situations in which those links translate into regional implementation of customs union agreements. While conceptually

[36] For discussions on compensation mechanisms, see Foroutan (1993), Geda and Kebret (2008), Mistry (2000), Oyejide (2000) and Nyirabu (2004).

[37] For discussion on variable geometry, see Goldsmith (2003) and Bechev and Nicolaidis (2008).

distinct, we can expect the relationship between the two conditions to be characterised by considerable empirical complexity. In some instances, governments perceive institutional and/or ideational issue linkages between integration and policy space independently of any benefits derived by other governments. This was the case in, for instance, Ghana in the ECOWAS customs union and South Africa in SACU where the two governments perceived links between integration and revenue (in Ghana's case) and integration and international standing (in South Africa's case) regardless of the benefits accrued to other members of the respective customs unions. In other cases, governments' perception of issue linkages between integration and policy space are contingent on the distribution of benefits. This was the case in the BLNS states in SACU where the four governments' perception of links between implementing the SACU agreement and revenue was directly conditional on redistributional transfers from South Africa. Recognising the potentially dynamic relationship between the two conditions is an acknowledgement of constructivism's critique of the rationalist 'two-step' process discussed in the previous chapter.

Nonetheless – whether integration-policy space linkages are perceived independently from, or conditional on, intergovernmental distribution of benefits – the application of the two RPS conditions remains the same: the Benefits Existence Condition establishes when individual governments perceive policy space linkages; the Benefits Distribution Condition establishes when those linkages can be accommodated regionally. Only when both of these conditions hold can we expect all participating governments to associate integration with policy space and only then shall we expect customs union agreements to be implemented. The four case studies provide fascinating insights into the dynamics of the RPS framework.

4. THE RPS FRAMEWORK AND THE CASE STUDIES: A ROADMAP

The East African customs union of 1963 to 1977 (Chapter 4) was an inheritance from the British. With the Nairobi Declaration at the eve of Kenyan independence in 1963, the three East African governments – Kenya, Tanganyika and Uganda – agreed to maintain the customs union and expand and deepen East African integration. However, only two years later Tanganyikan president Julius Nyerere introduced quotas affecting a large number of imports from Kenya. Over the next ten years, this was followed by import-licensing systems, currency restrictions and border closures on part of all three governments. By 1977, the last vestiges of the customs union had collapsed with the rest of the EAC. In accordance with the RPS framework, I argue that the gradual decline of the EAC can be explained by a successive weakening of linkages perceived by the three governments between the continued operations of the customs union and their pursuit of revenue, security and international standing. In fact, in Tanzania's and Uganda's cases, the governments perceived a *negative* link between integration and policy space. While, in 1963, the three governments perceived both institutional and ideational connections between maintaining the British-inherited customs union and realising their Pan-African and national objectives, a combination of changes in the domestic political ideologies and the international macroeconomic environment put the Tanzanian and Ugandan governments in positions which they interpreted as a choice between *either* continued support of the EAC customs union *or* pursuit of core government interests. This became particularly pronounced after Idi Amin assumed power in Uganda in 1971. The position of the Kenyan government was different in that it held fast to an ideational link connecting implementation and revenue. Ultimately, however, persistent distributional tensions between Kenya on the one hand and Tanzania and Uganda on the other made continued implementation of the customs union impossible. Just as the RPS framework predicts, the failure of the two conditions caused the customs union to turn into theatre.

After the collapse of the EAC in 1977, the East African integration project went into hibernation. By early 1990s, however, the three governments were once again discussing the prospects of a regional customs union as part of a rekindled East African project. A new EAC Treaty was signed in 1999 and after the Customs Union Protocol came into force on the 1st of January 2005 (Chapter 5) the three governments adjusted their tariffs on third-party imports to the agreed CET and internal tariff barriers to trade were lowered as negotiated. The RPS framework explains the re-integration of the region by pointing to a growing perception by the three East African governments that a functioning customs union was conducive to the widening of their policy space. The first significant moves towards the new customs union were taken in 1991 and 1993. Inspired by internationally promoted ideas of the growth-promoting potential of trade deregulation and burdened by record aid dependence, the governments of East Africa began to link integration on the one hand and government revenue and international standing on the other. These ideas gained further ground over the next decade and were fortified by institutional arrangements which required the customs union to have been implemented before higher stages of integration would be attempted. In conjunction with the establishment of ideational and institutional linkages, the implementation of the EAC customs union in 2005 was made possible by the ability of the three governments to arrive at a distribution of benefits acceptable to all. Instrumental to the distributional arrangement was the negotiated ‘Principle of Asymmetry’ which gave Tanzanian and Ugandan producers more protection than it awarded Kenyan. As predicted by the RPS framework, under these conditions, the likelihood of implementation of the EAC customs union was high.

The ECOWAS customs union (Chapter 6), meanwhile, did not meet with comparable success. First agreed to in the 1975 ECOWAS Treaty, the customs union was envisaged to be implemented in two stages: member states were obligated first to implement the regional Trade Liberalisation Scheme (TLS) and then to converge on a CET. However, by 1990, only minimal progress had been made on the TLS and no progress had been made on the CET. A number of new initiatives and deadlines were drawn up in the 1990s culminating with the launch of the ‘Roadmap to the ECOWAS Customs Union’ in 2004 which committed member governments to the reduction and internal trade barriers and the erection of the CET by the 1st of January 2008. This deadline was not met and still today, 37 years after the 1975 Treaty, there is no ECOWAS customs union. The RPS framework explains the lack of implementation in reference to the lack of strong linkages – institutional as well as ideational – between integration and policy space. On an institutional level, the issue that came to matter the most for West African governments in connection with regional integration – the question of security – was not linked with the establishment of the customs union. Rather, Francophone members feared that rapprochement with Anglophone Nigeria would risk their security support from France. Further, until the early 2000s, most ECOWAS member governments associated the implementation of the customs union with revenue loss. Once this perception began to change, however, the inability to reach an intergovernmental agreement on the distribution of benefits meant that the CET still could not be implemented. The ECOWAS case not only supports the overall hypothesis of the RPS framework, it also provides evidence of the hierarchy of the two conditions: only when the Benefits Existence Condition holds does the Benefits Distribution Condition matter. Just as the RPS framework predicts: before the governments started to perceive links between customs union implementation and revenue in the early 2000s, the distributional question was considered largely irrelevant.

In complete contrast to the situation in ECOWAS, the member states of SACU (Chapter 7) have consistently shown a commitment to the customs union not only on paper but also in practice. Just like the EAC’s, SACU’s foundations are colonial. Initially founded in 1910, the customs union was long seen as a control tool of the South African apartheid government. Nonetheless, after the inauguration of Nelson Mandela in 1994, all five member states remained committed to the integrity of SACU. After protracted negotiations, a new customs union agreement was signed in 2002. Even in the face of pressure during EPA negotiations with the EU, the member governments found solutions allowing for the intra-union free trade area and the CET to stay intact. The RPS framework explains this commitment to the customs union by pointing to a number of strong issue linkages perceived by the member governments to connect implementation with core interests. For the four junior members of SACU – Botswana, Lesotho, Namibia and Swaziland (BLNS) – the decisive structural connection links integration with government revenue. This is an institutional linkage that contractually obliges the South African government to transfer disproportionate shares of the Common Revenue Pool to the BLNS governments. The flip side of this institutional linkage is an ideational relationship perceived by the South African government between integration and security; the customs union and the resulting transfers from the Pool strengthens the weaker neighbour governments which prevents their fiscal collapse – a collapse that would mean considerable security stresses for the South African government, not the least through labour unrest in the wake of mass labour immigration. In addition, South African governments on both sides of 1994 perceived SACU to add to their international standing. That these issue linkages have translated into the implementation of the SACU agreement has, however, also been contingent on the ability of the southern African governments to reach an agreement on the distribution of benefits. As evidenced by the eight years it took to draw up a new SACU Agreement after 1994, finding a formula for the SACU compensation-based distribution system agreeable to all five governments was difficult. The successful conclusion of these intergovernmental negotiations was critical to the survival of the SACU after the fall of apartheid.

The RPS hypothesis receives strong support when tested in the context of the four case studies. Its explanatory power is large. Importantly, all case studies bring out a characteristic central to the RPS hypothesis: in none of the cases did the implementation, or lack of implementation, depend on a government's intrinsic interest in increasing trade. Rather, their interest, or lack of interest, in changes to the trade regime was contingent on the perception of resultant private payoffs to the governments. It was premised on perceived connections between integration and other wider core interests – what I have refer to as policy space. These connections, in turn, depended on the strength of causal institutional and/or ideational issue linkages and the ability of participating governments to agree on a mutually satisfactory distribution of benefits. The following four chapters will discuss these mechanisms in the context of the four case studies in detail. Aspects of the RPS framework, in particular the role of hegemons, will be further discussed in the concluding chapter. Before that, however, we need to consider alternative explanations for the observed variance in the degree of customs union implementation and the kind of evidence that would require us to reject the RPS hypothesis.

5. ALTERNATIVE EXPLANATIONS

The RPS hypothesis is broad but it is not all-encompassing; it is falsifiable. The corresponding null hypothesis is that the likelihood of implementing customs unions is causally unrelated to perceptions of enhanced policy space. In order to offer a plausible alternative explanation to the one offered by the RPS framework 'equifinality' is a critical criterion. That is, an alternative explanation has to provide a credible causal account of 'the *same* type of outcome [...] via a *different* set of independent variables'[38]. Should we either fail to find evidence of policy space issue linkages being decisive in determining the likelihood of customs union implementation or find evidence of other independent variables determining the outcome, we would not be in a position to reject the null hypothesis and would have to question seriously the explanatory power of the RPS framework. At the end of each case study in subsequent chapters, I therefore discuss the extent to which alternative explanations could credibly account for the same outcomes given the evidence at hand.

[38] George and Bennett, 2004: 157 (italics in original). For a discussion of discussion of 'alternative explanations' in social science research, see George and Bennett (2004: Chapter 8).

The specific empirical expression of the null hypothesis is likely to vary depending on the particular domestic and regional dynamics at play and the focus of the discussions of alternative explanations varies accordingly. There are, however, three general lines of argument that potentially could be relevant to them all: (1) that the likelihood of customs union implementation is unrelated to African governments' perceptions of policy space and instead is determined by dictates by important international donors pushing trade liberalising agendas; (2) that the likelihood of customs union implementation is unrelated to African governments' perceptions of policy space and instead is determined by practical obstacles of ensuring that policies established by governments filter through the state bureaucracy; and (3) that the likelihood of customs union implementation is unrelated to African governments' perception of policy space and instead is determined by African governments' interest in promoting regional trade regardless of whether this is perceived to result in private payoffs to governments.

To construe the first of these – the importance of dictates by international donors – as an alternative hypothesis is misleading. As discussed above, for African governments, the relationship with international donors is an important factor in determining their policy space. That is, the influence of international donors *filters through* the RPS framework; it is not an alternative to it. The case studies make it very clear that pressure from international donors is a poor independent variable in its own right. At times the presence of international pressure and support has facilitated regional integration (as in the EAC in the 1990s and 2000s) at times such pressure and support has failed to ensure implementation (as in ECOWAS); at times implementation of customs union agreements has succeeded *despite* the presence of international pressure (as in SACU in late 2000s). As Lavergne and Daddieh point out: 'although donors can supply the financial wherewithal to promote cooperative ventures, they cannot generally oblige countries to cede sovereignty over their affairs, as implied by regional integration'[39]. Similarly, Clapham rejects 'that third world states and societies are simple playthings of the international system, dancing to the tune it plays. On the contrary [...] they have a life of their own, and appreciable opportunities to manipulate the external world and adapt it to their own needs'[40]. In line with this, my argument is that though international pressure is an important factor to consider[41], its relevance is best understood by analysing its impact on perceptions of policy space (revenue, security and/or international standing) among African governments. Nonetheless, for completeness, where relevant, I investigate the explanatory power of looking exclusively at international pressure in my case studies[42].

While not offering a completely alternative explanation, the focus on international pressure does nonetheless bring out two interesting complexities which are further discussed in Chapter 8. First, it highlights that even though African governments may see integration as a means to strengthen their position relative to international donors, the same regionalist project may in many cases be sponsored by those very donors. This should not be considered paradoxical: even if it means increased policy space for African governments, it is possible

[39] Lavergne and Daddieh, 1997: 120
[40] Clapham, 1985: 5
[41] Söderbaum writes that '[r]egional economic cooperation is influenced, and will always be influenced by the industrial powers outside the region, through the aid flows and through international capital' (Söderbaum: 2004b: 66).
[42] See Mayall and Soares de Oliveira (2011) for the extreme expression of international pressure in the domestic realm: the establishment of 'new protectorates' governed by the international community. See Clapham (2011) for a discussion of why such 'new protectorates' have been rare in Africa.

that it is in the interest of international donors to support policies for either ideological reasons or as a means to promoting development. Second, the focus on international donors suggests that it might be possible to think of African governments balancing policy space on three different levels – giving up regional policy space in the sense of surrendering their ability to determine their trade regimes to a regional body in exchange for international and/or domestic policy space in the sense of furthering relations with donors to acquire means which promote their domestic power base.

Unlike the focus on international donors, pointing to the explanatory power of practical obstacles as determinants for customs union implementation does offer a truly alternative explanation to observed outcomes. While I acknowledge the huge importance of practical obstacles to implementing policies in any context – not the least in an institutionally weak environment[43] – I have consciously chosen proxies for the dependent variable that, to the extent possible, isolate issues of politics from issues of practicalities. As a research project aspiring to be parsimonious and comparative this thesis is not concerned with explaining the experience of individual traders at specific border posts but the conditions under which African governments decide to implement agreements of regional integration. Unlike opportunistically established road blocks, market-driven trade flows and informal integration initiatives, tariff levels and government-imposed NTBs are directly determined by governments. The agreement on a CET by a group of regional governments will not depend on the ability of those governments to filter their policies effectively down to the border officials even though that ability is likely to affect the experience of the customs union at the

[43] See for instance Lyakurwa *et al.* (1997) and Mistry (2000: 558-559).

border post. By contributing to our understanding of when and why policies are implemented we are one step closer to understanding how, in the next step, those policies can be made effective. This will have to be topic of another project – one with resources to delve deep into the specifics of national bureaucracies and law enforcement. In the light of these considerations, I argue that this alternative narrative lacks relevance for my case studies.

The third alternative explanation, however, is highly relevant and will be discussed in all four case studies in conjunction with any case-specific alternatives. Should we find that African governments' positions on customs union implementation are determined in reference to their interests in trade – and not, as I have argued, their interests in policy space – we could not reject the null hypothesis. Such an intrinsic interest in promoting trade could be either a consequence of long-standing ideological conviction of key government officials – most likely of the president – and/or the result of successful information campaigns by influential international and national lobby groups. In either case, however, the interest in promoting regional trade must not be contingent on private payoffs to the government in the form of increased policy space. That is, even though the promotion of trade obviously has the potential to affect a government's policy space – indeed, this is the basis for structural cross-issue linkages discussed earlier – this alternative explanation argues that such consequences are irrelevant to the decision making of the government. A government will decide whether or not to implement a customs union agreement on the basis of its effects on trade, regardless of any perceived links with policy space.

If private policy-space payoffs to governments are irrelevant or, at any rate, of marginal importance, we should expect to find market actors playing a central role in driving customs union initiatives forward. We should also expect to see variations in customs union implementation to be correlated with variations in the potential of achieving public goods such as economic growth, increased trade and enhanced cross-border mobility rather than correlated with variations in the extent to which governments perceive there to be links with widened policy space. Finally, we should expect 'dramatic' changes of governments[44] to have no, or – at most – marginal, changes in the degree of customs-union implementation since it is unrelated to the underlying potential for public goods provision.

In the case studies, I investigate the evidence carefully for indications of support for this alternative set of causal mechanisms. In each of the cases, however, I find that governments have been the main drivers behind the customs union initiatives and that their motivations have been dictated by the presence of private payoffs in terms of policy space; I find that there is no apparent correlation between the potential for public goods provision and the extent to which customs unions are implemented; and I find that dramatic changes of governments typically results in changes to the likelihood of customs unions being implemented. Overall, therefore, I am confident that we are in a position to reject the null hypothesis.

[44] By 'dramatic changes in government' I mean situations in which, for instance, a government is replaced in a coup as in Uganda in 1971 or, as the case may be, an election as in South Africa in 1994. A dramatic change does not include instances where one president has been replaced by another from the same party as in Tanzania and Botswana for most of the last fifty years.

6. CONCLUSION

This chapter has unpacked the RPS framework by operationalising the dependent and independent variables and discussed the causal mechanisms that connect them. I have argued that we should expect governments to perceive implementation of customs unions to widen their policy space when there are institutional and/or ideational issue linkages between integration on the one hand and government revenue, security and international standing on the other. I called this the Benefits Existence Condition. In addition, I argued, that for these issue linkages perceived by individual governments to lead to the regional implementation of regional policies, participating governments have to arrive at a distribution of benefits deemed satisfactory by all. I called this the Benefits Distribution Condition. A quick roadmap of the four case studies indicated that the RPS hypothesis explains observed variations in customs union implementation well. Yet, as pointed out, this does not rule out 'equifinal', alternative explanations. An overview of potential alternative explanations suggested, however, that the necessary evidence to support the null hypothesis is lacking. Equipped with a conceptual and operational understanding of the RPS framework, the evidence required to support it, and the evidence required to reject it, we are now finally in a position to explore the fascinating politics of African formal regional integration in four case studies over the next four chapters.

Chapter 4: The East African Custom Union 1963-77: demise into theatre

The story of East African cooperation in the 1960s and 70s offers a spectacular example of how weakening governments' perceptions of integration as a policy-space widener decreases the likelihood of a customs union actually being implemented. As such it offers a point of contrast to the favourable conditions for economic integration in the same region in the 1990s and 2000s. The vintage of the case study relative to cases presented in subsequent chapters has three consequences: first, it relies less on primary and more on secondary sources; second, partly as a result of the lack of primary sources, the episodic – as opposed to comprehensive – character of the process tracing is accentuated; and third, the lack of reliable tariff data means that this case study focuses on government-imposed NTBs.

At independence from British colonial rule in the early 1960s, the three East African states of Kenya, Tanzania and Uganda had experienced various forms of regional cooperation for half a century. Initially, the independence presidents Kenyatta of Kenya, Nyerere of Tanzania and Obote of Uganda agreed to retain the colonial customs union and continued to extol the benefits of cooperation after assuming power. However, by the time they signed the Treaty for East African Cooperation on the 6th of June 1967 which established the East African Community (EAC), East Africa was in a state of disintegration. According to Ravenhill, the customs union – once a central component of the East African Common Market[1] – amounted to little more than 'fiction'[2]. In the years following the Treaty, the disintegration of the customs union continued as the EAC Partner States unilaterally introduced quotas and currency restriction, and occasionally closed intra-regional borders to trade all together. Any semblance of the once united customs territory vanished and by June 1977 the last vestiges of the East African project collapsed.

This demise, I argue, can be explained in reference to the RPS conditions discussed in the previous chapter. To carry this argument I divide the chapter into five sections. The first section outlines the East African customs union's descent into theatre. The second and third sections look at the Benefits Existence and Benefits Distribution Conditions, respectively. I argue that after a short period immediately following Kenyan independence in 1963 when the three leaders[3] perceived economic integration to be a means to the achievement of their personal and national ambitions, the operation of the East African customs union became increasingly seen as an obstacle to those ambitions. In addition, the growing economic strength of Kenya relative to the other Partner States led to irresolvable distributional tensions. These developments had direct impacts on the customs union and caused its

[1] Hazlewood points out that the customs union in East Africa frequently was referred to as the "common market" even when strictly concerned with the customs union elements of the arrangements, i.e. the abolishment of internal tariffs and quotas and the erection of a common external tariff (1966: 208, footnote 2). The term "common market" will therefore appear on numerous occasions in cited material. Where possible I replace the term with "customs union" to ensure consistency across the four case studies.
[2] Ravenhill, 1980: 45
[3] I will use the term 'leaders' when referring to the President Julius Nyerere of Tanganyika, and Prime Ministers Milton Obote of Uganda and Jomo Kenyatta of Kenya in the period before 1966. From 1966, all three 'leaders' had become 'presidents' which is reflected in my change of terms.

demise. The fourth section discusses alternative explanations and the fifth concludes the chapter.

1. EAST AFRICAN INTEGRATION AND DISINTEGRATION

1.1 Brief background to a long history[4]

In order to understand the evolution of the East African customs union in the 1960s and 70s we must first place it in its rich historical and institutional context. Rather than an endpoint of regional ambition, the East African customs union was a component – though an important one – of a much larger vision for the region which had developed over decades.

Immediately after Britain imposed its rule over present-day Kenya and Uganda in the 1890s, the colonial administration commenced the construction of a railway connecting Mombasa on the Kenyan Indian Ocean coast and Kisumu in Uganda (now Kenya) on the shores of Lake Victoria. By the time the first train reached Kisumu in 1901 the Railway Secretariat had been formed with the mandate to administer the inter-colonial rail services, making it the first regional organisation in East Africa.

In quick succession, the Railway Secretariat was followed by other regional institutions. In 1905, the colonial administration set up an East African Currency Board to issue Indian rupees for use in British East Africa (Kenya) and Uganda. That same year the two territories

[4] For good accounts of the history of East African integration, see Springer (1980), Frank (1964), Delupis, (1970), Kyarimpa (2002), Nyaribu (2005a), Nyaribu (2005b), Potholm and Fredland (1980), Ravenhill (1980), Hazlewood (1979), and Elkan and Nulty (1972).

were joined in a postal union; and four years later the Court of Appeal for East Africa was established. In 1919, the two territories entered into a customs union. And once Tanganyika (mainland Tanzania) had been transferred from German to British control with the Treaty of Versailles, the Kenya-Uganda institutions extended their geographical mandate. Over the next twenty years, the web of regional colonial organisations grew increasingly dense. A Governors' Conference ensured an institutionalised forum for coordinating the policies and demands of the three governors vis-a-vis London; goods were allowed to move freely between the territories; and a joint tax board collected tax across the region. Moreover, the colonial authorities established a network of regional Common Services which, in addition to the Railways and Harbours Corporation – the successor to the Railways secretariat operating the Kenya-Uganda railways – came to include the East African Airways, regional post and telecommunications services, marketing boards for agricultural products and a number of research institutes[5].

Driving the regional project at this point was the explicit aim of the imperial government in London to cut the costs of governing the three territories by exploiting administrative economies of scale[6]. While the British mandate over Tanganyika disallowed full political merger with other British territories, it did allow for a high degree of joint administration[7]. As regional infrastructure grew thicker, therefore, the question of establishing a British East African Federation was raised. Various commissions were charged with exploring both the attitudes in the colonies and the benefits to the British Treasury yet local hostility to the idea

[5] See Delupis (1970) for a description of the Common Services.
[6] Kyarimpa, 2002: 1-2
[7] Delupis, 1970: 19-20, 24

impeded progress along those lines. The Second World War put new emphasis on cutting costs. In 1945, Colonial Paper No. 191 suggested the establishment of an East African High Commission consisting of the three territorial governors. Under the chairmanship of the Kenyan governor, the main responsibility of the High Commission was to administer the common services. While the High Commission was given considerable policy independence, Britain retained the right to veto any law on the basis of an Order in Council[8].

1.2 The East African leaders honour the customs union

The High Commission arrangement remained in place until, in preparation for the pending independence of the three East African territories, a commission was appointed to investigate the future of East African integration. In February 1961, the commission presented its recommendations in the so-called Raisman Report. The Report concluded that '[t[he common market arrangements have [...] certainly benefited East African as a whole. [...] no territory would be likely to gain by withdrawing from it. We therefore have no hesitation in recommending that the common market be maintained'[9]. However, the Report also recognised that the new, emerging power structures in the region needed to be reflected in the running of the customs union and the regional Common Services and therefore suggested that the East African High Commission be restructured into the East African Common Services Organisation (EACSO) governed by an East African Authority comprised of the

[8] For a detailed account on the East African High Commission, see Delupis (1970: 27-41).
[9] Raisman Report reproduced in Rothchild, 1968: 187

leaders of the three Partner States[10]. For the first time control over the integration process was removed from civil servants and put in the hands of national politicians[11].

With the Nairobi Declaration on the 5th of June 1963 – five months before Kenyan independence – President Nyerere of Tanzania, Prime Minister Obote of Uganda and soon-to-be Prime Minister Kenyatta of Kenya voiced strong support for continued formal economic integration. The customs union and the Common Services were to survive the transition to independence. And moreover, the three leaders called for the establishment of an East African Federation to replace the more moderately ambitious EACSO[12].

While the ambition to federate subsided in the course of late 1963 and early 1964, the three leaders committed to the customs union once again by signing the Treaty for East African Co-operation on the 6th of June 1967 – a treaty that replaced the EACSO with the East African Community (EAC). For the overall East African integration project this involved a number of institutional changes yet the customs union provisions were largely unchanged[13]. The Partner States agreed to 'establish and maintain a common customs tariff in respect of all goods imported into the Partner States from foreign countries'[14]; to refrain from imposing 'a duty in the nature of a customs duty or import duty in respect of goods which are transferred to that Partner State from one of the other Partner States and originate in the Partner States'[15]; and to remove all the then existing 'quota, quantitative or the like restrictions of prohibitions

[10] For an account of the EACSO organs, see Delupis (1970: 42-50).
[11] Springer, 1980: 15-6; Delupis, 1970: 96
[12] Nairobi Declaration reproduced in Rothchild, 1968: 76-78
[13] Delupis, 1970: 56-57. I discuss some of the modifications to the EACSO provisions in Section 3.
[14] EAC, 1967: Article 5(1)
[15] EAC, 1967: Article 11(1)

which apply to the transfer to that State of goods originating in the other Partner States'[16]. In other words, with the Nairobi Declaration which implicitly sanctioned the EACSO arrangements – at least during a transitional period – and the Treaty of 1967 the presidents of Kenya, Tanzania and Uganda had agreed to maintain the customs union twice in four years.

1.3 All is not as it appears: the customs union as theatre

However, over those same four years, the customs union had descended into theatre. On the 11th of August 1965, President Nyerere imposed quotas affecting £2,000,000 of Kenyan imports. Further import restrictions were introduced over the next few months and by December 1966, 18 items had been added to a list of restricted goods from Kenya and Uganda. These restrictions were imposed unilaterally without coordination with the Obote and Kenyatta governments and were not part of the Kampala-Mbale Agreements of 1964-65 which, in any case, never came into force[17]. In a debate in the EACSO Central Legislative Assembly on the 2nd of December 1965, Mr. Nyanzi, a member of the Assembly, asked the Chairman of the regional Ministerial Commercial and Industrial Co-ordination Committee, Mr Lubowa, if 'the Minister be kind enough to tell the House what has happened to the East African Common Market'. Mr Lubowa's reply that 'it is still alive' was met with laughter from the benches of the Assembly[18]. Even though the work of the so-called Philip Commission was underway in preparation for the EAC Treaty[19] which supposedly re-

[16] EAC, 1967: Article 12 (1)
[17] Rothchild, 1968: 124-125. See also Nixson (1973: 37). I discuss the developments surrounding the Kampala-Mbale Agreement in Section 4 of this chapter.
[18] EACSO *Proceedings of the Central Legislative Assembly Debates, Official Report* Vol IV(3) reproduced in Rothchild, 1968: 240
[19] Sircar, 1990: 73-74

affirmed the governments' commitment to formal economic integration, the common market (and the customs union) was a joke.

Despite the fact that intra-East African trade continued to grow in the late 1960s and early 1970s[20], the gulf between the provision and implementation of the customs union agreement continued to widen after the EAC Treaty came into force on the 1st of December 1967[21]. Over the next ten years, the East African governments pursued policies which introduced import-licensing systems and intra-regional currency restrictions in direct violation of the terms of the customs union. In January 1971, the border between Tanzania and Uganda was closed and in September 1971 the Kenya Association of Manufacturers (KAM) complained to the Kenyan government that they were having problems with payments from Tanzania since the government-owned Tanzania State Trading Corporation was delaying the settling of accounts. At least £1.5 million were outstanding according to KAM[22]. By 1972, Ghai observed that there had been 'a steady erosion of free movement of goods and services within East Africa'[23] as a growing number of items was made subject to import quotas. By the time of the 1973 OPEC Crisis, the EAC members were practicing mercantilist policies towards each other and imposed restrictions on the transfer of funds for the running of the regional organs[24]. On 2nd of December 1974, Nyerere closed the northern roads to heavy trucks – essentially closing Tanzania (and Zambia) to Kenyan trade. Kenya responded by

[20] Ravenhill, 1980: 58-59
[21] Ravenhill, 1980: 45
[22] Legum, 1972: A62-A63
[23] Ghai, 1972: 14
[24] Hazlewood, 1979: 51; Nabudere, 2010; Ravenhill, 1980

closing two border roads[25]. In February 1976, Kenya closed its border with Uganda and banned goods from passing from its port in Mombasa to land-locked Uganda[26]. And in early 1977, Nyerere once again closed the Tanzanian border with Kenya.

For completeness it is important to note that in parallel with these violations of the customs union provisions, the Common Services were collapsing[27]. By 1974, the erstwhile spine of the East African integration project – the East African Railway Corporation – was running into difficulties. Financially and politically it was under pressure from road-based competition and Ugandan and Tanzanian voices wanting to establish their own railway systems[28]. In 1975, unwillingness of the partner states to channel funds to the Community Common Services meant that railway services ground to a halt and the *de facto* decentralisation of the Harbours and Posts and Telecommunications corporations into national services gathered speed[29]. By 1976, Nyerere pushed to repatriate all Tanzanian employees of the EAC General Fund Services and to effect the final decentralisation of the Community corporations[30]. And in January 1977, disputes between Uganda and Tanzania on the one hand and Kenya on the other over the operations of one of the last properly running

[25] Springer, 1980: 26
[26] *Africa Research Bulletin* 13(2): 3920
[27] See Green, 1979: A126-A129
[28] In Tanzania there was a widely shared perception that Kenya was promoting road traffic over the jointly owned railway in an attempt to exclude Tanzania from the lucrative trade with Zambia. While this probably is too simple a line of reasoning seeing that Kenya then built an oil pipeline to supersede both road and rail traffic it nonetheless led to the closure of Tanzanian roads to Kenyan heavy vehicles. See Hazlewood (1979: 48-9).
[29] Springer, 1980: 26
[30] 'Workers to be Repatriated' *Africa Research Bulletin* 13(4): 3985. For a distinction within the "Common Services" between the "Community Corporations" and the "General Fund Services", see Delupis (1970: 57).

Community Corporation, the East African Airways, dealt the final blow to its financing[31]. The failure to approve the 1977-78 EAC budget in July 1977 was the last straw. The General Fund collapsed and so did the operations of the one remaining corporation, the Posts and Telecommunications Corporation[32]. A decade after the signing of the Treaty, the EAC had ceased to exist[33].

To summarise: the East African customs union experienced a steady decline into theatre between 1963 and 1977: while the leaders of the three East African governments committed to customs union agreements twice (informally with the Nairobi Declaration of 1963 and formally with the EAC Treaty in 1967), the Partner States systematically pursued policies which violated core aspects of these agreements (Table 4.1). In the following two sections, I argue that key to understanding these observations is to look at the deteriorating RPS conditions for the implementation of the customs union in East Africa over that period.

Table 4.1: To be explained

The disintegration of the East African customs union 1963-1977
1. Maintenance of customs union immediately after independence in line with the Nairobi Declaration signed on 5th June 1963
2. Introduction of Treaty-violating quotas and currency restrictions from 1965 onwards
3. Periodical closing of intra-regional borders from 1971 onwards

[31] It is worth noting that with the exception of the East African Railways Corporation, all Community Corporations were making operational profits at the time of their closing (Mazzeo, 1980: 90).
[32] 'EAC' *Africa Report* 22(5): 26. See also Hazlewood (1979: 40).
[33] The Community was only formally dissolved in 1983.

2. THE BENEFITS EXISTENCE CONDITION

The first part of the explanation for the demise of the East African customs union in the 1960s and 70s is found in the rapidly changing perceptions among the three newly independent governments of the linkages between the maintenance of the customs union and their policy space. During the first half of the 1960s, the predominant perception shared by the three governments was that safeguarding the customs union was causally connected with improving government revenue and their international standing – both among African peers and with Western donors. These linkages were primarily ideational.

From the mid-1960s, however, a combination of domestic and international factors prompted the Tanzanian and Ugandan governments to re-evaluate the connections between honouring the customs union agreement and increasing their policy space. While the Kenyan government maintained its view that the customs union strengthened both its finances and international standing by offering a platform for regional political and economic dominance, the Tanzanian government's adoption of African Socialism shifted its perceptions of the link between free (regional) trade and national development. Only by centrally controlling trade flows could Tanzanian, and thereby the government's, finances improve. Towards the end of the 1960s, the Ugandan government adopted a similar view. Perceptions of linkages between the customs union and the achievement of core government interests were further undermined with the rise of Idi Amin in Uganda in 1972 which introduced new links between integration and *in*security (Table 4.2).

Table 4.2: Policy space linkages in the EAC 1963-1977

	Integration-security	Integration-revenue	Integration-international standing
Institutional	Security not conditional on implementation of customs union	Early 60s: funding of regional institutions contingent on customs union	International standing not conditional on implementation of customs union
Ideational	After Amin's coup: open borders linked to *in*security	**Early 60s: customs union perceived central to national development plans** Late 60s onwards: Tanzanian and Ugandan governments see customs union as impediment to national development plans	**Early 60s: customs union as expression of Pan-Africanism and reduced dependence on foreign donors** **Kenya: customs union as means to regional dominance**

Bold highlights linkages which convinced participating regimes that integration furthered policy space.

2.1 Institutional linkages

The East African customs union was devoid of strong institutional connections between integration and policy space. In fact, the lack of credible institutionalisation was a hallmark of East African politics in the decades after independence; processes and outcomes were determined by the whims of presidents rather than by protocols of bureaucracies[34]. As Ravenhill observed: 'smooth functioning of the co-operative arrangements is wholly dependent on the maintenance of cordial relationships between the personalities concerned[35]'. This receives further support by Hazlewood who noted that 'the system relied [...] on harmonious relations between the Presidents, [...] control of the Community collapsed when relations became bad, and the source of initiative for the continuation and development of cooperation died'[36].

Neither government security nor international standing was contractually dependent on the implementation of the customs union[37]. The last remaining regional military unit, the East African Navy, had been disbanded in 1962 when Nyerere withdrew Tanzanian support. And when, in early 1964, a series of army mutinies across East Africa posed the first serious challenge to the three governments' political control, order was restored not because of contractual obligations arising from the customs union but with the help of British troops[38]. Similarly, the (in)ability to secure Obote's government against the Amin coup in 1972 was unrelated to the implementation of the customs union. Instead, Obote's return to power in 1978 depended on his good personal relations with Nyerere. Moreover, as will be discussed below, the link between the implementation of the customs union and the three governments' positions internationally was ideational and not institutional; the implementation of the

[34] Mazzeo, 1980: 95
[35] Ravenhill, 1980: 50
[36] Hazlewood, 1979: 46
[37] EAC, 1967
[38] For a comprehensive account of these events, see Parsons (2003) and Mazrui (1965).

customs union did not contractually award any of the three governments international advantages.

At most, there was a weak institutional link between implementation and government revenue. As discussed below, all three East African governments perceived the running of the regional Common Services to be alleviating pressures on the national Treasuries[39]. In 1961, just before the establishment of the EACSO, the East African High Commission had established a new system of funding regional institutions in East Africa which in part relied on regionally collected customs revenues[40]. Honouring the customs union agreement, therefore, was contractually linked to reaping the benefits from the maintenance of regional institutions. However, this link was tenuous: for the most part the Common Services Corporations were intended to be self-financed through their business activities. The regional institutions financed by customs revenues were instead typically of an administrative or political nature such as the East African Central Legislative Assembly[41].

The absence of strong institutional connections between integration and core government interests contributed to the disintegration of the East African customs union in the sense that it left implementation hostage to the swings in ideational connections perceived by the governments. In order to explain the demise of the customs union, therefore, we need to play close attention to the evolution of those ideational linkages.

[39] Springer, 1980: 19
[40] Delupis, 1970: 41; Springer, 1980: 16; Sections of the Raisman Report reproduced in Rothchild, 1968: 191-192
[41] Delupis, 1970

2.2 Ideational linkages

In the years leading up to independence in Tanganyika (1961), Uganda (1962) and Kenya (1963), Nyerere, Obote and Kenyatta debated the merits of continuing the colonial common market and its customs union after the withdrawal of the British[42]. 'Survival of the existing arrangements was now dependent on the perception of the partner states regarding the contribution that regional co-operation might make towards the achievement of national development goals'[43]. Like in most parts of Africa, these goals contained two potentially conflicting components. On the one hand, independence leaders sought to establish themselves as presidents of viable independent states; on the other hand, they aspired to the ideals of Pan-Africanism – an ideal that subordinated the national to the continental[44]. Though Pan-Africanism rested on strong foundations of ideology and identity, it contained a pragmatic core: by coming together, African leaders stood a greater chance of determining their own fate free from external influence[45]; they would have a stronger bargaining position vis-a-vis the rest of the world[46].

The Nairobi Declaration on the 5th of June 1963 calling for an East African Federation was an expression of Kenyatta's, Nyerere's and Obote's national *and* continental ambitions. The Declaration stated that the three leaders were 'fully committed to genuine African nationalism and pan-African unity'. The leaders perceived an East African Federation as a means to 'savings in both scarce capital, facilities for training and manpower [...], attract a

[42] See Rothchild (1968: 68-76) for a compilation of speeches and debates on the topic.
[43] Ravenhill, 1980: 40
[44] Nabudere, 2010: 50-55; McWilliams and Wise Polier, 1964
[45] Thompson, 1969
[46] McWilliams and Wise Polier, 1964

greater investment and enhance [their] prestige and influence abroad'. To achieve these goals of cost savings and influence enhancement, the customs union played an important part. According to the Declaration, '[t]he East African High Commission and its successor, the Common Services Organization, [had] taught [the leaders] the value of links in the economic field. Indeed it was the recognition of the value of these connections which led the two fully independent members [Tanganyika and Uganda[47]] to agree to continue participation after they had achieved their freedom'[48]. On this platform of economic integration, the three states would forge deeper bonds since, as Prime Minister Kenyatta argued at a mass rally in Kampala three weeks later, 'the only way to end imperialist supremacy was to unite and work together as one person [...] to attain independence was one thing, but another to maintain and preserve that independence'[49]. This was regionalism as policy space.

Linking implementation with revenue and international standing

The perceived linkages between implementation of the customs union on the one hand and government revenue and international standing on the other were particularly strong in the eyes of the Kenyan government for whom the common customs area was a much more important export destination than for Tanganyika and Uganda (Table 4.2)[50]. In the years immediately after independence, Kenyatta cultivated Kenya's reputation as a business-friendly and profitable destination for Western capital[51]. Although there are no official figures, some researchers claim that this reputation contributed to making Kenyatta a very

[47] Kenya only gained independence five months after the Nairobi Declaration.
[48] See Rothchild (1968: 76-78) for the Nairobi Declaration in full.
[49] Quoted in Rothchild (1968: 91)
[50] See Elkan and Nulty (1972: 14-15) for more data on the importance of the East African market to Kenyan industry compared to the Ugandan and Tanganyikan.
[51] Makinda (1983) provides a good overview of the importance of foreign capital for the Kenyatta government.

wealthy man personally[52]. Kenya's attraction for foreign investment depended crucially on its role as a regional hub since 'Kenya's industries, which had been favoured at the expense of those of Uganda and Tanzania during the colonial era, were built not just for the Kenyan market but for the wider East African one'[53]. Abandoning the customs union which would have dismantled the common external barrier which protected the internationally uncompetitive Kenyan manufacturing industry[54] from outside competition and imposed barriers on Kenyan goods crossing into Tanganyika and Uganda would have led to 'serious difficulties' for the Kenyan economy[55] - and, by extension, the finances of the Kenyan government[56]. Kenyatta's view of continued economic integration as a 'route to reaffirming Kenya's economic hegemony over East Africa and as a base for a broader regional economic zone of influence'[57] was as much a political ambition as an assessment of the financial realities of his government. Understandably, he was 'anxious that the Common Market should be maintained'[58].

[52] Malhotra, 1990: 73. See also Kwaka and Mumbo (2011 :60).
[53] Makinda, 1983: 304
[54] See Sircar (1990: 67-69).
[55] *East African Economics Review*, 1964: 8. Sircar argues that 'the existence of the common market [was] crucial for Kenya's continuing industrial development' (1990: 69).
[56] Ndegwa, 1965: 99
[57] Green, 1976: A59
[58] Elkan, 1969 : 35

Table 4.3: East African exports as percentage of extra-regional exports

	Kenya	Tanganyika	Uganda
1956	27.5	4.5	10.7
1957	36.8	5.0	11.4
1958	32.4	6.0	10.4
1959	32.1	5.6	12.1
1960	34.5	4.9	15.6
1961	38.5	4.6	16.6
1962	38.2	4.6	17.2
1963	38.9	5.4	14.4
1964	48.3	7.3	17.1
1965	56.3	9.3	15.2

Source: Sircar (1990: 81)

When, therefore, Nyerere threatened to withdraw Tanganyika from the customs union in 1964 on the base of perceived unequally distribution of benefits[59], it was the Kenyan government's interest in maintained regional economic links that kept the customs union alive. On the 3rd of April 1964 – two weeks after Nyerere's threat was delivered by his Minister for Planning, Nsilo Swai – Kenyatta dispatched his Minister for Justice and Constitutional Affairs, Tom Mboya, to Dar es Salaam to carry out initial inquiries into how the common market could be saved[60]. A week later – on the 10th of April 1964 – Kenyatta, Nyerere and Obote met in Nairobi to conduct high-level talks on the matter. At the end of the conference, Nyerere retracted the threat under the conditions that 'an emergency committee [be set up] to examine certain problems of trade relations within East African countries'[61]. As these talks ground to a halt in the second half of 1965 and Nyerere introduced restrictions on regional imports it was once again Kenyatta who took the lead in finding a solution and

[59] Discussed in the next section
[60] Rothchild, 1968: 122
[61] Official conference communiqué quoted in Rothchild, 1968: 122

called for a 'reassessment of the existing regional system'[62]. Under this initiative the three East African presidents appointed Kjeld Philip, a former Danish finance minister, in September 1965 to chair a ministerial commission – the "Philip Commission" – into how EACSO could be restructured to ensure the survival of the common market[63]. The result was the Treaty for East Africa Co-operation which established the East African Community (EAC) as a successor to EACSO on the 1st of December 1967. As Green noted at the time: '[t]he new Treaty is designed to preserve and to reform East African economic co-operation'[64].

The Kenyan government was the driving force behind preserving the customs union, but Nyerere and Obote did not sign the Treaty involuntarily. Despite reservations regarding the distribution of benefits from cooperation, the Ugandan and Tanzanian governments nonetheless had an interest in the continuation of the customs union. In a debate in the Ugandan National Assembly, on the 9th of July 1963, Obote noted that 'we in Uganda have often felt that we got a good deal less than our fair share of the development of manufacturing industry within the common market. Nevertheless, we believed that the common market was for the good of all [...] we believe this to be even more true in the years ahead'[65]. For Obote's government it was crucial that the land-locked Ugandan economy retain tariff and quota-free access to the sea via the Kenyan port of Mombasa. Being

[62] Springer, 1980: 19
[63] Elkan, 1969: 15
[64] Green, 1967: 415
[65] *National Assembly Debates, Official Report* Second Series Vol 15, reproduced in Rothchild, 1968: 223

landlocked had featured prominently in the discussions surrounding the East African Federation[66].

For Nyerere, the customs union was justifiable not only because of the benefits from the common services but he also maintained the importance of regional unity as a stepping stone towards the Pan-African ideals of continental self-determination. These thoughts were most clearly expressed in an address in the Central Legislative Assembly of the EACSO on the 10th of August 1965 in which he argued that 'Tanzania believes very strongly that every effort must be made to maintain our economic unity [...]. The real security and the real development of our separate territories, as well as the area as a whole, needs unity in East Africa as a preliminary to the unity of the African continent. [...] We should then have a single voice in the international world; it would be infinitely more difficult for anyone to play us up against each other'[67]. Ultimately, Nyerere still sought an East African Federation which he believed was the only way to economic development and independence from outside influence. In the meanwhile, he settled for the common market and the common services. In Springer's words, '[t]here was a general recognition that the continuation of both the common market and the common services was in the interest of all three [governments]'[68]. These ideational links between integration and government revenue and international standing explain why the customs union inherited from the British was maintained by the

66 Proctor, 1966: 52; Elkan and Nulty, 1972: 21. See also Sircar (1990:79ff) for a discussion of the benefits to Uganda from maintaining the customs union.
67 EACSO (1965) *Proceedings of the Central Legislative Assembly Debates, Official Report* 4(2) reproduced in Rothchild, 1968: 233-234
68 Springer, 1980: 19

newly independent governments in the first half of the 1960s. Conversely, the erosion of these links explains the customs union's demise into theatre thereafter.

Delinking integration from revenue and international standing

Even as the EAC Treaty was signed, Nyerere – while still supporting the customs union as a step towards political integration – had ceased to view regional trade liberalisation as a facilitator of his wider policy objectives. Behind this complicated stance lay Nyerere's belief in the need for a planned approach to economic development. At a TANU special annual conference in Dar es Salaam on the 2nd of March 1967, he stated that 'it is inconceivable how Tanzania's control of her own economy can affect East African co-operation. The East African Common Market is not a co-operation between capitalists in Tanzania, Uganda and Kenya [...] it is a co-operation between East African states and not between capitalists who operate business in East Africa'[69]. However, the 'inconceivable' effects from planned development are a large part of the explanation for why the customs union agreement signed as part of the EAC Treaty turned into theatre.

In February 1967, four months before signing the EAC Treaty, Nyerere launched a wholesale nationalisation campaign of the Tanzanian[70] economy with the Arusha Declaration. Over the first five years of independence, Nyerere had become increasingly convinced that economic development depended on self reliance. External aid, Nyerere claimed, 'comes much later than one expects and not always in the form it is wanted'. Besides, 'gifts and loans endanger

[69] Excerpt from Nyerere's address at conference reproduced in Rothchild, 1968: 163
[70] Tanganyika and Zanzibar formed a 'united republic' on the 26th of April 1964. The United Republic of Tanganyika and Zanzibar changed its name to Tanzania in 1965.

our independence'[71]. By imposing a national development plan, Nyerere sought to strengthen the Tanzanian economy.

The establishment of state trading enterprises as part of this programme of African Socialism – branded 'Ujamaa'[72] – had immediate consequences for the operations of the customs union. The Tanzanian government installed an Import Controller charged with regulating imports in accordance with directives from an inter-ministerial Advisory Committee on Import at the Bank of Tanzania. As Ghai observed at the time, '[l]icences must be obtained for the importation of all goods. The necessary foreign exchange is released only after the licence has been obtained. Imports from the [East African] Partner States, whether they are confined to parastatal bodies or not, require import licences.'[73] He further notes that, [t]he move towards planning of foreign trade in Tanzania in fact implies that the volume and composition of imports coming into the country will increasingly be related to requirements arising out of the annual plan. [...] the whole basis of a common market, as embodied in the Treaty, is undermined'[74]. Nyerere felt he had to choose between strengthening the financial independence of his government and implementing the customs union. He chose the former.

A similar situation emerged in Uganda. By 1966, president Obote had consolidated his power with the new 'post-box constitution' which banned all political parties and the traditional monarchies thereby granting him near absolute power over the state apparatus (but reliant on

[71] Nyerere, 1968: 319, 239
[72] See Ibhawoh and Dibua (2003) for a critical introduction to Ujamaa.
[73] Ghai, 1972: 14
[74] Ghai, 1972: 19

the support of the military)[75]. By 1969, partly inspired by Nyerere's Ujamaa programme, Obote launched the 'Turn to the Left' – a policy platform that sought to extend his control over the state to also include the Ugandan economy for the purpose of subordinating it to the government's development goals. By May 1970, Obote had 'nationalized the import and export trade'[76] and placed the control in the hands of the Uganda National Trading Corporation and the Export and Import Corporation which operated a system of trade licences[77]. Just as in the case of Tanzania, the Ugandan government's 'militant internal protection of the Ugandan economy' was incompatible with the provisions of the EAC Treaty that had come into force little over three years earlier[78].

Although Kenyatta did not nationalise Kenyan trade and still firmly believed in the benefits to his regime of regional trade liberalisation[79], he did set up the Kenyan National Trading Corporation (KNTC) with a mandate to increase the African control over the Kenyan economy which remained firmly in the hands of the European and Asian communities. Small traders were particularly favoured by the operations of the KNTC. Together with the resettlement of the Kikuyu group in 'European' highlands, the KNTC was an important instrument in consolidating Kenyatta's support among key constituents[80]. Swainson argues that '[t]he concession by the government to small traders can be seen as appeasement of that

[75] Harrison, 2004: 27
[76] Mazrui, 1979: 266
[77] Ghai, 1972: 17-18
[78] Mazrui, 1979: 273. See also Ghai (1972: 19).
[79] As demonstrated by his efforts to secure a compromise between Nyerere and Idi Amin in 1971, discussed below.
[80] For a discussion of the political importance and effectiveness of the KNTC, see Hyden (1994).

group as much at a political as an economic level'[81]. While not explicitly in violation of the Treaty, the KNTC 'tended to favour Kenyan made products over the competing products from the Partner States'[82].

The three governments' increasing control over national trade thus had two features in common: first, it was motivated in reference to the achievement of the governments' pursuit of political support (Kenya) or economic development on the back of new ideological agendas (Tanzania and Uganda); second, the presidents perceived that they were faced with the choice of *either* promoting their core interests *or* promoting the East African customs union. Regionalism was not considered conducive to other, wider, regime objectives and was therefore de-prioritised. While the 1967 EAC Treaty remained in force on paper, by 1971 there had been a 'steady erosion of free movement of goods and services within East Africa'[83]. It was regionalism as theatre.

The balance-of-payment crisis of the 1970s undermined any remaining perceived links between honouring the customs union and governments' interests. Ever since independence, Kenya had run a large extra-regional trade deficit (Table 4.3) which was financed, in part, by a large intra-regional trade surplus with Tanganyika/Tanzania and Uganda (Table 4.4)[84].

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[81] Swainson, 1978: 367
[82] Ghai, 1972: 20
[83] Ghai, 1972: 14
[84] See Mazzeo (1980: 100, footnote 31).

Table 4.4: Extra-regional trade positions of the East African states 1964-1973

(million shillings)	Kenya	Tanganyika/Tanzania	Uganda
1964	- 461	+ 549	+ 673
1965	- 740	+ 281	+ 462
1966	- 1,002	+ 407	+ 483
1967	- 940	+ 286	+ 484
1968	- 1,037	+ 95	+ 451
1969	- 969	+ 270	+ 502
1970	- 1,291	- 235	+ 888
1971	- 2,115	- 622	+ 318
1972	- 1,665	- 454	+ 1,048
1973	- 1,536	- 723	+ 1,427

Source: EAC, 1974: 45-46

Table 4.5: Intra-regional trade positions of the East African states 1964-1973

(million shillings)	Kenya	Tanganyika/Tanzania	Uganda
1964	+ 291	- 211	- 79
1965	+ 354	-215	- 139
1966	+ 380	- 235	- 145
1967	+ 254	- 196	- 59
1968	+ 280	- 211	- 69
1969	+ 340	- 187	- 152
1970	+ 309	- 187	- 122
1971	+ 359	- 115	- 244
1972	+ 386	- 198	- 188
1973	+ 529	- 168	- 361

Source: EAC, 1974: 38-40

This unofficial balance-of-payments 'system' worked as long as the region as a whole had a current account surplus. However, in 1971, all three partner states ran substantial deficits; the region could no longer pay for its imports with its exports. The main reason for this was growth in imports of capital and intermediate goods imported to support the governments' development agenda[85]. In order to avoid subsequent balance of payment difficulties, the East African governments erected intra-regional barriers to prevent foreign (extra-regional)

[85] EAC, 1974: 26

exchange from moving to the other EAC Partner States. Once again, it was a situation of policy space vs. regional integration. Given a provision between the three East African central banks, settlements of regional trade deficits in excess of ten million shilling had to take place in a foreign currency – a ceiling covering merely 5% of Tanzania's and 4% of Uganda's annual deficit with Kenya[86]. Even before the oil crisis in 1974, this had prompted Tanzania and Uganda to introduce a number of exchange controls which banned the free convertibility of currency notes by the three partner states. The EAC's Common Market and Economic Affairs Secretariat noted in 1974, that there was 'little doubt [that this] affected the ease of border trade'[87].

Yet it was only with the oil crisis in 1974 which coincided with a regional drought which necessitated unusually large food imports that the balance-of-payment situation became untenable. Apart from additional currency restrictions which further impeded the already seriously restricted movement of goods within the region, the governments withheld funds from the EAC common service headquarters. The 'reflexive action of the partner states was to place national before regional interests in an attempt to conserve scarce foreign currency' and that even though the three governments faced a common external problem, no attempts were made to coordinate their policies to ease the crisis[88]. In Ravenhill's words: '[the] Partner States increasingly perceived regional co-operation to be peripheral to the

[86] For details on the ten-million-shilling rule, see EAC (1974: 28-29). See also Mazzeo (1980: 100, footnote 32) and Ravenhill (1979: 233).
[87] EAC, 1974: 29
[88] Ravenhill, 1979: 233

achievement of their national development goals and consequently were unwilling to place regional co-operation before the pursuit of short-term national interests.'[89]

Linking implementation of the customs union with in*security*

On the 25th of January 1971, Idi Amin toppled Ugandan president Obote and assumed power in Kampala. Nyerere who had considered Obote an ideological ally refused to recognise Amin as the new president and official relations between Tanzania and Uganda were all but terminated[90]. For the customs union this had two immediate consequences: first, the border between Tanzania and Uganda was closed and East African Airways flights between the countries suspended as Amin and Nyerere sought to exert pressure on each other; and second, Nyerere refused to meet with Amin which prevented the presidents to come together in their capacity as the EAC Authority – the highest decision-making organ of the EAC. The fact that the EAC did not collapse as a consequence is explained by Kenyatta's continued interest in functioning of the customs union and the common market for reasons discussed above. In October, Kenya's EAC minister Robert Ouko was charged with negotiating an agreement between Nyerere and Amin to reopen their borders. An initial opening in the negotiations slammed shut after three weeks as Amin demanded that Nyerere fulfil his part of the agreement first. It was only after Kenyatta intervened personally in early November that a new agreement could be reached. The border opened for trade on the 22nd of November[91].

[89] Ravenhill, 1980: 45
[90] Sircar, 1990: 125
[91] For a fuller account of the events immediately following Amin's coup, see Legum (1972: A56-A58).

However, the 1971 Uganda-Tanzania border closure was just the first of many similar incidents over the next few years. On the 2nd of December 1974, Nyerere closed the Tanzanian border to Kenyan heavy trucks with the motivation that road repairs were needed – a measure that temporarily barred Kenyan imports[92]. The Kenyan-Tanzanian border was once again closed in early 1977 and remained closed beyond the collapse of the EAC in June that year[93]. According to Fredland, the closing of the border needs to be understood against the background of Nyerere's failing Ujamaa experiment. Nationalisation and the forceful collectivisation of Tanzanian villages had not resulted in the economic advancement that Nyerere had envisaged and the Tanzanian living standard was falling ever further behind Kenya's. Closing the border with Kenya, therefore, was – in addition to the official reason to prevent Kenyan tour companies from 'exploiting' safari sites in Tanzania[94] – a means of 'insulating Tanzania's populace from the relative prosperity in Kenya' which threatened the security of Nyerere's government[95].

Also the closure of the Kenyan-Ugandan border at various points in the 1970s was a consequence of clashes between government pursuit of security on the one hand and economic integration on the other. Amin's perilous hold on power at home which partly was a result of his disastrous economic policies[96] made him 'more concerned with his own political survival than that of the EAC'[97]. During a period of lull in the regional tensions in

[92] Springer, 1980: 26
[93] Fredland, 1980: 68
[94] See Wade *et al.* (2001) for an account of the tension between Kenya and Tanzania over tourism.
[95] Fredland, 1980: 68
[96] There is a vast literature on Idi Amin's rule in Uganda. For a brief introduction, see Ullman (1978), Sircar (1990), Sejjaaka (2004) and Mazzeo, (1980).
[97] Mohiddin, 2005: 6. See also Green (1976: A59).

1975, the three presidents had agreed to appoint William Demas, president of the Caribbean Development Bank, to head a Commission made up of ministers from each state to outline necessary structural reforms to the EAC[98]. However, in February 1976, almost immediately after the Commission started its work Amin claimed that sections of Kenya and Sudan rightfully belonged to Uganda in an attempt to deflect domestic criticism[99]. In an attempt to stave off Ugandan aggression, Kenyatta placed a boycott on all Ugandan goods passing through Mombasa which lasted until March when Amin offered a 'clarification' to his statement and explained his desire for friendly relations with Kenya[100]. After a political incident involving a hijacked Israeli plane, Amin was declared a 'dictatorial fascist ruler' by the Kenyan government and new currency regulations were put into effect on the 21st July 1976 'which effectively blocked trade between the two countries'[101].

Over the second half of the 1960s and the 1970s the ideational linkages between integration and core government interests which had explained the decision to honour the customs union agreement after the British left whittled away. Increasingly, retaining the customs union was perceived as an alternative to, rather than as a facilitator of, the three East African governments' pursuit of policy space[102]. This does, however, not explain why Nyerere

[98] Springer, 1980: 27
[99] *East African* (Nairobi), 11 September 2011
[100] Springer, 1980: 27
[101] Springer, 1980: 27. See also *The Day* (New London, Conn.) 22 July 1976.
[102] Potholm puts is frankly: 'Jomo Kenyatta was preoccupied with internal dissention, keeping the economy stable and international investment flowing (and less charitably to make sure that The Family and Kikuyu nepotism did not diminish). Idi Amin was preoccupied both with staying alive and purging Ugandan society as well as with international activity and staying in the African spotlight. For his part, it can probably be argued that of all three, Julius Nyerere was personally most interested in the problem [of integration] but he too, was intensely preoccupied during the disintegration of the Community. The serious, even critical problems with the Ujamaa village program were only a part of it. Increasingly during the 1970s Nyerere had his attention drawn, not to East Africa but to the South, to Zambia and Mozambique, and following the successful

introduced quotas on Kenyan goods in 1965 at a time when he seemingly maintained a genuine interest in formal economic integration. It also does not explain why the three governments were unable to accommodate Kenyatta's interest in continued economic integration in the late 1960s. To explain these observations we need to look at the Benefits Distribution Condition.

3. THE BENEFITS DISTRIBUTION CONDITION

Two years after the collapse of the EAC in 1977, Green noted that '[t]he division of gains has been a contentious subject in the EAC and its predecessors for over half a century.'[103] And nothing was more contentious than the regional allocation of industries since the existence of a manufacturing base was seen as a precondition for economic growth and national self-reliance. In 1958, of 475 registered industries in East Africa, 404 were located in Kenya[104] – an allocation that was reflected in stark regional trade imbalances (Table 4.5). The question of industrial location was intimately linked with the customs union since the free movement of goods enabled manufacturers to establish themselves anywhere in the region and still cater to the entire market. In 1973, Nixson had gone so far as to claim that 'the uneven distribution of industrial activity has been, and remains, the basic problem confronting closer East African cooperation. Political tensions arising from this imbalance have generated disruptive economic measures and the combined impact of political and economic factors has been a

independence of the latter, to the questions of the liberation of Zimbabwe, Namibia and the changing political configurations of southern Africa.' (1980: 150)

[103] Green, 1979: A60

[104] Nye, 1963: 486

slowing down in the momentum towards closer economic and political cooperation.'[105] And this despite the fact that 'East Africa as a whole has benefited absolutely from the existence of the common market'[106].

The lopsided location of industries in the region and the trade imbalances that it brought about caused political tension between the three governments for two main reasons. First, the Tanganyikan and Ugandan governments claimed that they lost valuable customs revenues since the sizeable Kenyan imports entered their territories tariff-free while the industrial base in Kenya ensured a steady import of both intermediate and final goods across the common external tariff barrier – tariffs that accrued to the Kenyan government. Second, the tariff protection of the Kenyan industry from external competition combined with tariff-free access of the Kenyan industry to the Tanganyikan and Ugandan markets served to perpetuate Kenya's economic dominance and prevent the development of a manufacturing base to contribute to Tanganyika's and Uganda's self-reliance – an objective that, as we saw, was important to both Nyerere and Obote[107].

The Raisman Report's revision of the colonial regional arrangements was therefore instrumental in ensuring that the customs union survived the transition from British rule. In 1961, as part of establishing the EACSO as a successor the colonial High Commission, the Report proposed a 'Distributable Pool' financed by income tax revenue and yields from

[105] Nixson, 1973: 1
[106] Nixson, 1973: 1
[107] Sircar, 1990: 65-66, 70-71; Elkan and Nulty, 1972: 6-10. See Elkan and Nulty (1972), Sircar (1990) and Nixson (1973) for an account of how Kenya emerged as the dominant British territory in East Africa.

customs and excise duties[108]. Half the annual receipts into the Pool would then be used to finance regional institutions; the other half would be distributed equally between the three Partner States. With its greater industrial base and role as regional import hub, Kenya's contribution to the Pool was greater than Tanzania's and Uganda's yet its receipts from the Pool would be the same as theirs[109]. Indeed, by 1963/4, Kenya was paying twice as much into the Distributable Pool as Uganda and Tanzania.[110] In this way, the Pool was intended to satisfy the Tanganyikan and Ugandan governments' claims for revenue compensation[111].

As the Nairobi Declaration to federate made clear, however, the three East African leaders perceived the EACSO to be a transitional organisation bridging, at most, the early years of independence[112]. In particular, it did nothing to adjust the issue of lopsided industry location. When the prospect of an East African Federation waned in late 1963, the dissatisfaction with the distribution of benefits came to the fore again. The Distributable Pool was 'seen as insufficient to correct trade imbalances' by the Tanganyikan government[113]. In early 1964, Tanganyikan Minister of External Affairs Oscar Kambona explained that '[w]hen we became independent in 1961 we acquiesced in a continuation of the existing arrangements for the common market – not because we believed that they were fair and equitable, but because we were prepared to treat them as an interim measure leading to eventual federation. If

[108] Springer, 1980: 18. For a full analysis of the Distributable Pool, see Hazlewood (1975).
[109] Sections of the Raisman Report reproduced in Rothchild, 1968: 184-194
[110] Elkan and Nulty, 1972: 23-24
[111] Using figures from 1960/61, the Raisman Commission estimated that the Kenyan government would sustain a net loss of £675,000 while Tanganyika and Uganda would accrue net gains of £310,000 and £245,000, respectively, annually. However, as pointed out in a study a few years later, these numbers were small relative to the total annual budgets. In 1966/67, Tanzania's budget amounted to approximately £35.7m; that same year it received £900,000 from the Distributable Pool (Sircar, 1990: 61).
[112] Springer, 1980: 16
[113] Springer, 1980: 18

federation was to be postponed indefinitely, however, we could not continue to ignore the disadvantages to Tanganyika inherent in that common market'[114]. As a consequence, the Tanganyikan Minister for Development Planning, Nsilo Swai, threatened Kenya and Uganda with a Tanganyikan withdrawal from the common market and, concomitantly, the imposition of tariffs and quotas on intra-regional trade on the 17th of March[115].

As discussed in the previous section, Kenyatta's interest in the continuation of the customs union and shuttle diplomacy to bring about a compromise played a leading role in averting the execution of this threat. However, not discussed in the previous section was the fact that the success or failure of this shuttle diplomacy depended on Nyerere's (and Obote's, though he played a smaller role) satisfaction with the additional revisions to the system distributing the benefits from the customs union and common market. The promise by Kenyatta, Nyerere and Obote on the 10th of April 1964 to 'examine certain trade problems of trade relations within the East African countries'[116] set in motion a series of negotiations between the partner states – particularly in the forum provided by the 'Ministerial Emergency Committee' – attempting to find a compromise which could address Tanganyikan concerns about an inequitable distribution of benefits while still keeping the customs union intact.

On the 15th of May, Kenyatta, Obote and Nyerere met in Nairobi to discuss the Ministerial Emergency Committee's proposal – the so-called 'Kampala Agreement'. Four of the five

[114] Kambona, 1964: 27. It is important to note here, that Nyerere's government had been willing to forego economic benefits for the sake of East African unity. As we will see in the next chapter, this precisely mirrors the position of Ugandan president Museveni in the 1990s and 2000s.
[115] Rothchild, 1968: 122
[116] Parts of official communiqué reproduced in Rothchild, 1968: 122. See also Sircar (1990: 70).

provisions proposed to encourage the establishment of industry in Tanganyika and Uganda concerned industrial policy and were, as such, strictly speaking issues for wider common market. The fifth proposal, however, had direct implications for the operations of the customs union proper[117]: the three governments agreed to a system of limited and controlled quotas on intra-regional trade. A partner state in trade deficit with another would – after regional consultations – impose a one-year quota corresponding to no more than the value of last year's deficit. This quota would not only take into account quotas already in effect but it would also be further subject to revisions if and when the deficit country's exports grew over the year[118].

In January 1965, the last revisions to the Kampala Agreement were agreed to by the heads of government in the Ugandan city of Mbale. Among other matters, Kenyatta, Nyerere and Obote committed themselves 'not to act unilaterally on matters contained in the Agreement'[119]. The Kampala-Mbale Agreement, as it became known, seemed to satisfy Nyerere's demands for protection of the Tanganyikan industry (which was soon to be nationalised). As Springer notes: '[d]espite the obvious dangers of introducing such an element [quotas] into a system designed to maintain the free flow of goods across national

[117] See the sections of the Kampala Agreement reproduced in Rothchild, 1968: 224-229. The four common market provisions regarded (1) the stimulation of regionally active firms to increase their production in Partner States with trade deficits; (2) a post-hoc programme of industry allocation; (3) targeted purchases by governments of surplus countries from deficit countries; (4) a strategy for regional industrial planning.
[118] See Appendix I of the Kampala Agreement reproduced in Rothchild (1968: 228-229) for a full account of the operation of the quota system.
[119] *Ugandan Argus* 15 January 1965 cited in Rothchild, 1968: 124

boundaries, the provision and, indeed, the entire agreement was a pragmatic concession by Kenya to the desirability of continued East African cooperation'[120].

The Kampala-Mbale Agreement could potentially have prevented the customs union from descending into theatre – even if at the expense of completely free movement of goods until imbalances had been smoothed. Yet it was never fully implemented. In Appendix III, the Kenyan delegation declared that they supported the Agreement assuming that 'in particular, there will continue to be a common single currency'[121]. Kenyatta's refusal to ratify the Agreement might therefore have been a consequence of first Nyerere's and then Obote's declarations in early 1965 that they would break away from the regional Currency Board and establish their own currencies[122].

At the time of the Mbale conference in January, only six items – beer, paint, inexpensive shirts, wheat flour, galvanised iron and exercise books – were subject to quota restrictions. As the Tanzanian trade deficit continued to grow over the year[123], Nyerere became increasingly impatient. Addressing the East African Central Legislative Assembly on the 10th of August he explained that '[a]s the months [following the Kampala-Mbale Agreement] went by without [Kenyan] ratification, Tanzania felt that she had no option but to take action on her own'[124]. Over the next months, the Tanzanian government unilaterally added 18 items

[120] Springer, 1980: 18
[121] See Appendix III of the Kampala-Mbale Agreement reproduced in Rothchild (1968: 229).
[122] Delupis, 1970: 52-53; Springer, 1980: 18
[123] Amounting to £9.2m at the end of fiscal year 1964/65 (*East African Standard* (Nairobi), 7 December 1965; reproduced in Rothchild, 1968: 238-239)
[124] *Proceedings of the Central Legislative Assembly Debates, Official Report,* Vol IV (2), reproduced in Rothchild, 1968: 232

to be made subject to quotas. It was against this background that the delegates of the Central Legislative Assembly laughed mockingly when being told that the common market was ‘alive’ as mentioned earlier in the chapter. The failure to distribute the benefits from the customs union to satisfy the Tanzanian government had resulted in theatre regionalism.

In the 1967 EAC Treaty attempts were made to mitigate the imbalances caused by the continuously growing strength of the Kenyan economy relative to the Tanzanian and Ugandan[125]. Wanting to avoid the complete breakup of the customs union and the common market for reasons discussed above, the three presidents agreed to a system of transfer taxes and industrial licences to ensure the establishment and protection of industry clusters in Uganda and Tanzania[126]. Moreover, the Treaty called for the establishment of an East African Development Bank[127] with the explicit mandate to lend more to Tanzania and Uganda than Kenya[128]. Obote expressed ‘hope that this treaty will give us a new foundation of strength internally and externally’[129]. However, at this point, the curtailing of the free movement of goods within the region as started by Nyerere two years earlier was firmly entrenched in the wider policy objectives of first the Tanzanian and then the Ugandan governments as they prepared for nationalisation. As Kenya’s dominance within the region grew stronger in the late 1960s and early 1970s – particularly after the collapse of the

[125] By 1968, Kenya’s share of regional trade was 63% compared to Tanzania’s 11% and Uganda’s 26%. Six years later – heavily affected by Amin’s destruction of the Ugandan industry – the corresponding figures were 77%, 17% and 6%, respectively (Mazzeo, 1980: 86).
[126] EAC, 1967: Articles 20 and 23
[127] EAC, 1967: Article 21
[128] Treaty Annex VI, Charter of the East African Development Bank, EAC, 1967: Article 13(c). See also Springer (1980: 20-1).
[129] Excerpt of Obote’s addess to the Ugandan Central Legislative Assembly, 22 November 1966; reproduced in Rothchild, 1968: 246

Ugandan manufacturing industry with the rise of Amin[130] – finding a solution to the distribution of benefits became not only increasingly difficult but, as the RPS framework predicts, it also became less relevant. With neither the Tanzanian nor the Ugandan governments perceiving there to be benefits from free regional trade, there were nothing to distribute.

4. ALTERNATIVE EXPLANATIONS

In the previous two sections, I argued that the demise of the East African customs union in the 1960s and 70s was caused by changing perceptions among the three East African governments regarding the links between honouring the customs union and widening their policy space. Whereas all three governments initially perceived strong linkages between integration on the one hand and revenue and international standing on the other, changes to the macroeconomic environment and ideological reorientation in Tanzania and Uganda rapidly weakened these links and instead created the perception of the custom union as an impediment to the attainment of core government interests. The rise of Amin in Uganda further worsened the conditions for implementation by introducing links between integration and insecurity. In addition, even in the early years of the customs union, the inability of the three presidents to settle on a distribution of benefits from integration prevented the free-flow of goods in the area as envisaged by the EACSO and EAC customs union provisions. As Kenya's economic strength grew, finding a solution to the distributional question became

[130] Springer, 1980: 25

increasingly difficult. As the RPS framework predicts, this made the likelihood of customs union implementation extremely small.

Yet there are potential alternative explanations for the same observations. Two frequently voiced arguments explain the demise of the EAC in reference to the ideological divergence of the three governments and/or the tensions created by Amin[131]. As argued above both these explanations should be considered parts of, rather than alternatives to, the RPS explanation. Neither Nyerere's and Obote's ideological shifts away from Kenyan state capitalism[132] nor Amin's rise to power were in themselves important for the demise of the customs union but affected the customs union by changing the ideational linkages made by participating governments. These explanations work *through* the RPS framework, not in parallel to it.

In contrast, an explanation for the developments of the East African customs union centred on the need of the business sector does offer a truly alternative hypothesis. The presence of businesses in East Africa with a powerful interest in keeping the customs union intact after the withdrawal of the British is undisputed. Unsurprisingly, given the bigger and more advanced business sector, particularly Kenya's government was subject to lobbying from corporate leaders. In 1968, in the wake of the trade barriers put up after the failed Kampala-Mbale Agreement and Nyerere's Arusha Declaration, the Kenyan Association of Manufacturers (KAM) complained to the Ministry of Commerce that '[i]ndustry is experiencing considerable difficulty by reason of obstacles raised through Import Licensing

[131] See Mugomba (1978), Hazlewood (1979) and the edited volume on the collapse of the EAC by Potholm and Fredland (1980).
[132] For a discussion of the role of the state in Kenyan capitalism, see Langdon (1977).

procedure established in Uganda' and that 'this [new restrictive customs procedure imposed by the Tanzanian government on Kenyan imports] is the type of control that would exist between two completely dis-associated [sic] countries anxious to protect their revenue and discourage movement of goods into the country'[133]. As we saw earlier, for reasons of both government revenue and personal gain, there were considerable benefits for Kenyatta in heeding the demands of the business sector.

However, despite lobbies such as these the initially strong, and then waning, government interest in the customs union cannot be sufficiently explained by variations in pressure from the business sectors of the three countries. As we saw, the critical decision made by Nyerere for Tanganyika/Tanzania to stay in the customs union and the common market in the early years of independence was almost entirely justified in reference to his quest for an East African Federation – a quest which, in turn, was a means to his assertion of (East) African independence from external influence. Similarly, Nyerere's and Obote's trade licensing programmes which effectively prevented the free movement of goods was not the results of pressure from protectionist business groups (though that would not have been inconceivable) but an expression of the presidents' beliefs that planned development was the surest way to consolidating their own power internally and ensuring their independence from foreign aid. Finally, the recurrent border closures after the ascent of Amin by both Kenyatta and Nyerere had – again – nothing to do with business interests.

[133] Quoted in Himbara, 1994:139-140

The complete control of the integration process in the hands of the three presidents is confirmed by a number of sources. Nyirabu claims that '[i]f there is any message to be learnt from the previous East African integration experience it is the lack of popular participation, that is, empowerment of the people effectively in structures and in the designing of policies and programmes'[134]. David Nalo, Permanent Secretary of the Kenyan EAC Ministry, goes as far as to say that '[t]he previous EAC [of the 1960s and 70s] was government-led, government-driven'[135]. The heavy emphasis on the Presidents in the EAC of the 1960s and 70s is even conceded in the preamble to Treaty establishing the modern EAC in 1999 conceding the 'lack of strong participation of the private sector and civil society in the co-operation activities'[136]. In fact, the causal importance of flailing presidential support was recognised by Nyerere himself who a few years after the collapse of the EAC remarked that '[t]he only reason why the Community broke up was a lack of political will to deal in a spirit of unity and in the awareness of our interdependence'[137]. On this basis, I argue that we can reject the null hypothesis: the policies affecting the customs union agreement were not governed by considerations of trade but, as the argued by the RPS framework, by private payoffs to sitting governments.

[134] Nyirabu, 2005b: 252
[135] Author's interview with David Nalo, Permanent Secretary of the Kenyan EAC Ministry, Nairobi, 21 April 2011
[136] EAC, 2007: Preamble
[137] Speaking as Chairman of the Heads of State Meeting at the signing ceremony of the Mediation Agreement, May 14, 1984 in Arusha. Quoted in Umbricht (1988: 194).

5. CONCLUSION

In this chapter I have presented the first of my four customs-union case studies. Data limitations notwithstanding, the East African customs union in the 1960s and 70s provides support for the RPS hypothesis. I identified three 'episodes' as critical to the development of the customs union: (1) the decision to honour the customs union inherited by the British in the first two years of independence, (2) the introduction of quotas from 1965 onwards and (3) the closing of borders from 1971. Centred on these episodes, I attempted to show how initially strong ideational linkages between, on the one hand, government interest in revenue and international standing and, on the other, implementing the customs union, the presidents of the East African states increasingly found themselves in situations in which they perceived to have to choose between *either* government interests *or* regional integration. In parallel with this, Kenya's growing dominance within the region made it increasingly difficult to agree on a distribution of benefits that was satisfactory to all three parties. Nyerere's role in this context was pivotal. As a consequence of these developments, the three presidents pursued policies that resulted in integration as theatre: despite promises of the free flow of goods which independent observers estimated benefited the region as a whole, barriers to trade were systematically erected and – as we saw at the beginning of the chapter – eventually the whole EAC collapsed. In Springer's words: '[t]he fate of the East African Community was linked inextricably to the volatile world of East African politics'[138].

[138] Springer, 1980: 23

Chapter 5: The EAC Customs Union 2005-2007: An African Phoenix

The collapse of the East African Community in 1977 was complete: the erstwhile partner states confiscated any Community assets they could lay their hands on; they expelled each other's citizens and, ultimately, waged wars against one another. Although there was a sense that something had been lost even among those who oversaw the dismembering of the Community[1] prospects for future integration looked bleak. In 1979, Green predicted that '[t]he East African Community will not rise from its ashes like the phoenix in the foreseeable future'[2]; indeed, in the 1980s 'all the three countries joined other trading blocs such as the Common Market for East and Southern Africa (COMESA) [...] even when they desisted from cooperating amongst themselves. Officially, prospects for co-operation amongst the three countries appeared low'[3]. Within two decades, however, the governments of East Africa were once again engaged in one of the most ambitious integration projects in the world. The customs union was at the heart of this project and unlike the situation in the EAC in the 1960s and 70s or ECOWAS, the East African governments actually implemented their customs union agreement: a CET was erected and an intra-union free trade area was established. The EAC *did* rise like the phoenix. This chapter examines if the RPS framework is capable of explaining this turnaround.

[1] In an interview in *Time Magazine* in the last months of EAC's existence, Tanzanian President Julius Nyerere lamented that '[i]t is a tragic thing that independent African states cannot maintain the kind of unity that the British were able to build in East Africa' (*Time Magazine,* 14 March 1977).

[2] Green, 1979: A134

[3] Ngugi, 2005: 2-3

I find that it does. Reversing the trend of the 1960s and 70s, the customs union was once again perceived to widen the policy space of the East African governments. The reason for this can be found in re-established institutional and ideational linkages between integration and core government interests. The most important linkage connected integration with government revenue but additional linkages between integration and international standing were also important. Further, in contrast to the situation in the 1960s and 70s the East African governments were able to agree on mechanisms mitigating tensions surrounding the distribution of the benefits from the customs union. Combined, these two developments resulted in making economic integration not only politically desirable but also politically feasible; the Benefits Existence Condition and the Benefits Distribution Condition created a policy environment conducive to implementing the customs union.

Just like in the previous chapter, I carry this argument over five sections. The first section places the modern East African customs union in its broad historical and institutional context and discusses the dependent variable. The second and third sections provide an analysis of the two RPS conditions and assess their explanatory power in the context of the EAC customs union. The fourth section looks at alternative explanations and the final section concludes the chapter.

1. A BRIEF SYNOPSIS OF EAST AFRICAN INTEGRATION AFTER 1977

After ten years of declining existence, the first East African Community collapsed in 1977. In the immediate aftermath, tensions continued to rise and hostilities came to a climax in

October 1978 when Tanzania launched an invasion of Uganda following Idi Amin's attempt to annex the Tanzanian Kagera region. After six months of fighting Amin was ousted and a fierce internal Ugandan scramble for control ensued which at first saw the return of Milton Obote to the Ugandan presidency in 1980. With a new president of Uganda, the leaders of the three East African states tentatively initiated talks on future cooperation. In 1984, Nyerere, Obote and the newly installed Kenyan president Daniel arap Moi, signed the Mediation Agreement which called for the immediate opening of the Kenyan-Tanzanian border. A number of agreements on tourism, transport and airspace followed[4]. More important for the future of East African integration, however, was Article 14.02 which stated that 'The States agree to explore and identify further areas for future co-operation and to work out concrete arrangements for such co-operation'. This so-called 'Umbricht clause'[5] was the first official step towards potential future cooperation in East Africa after the collapse of the EAC in 1977[6]. However, Obote's hold on power in Uganda was weak and after two short interim regimes Yoweri Museveni and his National Resistance Movement (NRM) which had waged a guerrilla war against Obote since the early 1980s succeeded in taking Kampala and assume power in January 1986[7].

That same year, the three presidents formed a tri-partite working group in the spirit of the Umbricht clause[8]. However, no progress was made until 1991 when presidents Museveni, Moi and Mwinyi declared on the sidelines of the 1991 Commonwealth Summit in Harare that

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[4] *Africa South of the Sahara 2004, 33rd edition*, 2004: 565
[5] Named after the World Bank mediator who facilitated the Agreement.
[6] See Nyirabu (2005a: 27).
[7] Khadiagala, 1993: 241. Overall, Khadiagala (1993) is an excellent source for an historical account of political developments in Uganda between 1970 and the early 1990s.
[8] Goldstein and Ndung'u, 2001: 19

they would work towards reviving the East African integration process[9]. Two years later, at a meeting in Arusha on the 30th of November 1993, the presidents set up a Permanent Tripartite Commission for Cooperation to promote cooperation and to resolve any lingering issues still outstanding with the old EAC[10]. On 26th November 1994, provisions were made for the establishment of a Secretariat for the Tripartite Commission.

With the Secretariat for the Tripartite Commission in place mandated to deliver East African cooperation, the process gathered momentum. On the 14th of March 1996, the Secretariat of the Permanent Tripartite Commission moved into its headquarters in Arusha, Tanzania, and one year later the Commission presented its four-year *East African Development Strategy: 1997-2000*. By this time, discussions about the possibility of even closer co-operation had been advanced. Accordingly, the heads of state called on the Commission to commence negotiations for the purpose of elevating the Tripartite Commission Agreement into a full-blown treaty. Already in April 1998 a draft document was circulated and on the 30th of November 1999 the Treaty for the Establishment of the East African Community was signed by presidents Moi (Kenya), Museveni (Uganda) and Mkapa (Tanzania). It entered into force on the 7th of July 2000 upon ratification by the partner states; and on 15th January 2001, the EAC was formally re-launched.

[9] Permanent Secretary of the Kenyan EAC Ministry, David Nalo, interviewed in the *East African* (Nairobi), 31st January 2011. Author's interview with Beatrice Kiraso, Deputy Secretary General for Political Federation, EAC, Arusha, 12 May 2011

[10] Nyirabu, 2005a: 28

The customs union constituted the entry point of cooperation which, with time, was intended to proceed to a common market, a monetary union and, finally, a political federation[11]. Even though Article 75 of the Treaty regulated the broad outlines of the customs union details were left to a customs union protocol to be concluded within four years of the Treaty[12]. At the time of signing the EAC Treaty in 1999, therefore, the newly established EAC Council of Ministers established a High Level Task Force (HLTF) consisting of senior officials of the partner states which was charged with the responsibility of conducting negotiations on the EAC Customs Union Protocol. At a meeting in Nairobi at the end of January, the partner states' ministers responsible for trade agreed to remove all suspended duties and reaffirmed their commitment to facilitating regional trade and at the second EAC Summit two months later, on the 24th of April, the three presidents declared regional integration to be accorded highest priority[13].

The implementation of the customs union was divided into two phases: the first phase covered the period before the signing of the Protocol, the second phase the time thereafter. The first phase was primarily one of commissioning reports and building consensus among stakeholders, whereas the second one focused on the operationalisation of the Protocol[14]. The Protocol establishing the East African Customs Union was signed on the 2nd of March 2004 during the 5th Summit of the Heads of State and Government by Presidents Mkapa of Tanzania, Museveni of Uganda and Kibaki of Kenya. Unlike the situation in West Africa

[11] EAC, 2007: Article 5
[12] EAC, 2005: Article 75(7)
[13] EAC, 2011a
[14] EAC Archive, 2003a: 10

analysed in the next chapter, both the CET and intra-union free trade area provisions were implemented according to the time table.

For reasons discussed later in the chapter, by 2003, Kenya, Tanzania and Uganda had agreed on a 'principle of asymmetry' in terms of the elimination of internal tariff barriers: while Kenya was to abolish all internal tariffs immediately after the coming to force of the customs union protocol, Tanzania and Uganda were allowed a five-year transition period during which to phase out tariffs gradually on a large number of tariff lines according to a predetermined schedule[15]. In Uganda, 426 tariff lines at 10% were phased out in two-percentage-point increments; in Tanzania, a total of 863 tariff lines at rates ranging from 25% to 2% were phased out in various increments according to the schedule below (Table 5.1). Coming into force at the beginning of 2005, the three states also imposed a CET on goods from third-party states at 0% on raw materials, 10% on intermediate goods and 25% on final, manufactured goods.

Table 5.1: Phase-out of internal tariffs on Kenyan goods into Tanzania and Uganda

Year/number of tariff lines	Uganda	Tanzania					
	426	146	15	20	516	112	54
2005/06	10%	25%	15%	10%	5%	3%	2%
2006/07	8%	20%	12%	8%	4%	2%	1%
2007/08	6%	15%	9%	6%	3%	1%	0%
2008/09	4%	10%	6%	4%	2%	0%	0%
2009/10	2%	5%	3%	2%	1%	0%	0%
2010/11	0%	0%	0%	0%	0%	0%	0%

Source: EAC Archive, 2007a

[15] EAC Archive, 2003b

Though NTBs of various kinds continued to impede the practical experience of crossing East African borders[16], corroborating information from various sources shows that internal tariffs indeed were reduced as agreed and a CET erected. This was not just regionalism as theatre. A paper commissioned by the EAC Secretariat on the implementation of the customs union in 2011, states that '[o]ver the last five years, the EAC Customs Union has succeeded in *fully eliminating* internal tariffs on goods originating and traded between Partner States [and applied] the Common External Tariff on goods originating from outside the region[17]. A report by the African Union (AU) from 2009 notes that '[t]he programme for the elimination of tariffs is underway as planned to reach 0% on all items traded within the EAC on 1 January 2010. A zero tariff is applied effectively on trade in goods from Uganda and Tanzania to Kenya and between Uganda and Tanzania'[18].

Also the implementation of the CET is supported by evidence. While exceptions had been allowed for a regionally approved list of 'sensitive goods' which afforded each member the right to protect certain vital industries with tariffs higher than 25%, an independent report on the customs union noted 'after some initial teething problems the CET was fully operational by the end of January 2005. No major problem has been reported on the implementation of this trade regime'[19]. This is further supported by data on tariffs supplied by the WTO[20].

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[16] See, for instance, *East African* (Nairobi) (4 October 2004; 30 June 2007; and 19 May 2008). The persistence of NTBs has been on the agenda of every Council of Ministers since the inception of the customs union at the beginning of 2005 (Survey of Council of Ministers Reports 2005-2011).

[17] EAC Archive, 2011: 5; my italics. The fact that the same paper provides a comprehensive list of politically sensitive challenges to the success of the customs union including the 'hindrances to the free movement of goods due to the multiple internal customs border controls' and 'sporadic national measures which are taken outside the regional framework' strengthens the paper's credibility (EAC Archive, 2011: 5).

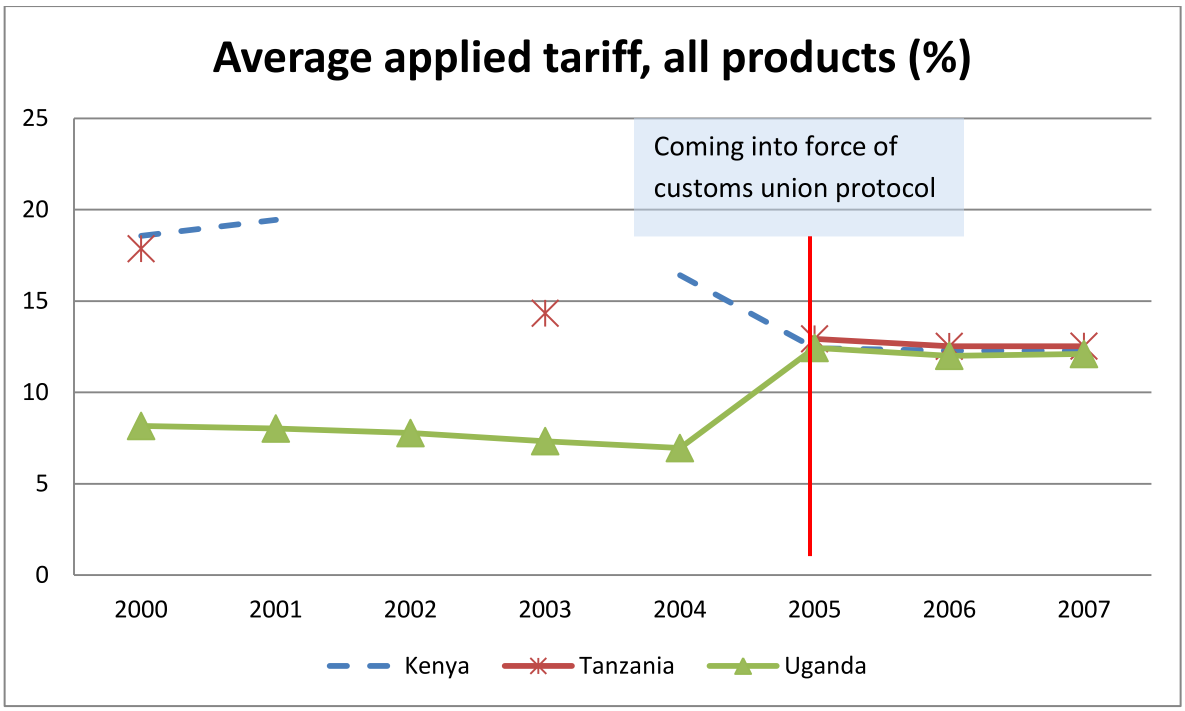
[18] African Union, 2009: 115

[19] EAC Archive, 2007a: Section 2.0

[20] Due to advantages in exposition I use the WTO data supplied in the World Bank World Economic Indicators.

Incomplete data notwithstanding, the graph below shows the customs union's clear and immediate impact of the customs union protocol on tariffs applied by the three East African states after 2005 (Figure 5.1). As expected, we see tariff convergence across the three countries[21].

Figure 5.1: Tariff regimes in East Africa 2000-2007



Note: convergence makes it difficult to distinguish between the data of the three countries after 2005.
Source: World Bank (2012)

The year the customs union came into force, the average tariff charged on imports into Kenya decreased from 16.4% to 12.4% as both tariffs on products from Tanzania and Uganda were eliminated and the highest tariff band for third-party goods was reduced from 35% to 25% in

[21] Overall, it needs to be noted that the graph depicts the average tariff rates applied on goods imported to the three EAC countries from both intra and extra-regional trade partners.

accordance with the new Protocol. In Tanzania, the drop in the average tariff was less pronounced. In 2003, the last pre-customs union year with data, the average applied tariff was 14.3%; in 2005, the corresponding figure was 12.9%. That the decline in the average rate applied on imports into Tanzania was smaller than that in Kenya is explained both by the fact that even before the customs union, the highest tariff band on third-party goods into Tanzania had been 25% and that, as we saw in Table 5.1, Tanzania's elimination of intra-EAC barriers was gradual. Finally, the seemingly surprising upwards jump in the average tariff applied by Uganda is explained by the fact that the highest CET band of 25% agreed in the Protocol amounted to a 10-percentage-point increase in the maximum rate charged by Ugandan customs on third-party goods. However, once the highest band had been increased in 2005 there is a slow decline in the average tariff which can be explained by the gradual phasing out on intra-EAC tariffs.

In a survey of the 'performance' of seven African customs unions[22] presented by the African Union, the EAC customs union is the only one which the AU deems to have been implemented[23]. Similarly, in 2010, the UN Economic Commission for Africa (UNECA) reported that the EAC customs union was 'in full force'. This should be compared with its assessments of seven other custom unions – most of which were characterised as 'no progress'[24]. UNECA goes on to say that '[t]he [EAC] customs union, launched in 2005, has taken on a life of its own. Its positive influence on increased intra-EAC trade and revenue

[22] IGAD, SADC, ECCAS, CEN-SAD, ECOWAS, COMESA and the EAC
[23] AU, 2009: 120
[24] UNECA, 2010: 11. The surveyed customs union are: AMU, CEN-SAD, ECOWAS, ECCAS, COMESA, IGAD and SADC. In this context, it is interesting to note that whereas the AU report from 2009 stated that ECOWAS would launch its customs union in 2009, that deadline had been moved up one year by the 2010 UNECA report. I discuss this at greater length in Chapter 6.

growth is experienced by all the regional member states'[25]. In 2007, Rwanda and Burundi joined the EAC. For reasons of scope, I end the analysis in this chapter at that point. The 2007 endpoint also means that I exclude an analysis of the EAC EPA negotiations in this chapter.

The re-emergence of the East African integration project over the 1990s and 2000s was truly extraordinary considering the state of affairs in 1977. The three East African governments showed commitment to implementing the customs union protocol and erected a CET and reduced tariffs on intra-union trade as agreed. Given this, the EAC offers a rare and fascinating case for the RPS hypothesis to be able to explain.

Table 5.2: To be explained

The re-emergence of the EAC customs union
1. The implementation of the CET in 2005
2. The reduction of intra-union tariff barriers in 2005-2007

2. THE BENEFITS EXISTENCE CONDITION

To understand the conditions which made the implementation of the EAC customs union protocol possible in 2005 we need to look at how, in the decades following the collapse of

[25] UNECA, 2010: 16-17

the previous customs union, the three East African governments gradually came to perceive a number of positive linkages between integration and policy space. Faced with shrinking fiscal positions and growing dependence on foreign aid in the 1980s, the three governments once again started to look at regionalism as a means of increasing revenue and thereby reducing their exposure to donor conditionalities. This change in perception was, in part, inspired by the experiences of the EC and NAFTA; in part, it was prompted by views on trade liberalisation promoted globally in aftermath of the fall of Communism. In addition to reducing the dependence on aid, implementing the customs union was perceived to give the three governments a stronger bargaining position in the context of multilateral negotiations. These were ideational links. In the Ugandan case, president Museveni's aspirations to become the first president of an East African Federation added a strong institutional link between customs union implementation and core government interests since the establishment of the Federation initially was institutionally conditional on the completion of earlier stages of integration, including the customs union. This strengthened Museveni's commitment to the customs union considerably, even in the face of domestic opposition. Moreover, implementation of the customs union made funding available to the member governments through the EAC Partnership Fund. The presence of these institutional and ideational cross-issue linkages (Table 5.3), I argue, was a necessary condition for the implementation of the EAC customs union in 2005.

Table 5.3: Policy space linkages in the EAC

	Integration-security	Integration-revenue	Integration-international standing
Institutional	Security discussion largely absent	**Donor support conditional on implementation progress**	**Museveni's aspirations to East African Presidency conditional on customs union implementation**
Ideational	Security discussion largely absent	**Positive western experience of integration and new global emphasis on liberalisation links customs union and revenue generation**	**Customs union as means to stronger bargaining position in multilateral negotiations**

Bold highlights linkages which convinced participating regimes that integration furthered policy space.

2.1 Institutional linkages

Even though the EAC Treaty committed the partner governments to explore cooperation in matters of foreign policy and security[26], security-related concerns only played a very small role in the crafting of the EAC project in the 1990s and 2000s. And to the extent that they were discussed at all, these areas of cooperation were treated as distinct from the work on the customs union[27]. There were neither institutional nor ideational cross-issue linkages between

[26] EAC, 2007: Articles 123-125; EAC, 2001: 29
[27] Author's interview with Juma Mwapachu, Secretary-General of the East African Community, Arusha, 3-29 May 2011

the two. In contrast, institutional linkages were established between, on the one hand, implementation of the customs union and, on the other, government revenue and international standing.

Linking implementation with government revenue

As we will see below, a decisive driver behind the revitalised East African customs union was a perception on part of the three governments that it would result in greater autonomy from donor conditionalities. Even so, international development partners played an important role in supporting the implementation of the customs union. They did that by establishing an institutional link between implementation and government revenue. GIZ, the German development organisation, was the leading donor, donating in excess of €48 million between 1997 and 2011[28] but also other donors such as Britain, the Nordic countries, Japan, the European Union and the World Bank were providing financial and technical support by the late 1990s[29]. Initially, these donors established an informal group of international development partners called the 'Friends of the EAC'. Following the coming into force of the Customs Union Protocol, the Friends of the EAC set up the EAC Partnership Fund in conjunction with the three EAC member governments in an attempt to better coordinate international support[30].

The disbursements by the 'Friends of the EAC' both before and after the establishment of the EAC Partnership Fund were made conditional on progress with the implementation of

[28] GIZ, 2011
[29] *Business Daily* (Nairobi), 25 June 2009
[30] EAC, 2013a

regionally agreed policies[31] - prominent among these, the customs union[32]. While the size of the transfers initially were quite small – the budget of the EAC Partnership Fund was only $1.74 million in 2006/2007[33] – there was an understanding among the member governments that if they could demonstrate that the integration project was moving ahead this would attract more sizeable support[34]. This perception was accurate; in 2009, the East African governments managed to raise $8.5 million for the speeding up of implementation of EAC's protocols[35]. In other words, given that implementing the customs union protocol was the first objective of the EAC Treaty, 'the success of the customs union was always seen as crucial by the three [East African] governments. In the negotiations leading up to the [customs union] protocol the presidents consistently stressed that only if the customs union was successful could any other aspects of integration hope to be successful. [...] By showing that we can do [sic] the customs union, we show ourselves and others that we are ready for integration'[36]. And by showing that they were ready for integration by implementing the customs union protocol they knew that they could expect transfers from international development partners[37].

[31] GIZ, 2011; author's interview with Juma Mwapachu, Secretary-General of the East African Community, Arusha, 3-29 May 2011. The first objective of the EAC Partnership Fund is '[p]romoting implementation of the Treaty with a view to enhance regional integration and socio-economic development of the EAC through funding of activities for EAC's development' (EAC, 2013a).

[32] Supporting the implementation of the customs union is one of GIZ's five key objectives under its EAC programme (GIZ, 2011).

[33] EAC, 2013a

[34] Author's interview with David Nalo, Permanent Secretary of the Kenyan EAC Ministry, Nairobi, 21 April 2011

[35] *Business Daily* (Nairobi), 25 June 2009

[36] Author's interview with Peter Kiguta, Director General of Customs and Trade, EAC, Oxford, 8 March 2012 and 4 July 2012. This point was also made all three presidents at the 3rd EAC Extraordinary Summit in Dar es Salaam in May 2005 (EAC Archive, 2005).

[37] According to Aidan Eyakuze at the Society for International Development in Dar es Salaam '[t]he presidents are not naive: they know that if you are a successful African regional integration story people are going to come knocking for all sorts of reasons. [...] Already Germany has given the EAC a new headquarter. This is reflected glory. The presidents get a monument to their projects, their glory. Everyone likes a shiny new

Linking implementation with international standing

A more surprising institutional linkage was the result of Ugandan president Museveni's aspiration to become the first president of East Africa. Over the course of the 1980s, despite his growing strength at home, Museveni became increasingly aware of his landlocked country's reliance on Kenyan goodwill for access to the port in Mombasa. Commenting on the Kenyan closure of the Ugandan border in response to skirmishes between the two countries in 1987[38], Museveni declared that 'we Ugandans should work hard to overcome the problem of being land-locked'[39]. Not much later, a government statement issued in Kampala noted that 'one of the key issues [...] to be seriously considered in bilateral negotiations is a need for our two countries [Kenya and Uganda] to recognize each other's inalienable right to freedom of transit to and from the sea'[40]. Over the next few years, rapid growth of the Ugandan economy and adoption of IMF and World Bank structural adjustment policies awarded Museveni the nickname 'Darling of the West' and encouraged ever grander visions of Uganda's potential role in the region[41].

At the NRM's National Conference in July 1998, this vision was laid out in full in a paper titled 'Towards closer cooperation in Africa'[42]. In this paper, he argued that the East African states should come together in a political federation headed by an East African President. An

building' (author's interview with Aydan Eyakuze, Programme Director (Dar es Salaam) at the Society for International Development, Arusha, 4 May 2011).

[38] For an account of these conflicts, see Khadiagala (1993).

[39] *FBIS-Africa*, 29 December 1987; also quoted in Khadiagala (1993: 245)

[40] Quoted in *FBIS-Africa* 29 December 1987.

[41] *East African* (Nairobi), 4 June 2012

[42] I have not been able to find a copy of this paper which, I am told, only exists in hard copy format in Kampala. As a consequence, I rely on an account of it by Kasaija (2004).

East African Federation would provide the necessary superstructure for successful cooperation in everything from trade to foreign policy; it would allow East Africa to command more respect from the rest of the world than the three states could do on their own; it would have the potential 'to guard African interests against encroachment by foreigners'; it would be a natural expression of the common historical and cultural links of the East African peoples; and finally, an East African Federation would create a political centre of gravity for all of Africa[43]. It was the archetype of regionalism as policy space. Establishing an East African Federation was subsequently officially incorporated into NRM's party objectives[44]. It was widely acknowledged that Museveni promoted the establishment of the Federation with the 'sole political interest of being the first leader of such a United States of East Africa'[45]. 'If he thought that, say, President Kagame [of Rwanda] would become [East African] President, Museveni would not push for political federation.'[46]

Aided by a sense of nostalgia for what had been lost with the collapse of the EAC in 1977, Museveni successfully managed to incorporate the idea of an East African Federation into the negotiations leading up to the EAC Treaty. Deya writes that '[n]ostalgia for the EAC [1967-77] survives among academics, former EAC employees and persons who lived, worked in and witnessed the old EAC dispensation. Many of these individuals have taken

[43] Kasaija, 2004: 28-29

[44] *East African* (Nairobi), 4th April 2011

[45] Author's interview with Adams Oloo, Regional Director at the Society for International Development, Arusha, 29 April 2011. This claim was further supported in the author's interviews with Wanyama Masinde, regional integration specialist and Director at the East Africa Resource House, Arusha, Tanzania, 29 April 2011; and Tito Byenkia, CEO of the East Africa Law Society, Arusha, 4 May 2011. On the 17 January 2011, the *East African* (Nairobi) reported: 'Museveni doesn't want to retire and go back to his Rwakitura village to tend his cattle. He would like to be a titular East African president'.

[46] Interview with Wanyama Masinde, regional integration specialist and Director at the East Africa Resource House, Arusha, Tanzania, 29 April 2011. See Kasaija (2004) for a comprehensive discussion of Museveni's ambition to become East African president.

every opportunity, in academic and popular discourse, the mass media, conferences, workshops and seminars to harken back to the "good old days", to remonstrate and castigate the persons or causal factors responsible for the collapse of EAC [1967-77], and to call for a rapid return to 'where we had reached'.'[47] While this nostalgia was limited to an elite[48], it was keenly felt among the heads of state. President Mkapa of Tanzania, for instance, lamented that '[w]e may never be able to establish, quantify precisely the devastation caused East Africa by the collapse of the Community, nor the human pain or grave loss endured in the long period of dispersal when conflicts took over where cooperation had existed among the Partner States and the region was plunged into prolonged depression and decline'[49].

Establishment of the federation was institutionally linked to the successful implementation of the customs union as one of three necessary preparatory building blocks. Article 5 of the EAC Treaty states that 'the Partner States undertake to establish among themselves and in accordance with the provisions of this Treaty, a Customs Union, a Common Market, subsequently a Monetary Union and ultimately a Political Federation'[50]. While Museveni had contested the need to delay the federation stating that 'the unity of the EAC is a more important aspect of regional development than the technicalities delaying the formation of the customs union'[51] both the Kenyan and Tanzanian governments had insisted on a gradual approach. The institutional link between the implementation of the customs union and the establishment of the East African Federation and Museveni's aspirations to become its first

[47] Deya, 2007: 128
[48] Nabudere, 2010
[49] Quoted in EAC Archive (2011b: 2). For the role of nostalgia and other emotional factors in the context of the new EAC, see Akesh (2007: 98-99).
[50] EAC, 2007: Article 5(2).
[51] *New Vision* (Kampala), 22 Aug 2002

president would play a critical role in the negotiations on the distribution of benefits as discussed in the next section.

2.2 Ideational linkages

The institutional linkages were important factors explaining the implementation of the customs union once the EAC Treaty and the Customs Union Protocol had been signed. This was however preceded by the evolution of new ideational links perceived by the Kenyan, Tanzanian and Ugandan governments between integration and policy space in the decades following the collapse of the previous EAC in 1977. In particular, over the 1980s all three East African governments came to perceive a causal connection between establishing a customs union and increasing government revenue – a connection that would allow them to regain autonomy from donor interference.

Linking implementation of the customs union with government revenue

In 1986 when Museveni assumed power in Kampala the Ugandan economy lay in ruins after 15 years of mismanagement and war. The infrastructure had been all but wiped out, inflation was rampant and the country's productive capacity decimated[52]. As a central programme in his attempt to raise tax revenues and consolidate his newly won power, Museveni set out to rebuild the economy. In 1987, the Ugandan government agreed to carry out comprehensive reforms as part of the structural adjustment programs (SAPs) for the purpose of opening up

[52] Kimemia, 2000: 120. Collier notes that between 1971 and 1986, real GDP per capita had fallen by 40%; tea and cotton production had shrunk from 20,000 and 87,000 tonnes per year, respectively, to 2,000 tonnes each; and the economy had to a large extent retreated to non-monetised subsistence agriculture which could not be taxed (Collier, 1997: 649).

its economy both internally and externally in exchange for support from the Bretton Woods institutions[53].

The Kenyan government under President Daniel arap Moi did not start from as desperate a point as Museveni in Uganda yet it, too, was under pressure to reform its economy. Since the collapse of the first EAC in 1977 a combination of falling coffee prices and rising oil prices had led to serious balance-of-payment issues in the late 1970s and Kenya had had to seek assistance from the World Bank and the IMF in 1980[54]. This marked the beginning of the structural adjustment programme and a move away from import substitution and towards trade liberalisation in Kenya.

Similarly, in Tanzania, it had become increasingly obvious that the “African Socialism” pursued by President Nyerere had led to economic stagnation. Government revenues eroded rapidly as exports continued to fall throughout the 1980s resulting in lower duties and taxes. The Tanzanian economy grew by on average only 0.4% per annum, unemployment was rising steeply in the cities and the Tanzanian economy suffered from the same kind of balance of payments issues as Kenya and Uganda[55]. ‘Between 1980 and 1985, Tanzania's real exports fell by 10 per cent annually, while the real effective exchange rate rose by 16 per cent, an appreciation that effectively undermined the competitiveness of Tanzania's exports on global markets and further strangled the growth of exports and the import-substituting

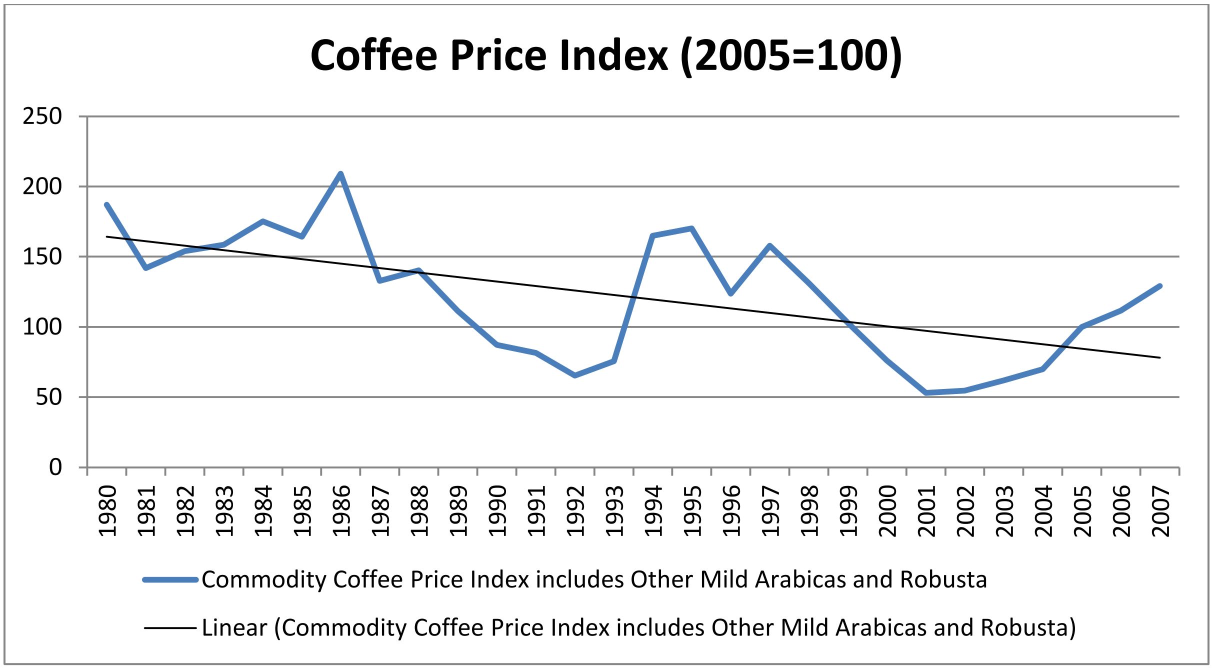
[53] Morrissey *et al.,* 2003: 3-4
[54] ODI, 2007a: 19
[55] Kimemia, 2000: 124

industrial sector. Official gross reserves fell to just one week of imports'[56]. Assuming power after president Nyerere stepped down in November 1985, therefore, also the new president Ali Hassan Mwinyi had to seek the support of the World Bank and the IMF and accept structural reforms[57].

Yet despite the implementation of the SAPs in the 1980s the East African economies remained stagnant[58]. The decline in the price of coffee – a core cash crop for all the three East African economies – which had caused severe balance of payment issues in the regional economy in the late 1970s and early 1980s continued throughout the decade (Figure 5.2). In Kenya, real GDP/cap growth had stagnated entirely after 1981. By 1991, the real GDP/cap was lower than ten years earlier – at $410 compared to $434. Similarly, Tanzania started the 1990s with a decline in real GDP/capita; and despite five years of a semblance of peace in Uganda, Ugandan citizens were still worse off in 1991 than they had been eight years earlier (Figure 5.3). To stay fiscally afloat, the three governments had become ever more reliant on support by international donors – a reliance that peaked in the early 1990s (Figure 5.4).

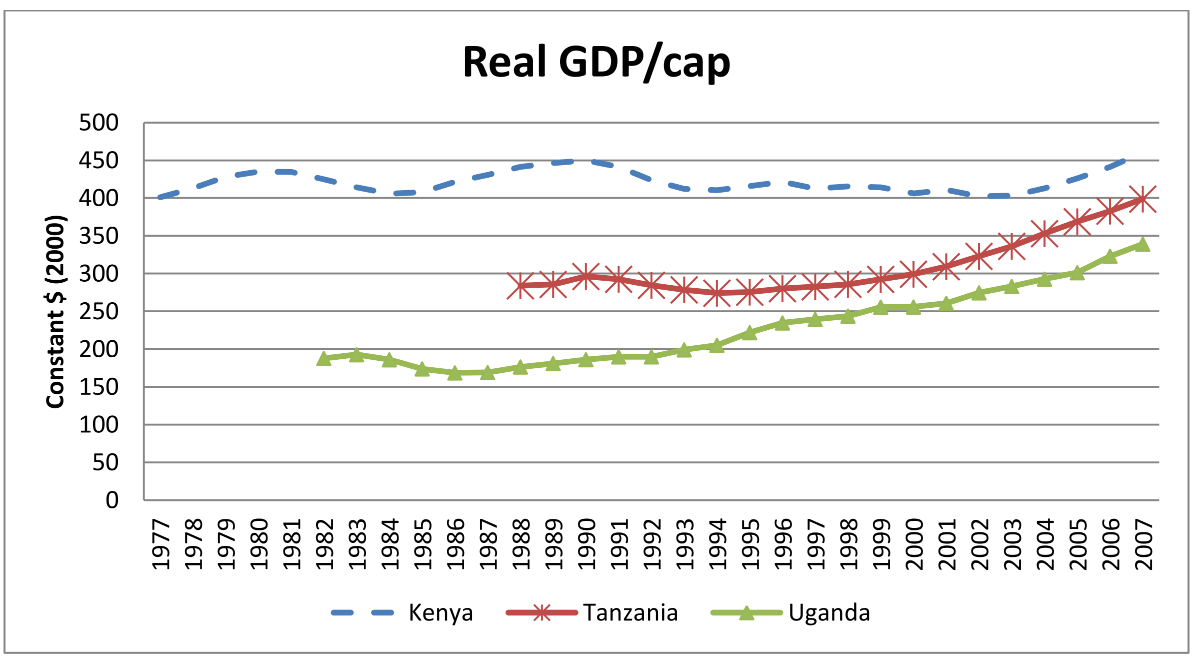
[56] Eiakuze and Gitau, 2007: 183
[57] Wangwe *et al.,* 2010: 95
[58] Mugizi, 2007: 267

Figure 5.2: Downward sloping coffee price trend



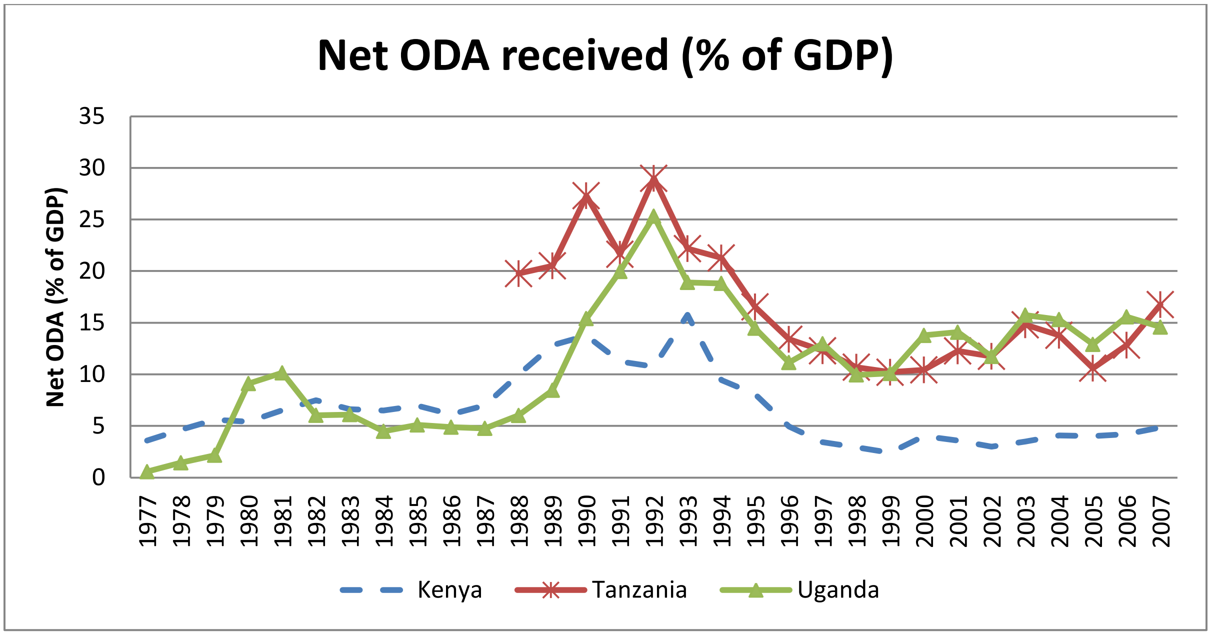
Source: IMF (2012)

Figure 5.3: Real GDP/capita in Kenya, Tanzania and Uganda 1977-2007



Source: World Bank (2012)

Figure 5.4: Dependence on aid in East Africa 1977-2007



Source: World Bank (2012)

With the fall of the Berlin Wall, aid dependence and the concomitant international pressure for economic reform became increasingly intrusive politically. Prior to the end of the Cold War, aid to the East African states had been tailored to their respective development plans. Heilman and Ndumbaro argue that '[s]ince East African governments were not [yet] completely dependent on outside funds to support their public administrations after independence, these governments were able to control, at least in part, their development agenda'[59]. However, by 1989, the World Bank started linking its condition of limiting state intervention in the economy to promotion of multiparty democracy[60]. The huge reliance on international financial support that had developed over the 1980s meant that donors 'attempted to alter the power balance inside Kenya, Tanzania and Uganda by reducing the

[59] Heilman and Ndumbaro, 2004: 142
[60] Heilman and Ndumbaro, 2004: 144

long enjoyed hegemony of the single-party regime'[61]. While domestic forces played the decisive role in eventually bringing about a democratic transition, by the 1990s the East African leaders saw their policy sovereignty threatened by external actors. In Heilman and Ndumbaro's words: '[f]or CCM in Tanzania and NRM in Uganda, the partnership [with donors] is based on a reluctant acceptance of externally derived policies. In the case of Kenya under Moi, government officials described conditionalities as outright ultimatums'[62].

While many of the economic reforms initially were imposed in response to external pressure, there was an increasing willingness among the East African regimes to adopt the economic reforms voluntarily; the Kenyan, Tanzanian and Ugandan governments had gradually come to accept that the surest way to greater policy independence from the donor community was to adopt many of the creeds of neo-liberal deregulation and trade liberalisation in the hope that such policies would increase government revenues[63]. Tanzanian president Mwinyi's interruption of the reform programme after a reduction in import tariffs between 1986 and 1988 resulted in lower government revenue, provides a clear indicator that it was a pragmatic

[61] Heilman and Ndumbaro, 2004: 144

[62] Heilman and Ndumbaro, 2004: 146

[63] See Eyakuze and Gitau (2007) for an excellent survey of the evolution of economic policy in East Africa. See also Nabudere (2010) and, for a more general African observation, Söderbaum (2004b: 69-70). The maybe clearest expression of the reorientation of the Kenyan economy for the sake of reducing aid dependency is found in a speech by President Moi in December 1993 where he said that 'we hope to get out of this foreign-assistance dependency syndrome. In this respect, would like to emphasise that, in the next phase of our national development, we shall rely a great deal more on private investment. Here the focus should be not only on foreign but also on domestic investment. In order to accelerate the implementation of this programme, I have issued instructions that a meeting involving local and international companies, banks and development agencies be organised in Nairobi to discuss future investment opportunities in Kenya' (*African Business* (London), February 1994).

shift for the sake of strengthening government finances rather than an intrinsic desire to promote trade[64].

The three presidents' announcement at the Commonwealth Summit in October 1991 that they would re-commence regional cooperation took place during a particularly critical standoff between the East African regimes and the donor community and at a time when the three states were more reliant on outside funding than ever before (Figure 5.4). On the 3rd of May, US ambassador Smith Hempstone had warned the Kenyan government that the US Congress would cut off aid to Kenya unless the government promoted multiparty democracy. That same day pro-democracy activists announced the formation of FORD – the Forum for the Restoration of Democracy. In response to Moi's crackdown on FORD over the following months, Hempstone made clear that $5 million of US military aid would be suspended and future appropriations terminated unless reforms were implemented. Around the same time, Tanzanian president Mwinyi used the Swahili proverb "when your neighbour is being shaved, you need to get prepared" to express his realisation that political liberalisation was inevitable. This spurred the launch of the Nyalali Commission which published its recommendations for a pluralistic political system in November 1991. In Uganda, the fact that Museveni had become a poster boy of structural adjustment since 1986 initially gave him some political leeway and donor pressure was lighter than in Kenya or even Tanzania. Yet the leeway was conditional on continuous socio-economic improvement in Uganda and

[64] Eyakuze and Gitau, 2007: 186

eventually, in 1994, the donor community would pressure Museveni into allowing competing parties[65].

By reviving East African cooperation at the Summit in Harare in October 1991, the three beleaguered presidents were hoping to reduce aid dependence by improving government finances. In EAC Deputy Secretary General Kiraso's words: 'By the early 1990s, the heads of state came to the conclusion that the East African countries were too vulnerable to face international political and economic pressures on their own. Regaining the initiative was the reason for pushing for integration in the first place'[66]. Two years later, on the 30th of November 1993, as a first tangible result of the Harare announcement, the three presidents inaugurated the Permanent Tripartite Commission for Cooperation (PTC) to explore areas of cooperation along the lines declared in Harare in 1991[67]. An editorial in the *Kenya Times* the next morning made the motivation very clear: '[integration] would mean that the three countries will find it easier to deal with donor demands and withstand heckling from do-good organizations from the West much more effectively'[68]. This message was repeated two weeks later when Moi, Mwinyi and Museveni met to celebrate 30 years of Kenyan independence. Moi remarked '[t]his newly found co-operation calls for a unified approach [...] our aim must be to reduce, as rapidly as possible, the significance of foreign assistance in the management of our economy'[69].

[65] See Heilman and Ndumbaro (2004: 148-158) for a full account of the events in 1991. While competing parties were 'legalised' in 1994, party political activity remained banned until 2005.
[66] Author's interview with Beatrice Kiraso, Deputy Secretary General for Political Federation, EAC, Arusha, 12 May 2011
[67] See Goldstein and Ndung'u, 2001: 19-20
[68] Quoted in Ngugi, 2005
[69] *African Business* (London), February 1994. See also Katumanga (2007: 305).

While the remit for the PTC was wide[70], facilitating trade for the purpose of improving government revenue was central. EAC Director-General for Customs and Trade, Peter Kiguta, remarks that 'first Moi, Mwinyi and Museveni and then Kibaki, Mkapa/Kikwete and Museveni [the presidents of the East African states since 1985] have always viewed EAC as a tool to greater independence. And trade has been at the core of this tool'[71]. In addition to being influenced by "new" economic thinking at the fall of the Berlin Wall, this view was inspired by the success of economic integration in Europe and North America. At a Ugandan cabinet's weekly press meeting on the eve of the launch of the Customs Union a few years later, Uganda's director of regional cooperation, Ambassador David Etuket described the union as a necessity for the development of East Africa: "We shall have a wider market of about 88 million people. If the rich countries in Europe have formed a union and America also united, who is Uganda, Tanzania or Kenya to go it alone?"[72]. According to Dr Adams Oloo, former member of the Task Force for East African Political Federation, the success of the EC/EU and the formation of NAFTA in the early 1990s had a 'very clear demonstration effect'. He continues: '[t]here was a very real sense in the Statehouses of East African that "we are being left behind". All other countries were raising ahead and the EA [East African] presidents needed to do something'[73].

[70] Goldstein and Ndung'u, 2001: 19-20
[71] Author's interview with Peter Kiguta, Director General of Customs and Trade, EAC, Oxford, 8 March 2012 and 4 July 2012
[72] *New Vision* (Uganda) 31st Dec 2004
[73] Author's interviews with Adams Oloo, lecturer in Politics, University of Nairobi, and former member of the EAC Team of Experts on Political Federation, Arusha, 29 April 2011; and John Randa, Senior Economist at the World Bank, Nairobi, 19 April 2011

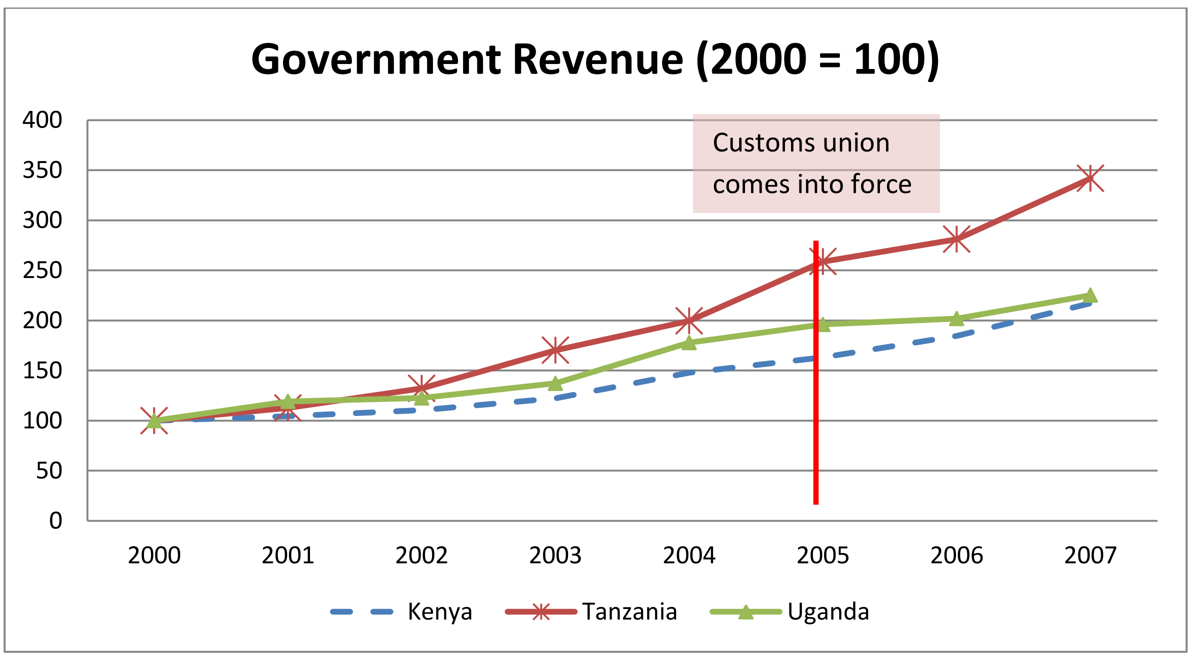
In the second half of the 1990s, the PTC Secretariat was charged with discussing the impact of establishing a customs union in East Africa. It is telling that one of the first meetings held after the establishment of the PTC Secretariat in 1996 was a meeting of the heads of the three countries' revenue authorities. At the meeting, it was noted that the three governments were waiting for the completion of a series of studies on the impact of the customs union on revenue generation before they were willing to proceed[74]. The issue of the effects of a customs union on revenue generation was also the main focus of major studies presented in the run-up to the EAC Treaty in 1999[75]. Similarly, in July 1999, Professor Maasdorp presented a report on the EAC Trade Regime to the EAC Council of Ministers sponsored by the European Commission. He concluded that '[e]conomic integration in the EAC would provide opportunities for all Member States to exploit their strengths and develop their opportunities. As a region the EAC has the potential to be on the fastest growing in Africa'[76]. A further report on the same topic was submitted by the World Bank on the 12th of July. Both of these latter reports were referred to in debates in the Ugandan parliament on that same day[77].

That the perceived links between customs union implementation and government revenue were substantiated after the coming into force of Customs Union Protocol significantly strengthened the connection between integration and policy space. A report on the effects of the customs union commissioned by the EAC Secretariat in 2009 concluded that: 'the implementation of the Customs Union has already generated positive results for the

[74] EAC Archive, 1996
[75] EAC Archive, 1998; EAC Archive, 1999b; EAC Archive, 1999d
[76] EAC Archive, 1999: iv-v
[77] Uganda *Hansard,* 12 August 2012

economies of the Partner States. This is evident from the increased levels of trade and revenue recorded in the all three Partner States over the last four years following the implementation of the customs union [...] total tax revenues have been increasing in all partner despite the initial fears that implementation of the CET would negatively affect government revenues'[78]. Indeed, data from the IMF shows that government revenue increased in all three East African states after the introduction of the customs union in 2005 (Figure 5.5).

Figure 5.5: Government revenue increases 2000-2007



Source: IMF 2012

It is difficult to assess how much of this revenue increase could be attributed to the customs union. Improvement in tax collection procedures is likely to have played a significant role

[78] EAC, 2009a: v-vi

too[79]. However, the *perception* of the three governments was that the customs union had been instrumental. In 2009, Tanzanian president Kikwete who had taken over after Mkapa in 2005 said that ‘when the process to re-introduce the community started, there was a lot of fear that Tanzania was going to be turned into a market to the extent that some of us who were spearheading the process were seen as traitors. But the benefits of the regional integration are now obvious. [...] This is the result of opening the borders and reduction of trade barriers through the introduction of the EA Customs Union’[80].

Linking implementation of the customs union with international standing

In addition to links between implementation and government revenue the East African government’s increasingly perceived ideational links between implementation and enhanced bargaining power of the East African states internationally. Akesh remarks that ‘[t]he current effort to integrate [in East Africa] is driven by strong concern for economic survival in a liberal international economic order, in which collective bargaining is important.’[81] Goldstein and Ndung’u note that ‘the 1994 signing of the WTO agreements [...] pressured African countries to open their trade frontiers, but also highlighted their isolation at the negotiating table’[82]. By upgrading the series of cooperative agreements that had been signed in the 1990s into one regional treaty, the East African states would be allowed ‘to enter into future multilateral negotiations as one entity and to safeguard national and regional interests more effectively, particularly those relating to investment and trade articles in WTO/Uruguay

[79] EAC, 2009a: 37. In Tanzania’s case, increases in natural-resource yields was an additional source of government revenue (Utz, 2008).
[80] *Daily Nation* (Nairobi), 8 August 2009
[81] Akesh, 2007: 100
[82] Goldstein and Ndung’u, 2001: 19

Round'[83]. Both the EAC Treaty and – later – the Customs Union Protocol make explicit reference to the WTO Marrakesh Agreement[84]. According to Dr Duncan Okello at the Society for International Development in Nairobi, 'the [East African] presidents realised that you have to belong to a big bloc. It is "impolitic" not to belong to a bloc. Not only will you be all on your own otherwise, but belonging to a bloc is the digital version of development. If you don't belong to a bloc you look so analogue as a leader. None of the East African presidents wanted to be seen as analogue'[85]. This was not simply a matter of theatre; the three governments realised that *implementing* the customs union gave them 'a better chance to negotiate with Western powers as a bloc'[86]. This additional motivation for establishing the East African customs union was first made explicit in the *East African Development Strategy 1997-2000* presented to presidents Moi, Mkapa and Museveni at the second PTC Summit on 19th April 1997[87].

The events at the Fifth WTO Ministerial Conference in Cancun, Mexico, in September 2003 provides further evidence of the causal link perceived by the governments between customs union implementation and bargaining power. At the conference, an unsigned letter had been circulated which rumours claimed to be written by President Museveni. The letter argued that African states should abandon their automatic loyalty to other developing nations and instead make strategic partnerships with selected countries. Museveni denied writing the letter and

[83] Goldstein and Ndung'u, 2001: 21
[84] EAC, 2007: Preamble
[85] Author's interview with Duncan Okello, regional director at the Society for International Development, Arusha, 29 April 2011
[86] Author's interview with Adams Oloo, Senior Lecturer in Politics, University of Nairobi, and former member of the EAC Team of Experts on Political Federation, Arusha, 29 April 2011
[87] EAC Archive, 2003a: 7

there were allegations that the letter came from within the US delegation in an attempt to split the developing-country contingent[88]. In direct response to these developments, three Ugandan members of the East African Legislative Assembly (EALA) commented that the three presidents would try to speed up the signing of the customs union protocol since, '[w]ith the debacle at Cancun, it is even more urgent for the third world to put their acts together and form viable trading groups for the survival and for enabling them to have a voice in the comity of nations'[89]. The East African governments' view of the EAC customs union as a means to strengthening the position of the East African governments in multilateral negations resurfaced in debates surrounding their EPA negotiations with the EU over the next few years[90].

The discussion in this section shows how over the decades following the collapse of the previous East African customs union in 1977 an increasingly dense nexus of institutional and ideational links were formed between implementing the customs union and promoting government policy space. By regionalising trade, the three governments were hoping to strengthen their fiscal positions and increase their standing in the international community. Museveni's statement at the end of the 2nd EAC Extraordinary Summit in June 2003 provides an elegant summary: 'the customs union will serve to create conducive atmosphere that will attract investment and trade, reduce dependency on foreign aid and enable the Partner States to address global economic issues as a bloc'. He added, 'the region's ultimate objective remains the establishment of a Political Federation'. Presidents Mkapa's and Kibaki's

[88] *East African* (Nairobi), 15 September 2003
[89] *The Monitor* (Kampala), 26 September 2003
[90] EAC, 2004b; *East African* (Nairobi), 19 August 2007

statements made the same first two points but were conspicuously silent on the topic of Federation[91]. The implementation of the customs union, I argue, can only be explained in reference to the existence of these cross-issue linkages. Yet, as the RPS framework predicts, their existence alone is not sufficient a condition to ensure implementation; once the individual governments perceived there to be benefits from the customs union, finding a regional solution to the distribution of those benefits became crucial.

3. THE BENEFITS DISTRIBUTION CONDITION

In the previous chapter, we saw how the decreasing satisfaction with the distribution of benefits on part of Tanzania and Uganda played a large role in explaining the deterioration of the East African customs union in the 1970s. In this section, I argue that it was the ability of the three governments to agree on a set of distributional arrangements – chiefly the 'principle of asymmetry' and Uganda's 'raw materials list' – that made the implementation *possible* in addition to being desirable.

As the negotiations over a revived EAC progressed in the 1990s, the question of achieving an equitable distribution in general – and of containing Kenyan dominance in particular – was ubiquitously present[92]. A study of the implications for Tanzania of harmonising tariff regimes across East Africa by Dr Musonda at the Tanzanian Economic and Social Research Foundation (ESRF) underscored the need to introduce some safeguards for the less developed economies of the region against Kenyan dominance. It noted that Tanzania

[91] EAC Archive, 2003c: 9
[92] EAC Archive, 1996; EAC Archive, 1997a; EAC Archive 1997b

showed large trade deficit with Kenya and therefore 'reducing tariffs need to be carefully studied [...] Otherwise we could face problems such as those which led to the dismantling of the former East African Community'[93]. It further noted the reliance on import taxes on government revenues and concluded the a three or four-tier CET with a lower band at 0% and a upper band of approximately 20-25% would be the most beneficial to Tanzanian public finances – a large shift away from the eight-band regime with a maximum 40% rate in place in Tanzania at the time of the report[94].

A report on the 'appropriate transition to an East African Customs Union' prepared for the EAC Secretariat by a number of independent researchers from the World Bank and institutes in the region in April 1999 poured new fuel on the tensions[95]. Again pointing to the intra-regional trade imbalances, the authors argued that a zero internal tariff would be 'virtually costless' for Kenya but that it would involve 'substantial revenue losses' for Tanzania and Uganda (estimated at 5-6% decline in customs revenues for Tanzania and 8-12% decline for Uganda). And just like the Musonda report a year earlier, the report noted that 'since the perception of unequal sharing of benefits of costs has been on the most divisive issues in unsuccessful RTAs [regional trade agreements], it is most important that due regard is paid to the implications of the trade imbalances of the costs of tariff adjustments necessary for the formal creation of an East African RTA'[96]. To mitigate this imbalance, a proposal was put forward whereby Uganda and Tanzania would bear the brunt of potential costs of the zero internal tariffs but Kenya the potential cost of the CET. In this spirit, the report suggested a

[93] EAC Archive, 1998: 6
[94] EAC Archive, 1998
[95] EAC Archive, 1999b
[96] EAC Archive, 1999b: iv

three-tier CET at 0%, 7% and 15%. The relatively low maximum band would hit Kenya the hardest since Kenya had the largest manufacturing industry to protect.

A second way to spread the costs and benefits across the three partner states in the face of imbalances first proposed in the April 1999 report was the 'principle of asymmetry': the idea that Tanzania and Uganda would be allowed more time to phase out internal tariffs than Kenya[97]. While the specific recommendations of the report eventually would go unheeded – in particular since all the presidents were convinced that the customs union would prove revenue generating[98] – it heightened the sense that provisions would have to be made to mitigate imbalances. The principle of asymmetry was adopted by the Tanzanian and Ugandan delegations at a meeting of the High Level Task Force (HLTF) a month later in Arusha[99]. In the light of these preliminary reports and the historical experience of the consequences of dissatisfaction with distributional issues, achieving an equitable distribution of benefits was included prominently in the EAC Treaty in November that same year. Article 6 of the Treaty states that 'equitable distribution of benefits' is one of six 'fundamental principles that shall govern the achievement of the objectives of the Community by the Partner States'[100].

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[97] EAC Archive, 1999b: iv-v

[98] As discussed in the context of the Benefits Existence Condition, Maasdorp's report in July 1999 reinforced this view. While noting the imbalances he argued that Tanzania and Uganda would experience something akin to what Spain and Portugal did with joining the EC in 1986 on the back of an investment boom. Observing that Uganda and Tanzania have comparative advantages in agriculture and hydroelectric power, and agriculture, mining, natural gas and tourism, respectively, Maasdorp concludes that '[e]very country has a comparative advantage in the production of some commodities' (EAC Archive, 1999a: iv-v).

[99] EAC Archive, 1999d

[100] EAC, 2007: Article 6. The fact that the Treaty emphasises the distribution of *benefits* rather than *costs* is indicative of the presidents' belief in the advantages to the customs union.

In the wake of signing the Treaty, during the negotiations in the early 2000s leading up to the signing of the customs union protocol, distributional concerns came ever more to the fore. Twice the inability to settle this question jeopardised the customs union. Whereas the governments were free to initiate the process towards a customs union and set the broad parameters for integration, they needed to consider the preferences of the private sector to ensure that the government purse would benefit from it. A weak private sector would ultimately result in weak public finances. As Tanzanian president Mkapa expressed it in 2001: 'The Government has for long realized that the growth of the economy depends ultimately on a dynamic and robust private sector. [...] A healthy private sector increases Government revenue'[101].

In Kenya, the private sector was overwhelmingly in favour of a customs union behind high external tariffs[102]. This would give its relatively advanced industry maximum access to the regional market while at the same time protecting it from international competitors. Both as chairman of the East African Business Council (EABC) and as chairman of the Kenya Business Council, Wilfred Kiboro argued for closer regional trade links in East Africa[103]. Further support was voiced by the chairman Kenyan Association of Manufacturers (KAM)[104] and the Kenya Private Sector Alliance (KEPSA)[105].

[101] Mkapa, 2001: 17
[102] *Liquid Africa* (Chiselhurston, SA), 1 June 2004
[103] *The Nation* (Nairobi), 24 January 2002 and 25 August 2003
[104] *East African* (Nairobi), 9 May 2000
[105] KEPSA, 2005

In Uganda, on the other hand, the Ugandan Manufacturers Association (UMA) and the Private Sector Foundation of Ugandan (PSFU) voiced serious reservations about the proposed customs union[106]. There were two interlinked concerns. First, a zero internal tariff would open up the Ugandan market to more competitive Kenyan firms. Second, it would raise the external tariff in an attempt to harmonise the more liberal Ugandan tariff regime with the more protectionist Kenyan and Tanzanian regimes; this would make imports of industrial inputs more expensive. It amounted to a double squeeze. Ugandan manufacturers wanted low external tariffs and protection against Kenyan competition. These concerns were substantiated by a USAID-sponsored report prepared for the Ugandan Ministry of Finance, Planning and Economic Development presented estimated results of the customs union on the Ugandan economy[107].

In Tanzania too, the private sector feared Kenyan competition. In 2000, the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) expressed concerns over the trade imbalance between Kenya and Tanzania and how this situation would worsen with a customs union[108]. Similarly, while not necessarily anti-integration, in an article in *African Business* in October 2003, the Confederation of Tanzanian Industries (CTI), warned that 'Tanzanian manufacturers are likely to face stiff competition from their Kenyan counterparts, mainly because of the outdated technology employed in the country'[109]. While there of course were

[106] See, for instance, *The Monitor* (Kampala)(19 December 2002), *New Vision* (Kampala)(11 December 2002, 3 April 2003 and 11 December 2003)
[107] DeRosa *et al*., 2002: i
[108] TOMRIC News Agency, 26 April 2000
[109] *African Business* (London), October 2003

business leaders in both Tanzania and Uganda who did not share these reservations[110], agreeing on what the 'principle of asymmetry' would mean in practice became increasingly important as the initial deadline for the customs union protocol at the end of November 2003 was drawing close.

A three-day conference of the HLTF on the elimination of internal tariffs and other charges of equivalent effect in Arusha in late October 2002 was supposed to settle the transitional arrangements allowing Uganda and Tanzania a grace period of protection against Kenyan imports. At the conference, Uganda offered Kenya 153 tariff lines which would be kept at 10% even after the introduction of the customs union and then gradually phased out over seven years. In addition, seeking to accommodate the demands of the UMA, the Ugandan delegation wanted protection for another 861 textile tariff lines. Tanzania initially offered Kenya 1,116 protected tariff lines at 10% to be reduced to 0% over four years. A number of 'residual items' would require seven years transition. The Kenyan delegation was unimpressed with the offers and noted that the two delegations had failed to revise down the number of tariff lines since the previous meeting. In response, the Tanzanian offer was revised down to cover 911 tariff lines, 83% of which would be reduced to 0% over four years. After further negotiations, the Kenyan delegation made clear its counter offer: Tanzania and Uganda would each get to protect 100 tariff lines during a phasing out period of four years. Ultimately, the three delegations were unable to reach an agreement. The

[110] For instance the Tanzanian brewery industry (BBC World *Business Report*, 2 March 2004).

Tanzanian negotiators noted that 'Kenya's offer did not take into account revenue, infant industry and security implications for Tanzania'[111].

By March 2003, the parties had agreed to allow the Tanzanian and the Ugandan private sectors five years to adjust to Kenyan competition after the introduction of the customs union and the exact number of protected tariff lines had been fixed (see Table 5.1)[112]. However, serious disagreement on what goods to include under what CET bands remained. Uganda was pushing for a large list of items to be given zero-tariff treatment since they were used as inputs in the Ugandan import-competing industry while Kenya and Tanzania argued that they should be treated as intermediary goods and therefore be subject to a 10% levy. There was also disagreement on the top CET band: Kenya and Tanzania were advocating 25% while Uganda pushed for 20%[113]. The negotiations had reached a stalemate and despite intensive diplomacy by the permanent secretaries of the three countries' respective EAC Ministry, no delegation was willing to budge. According to Kenyan Permanent Secretary David Nalo, the delegations 'were all getting very nervous. We had six months to go before the protocol was supposed to be ready to sign at the Summit [of EAC heads of state]. Some people feared that we had reached the end of the road; that we were back in the 1970s [when the three countries could not agree on how to compensate Tanzania and Uganda]. Without an agreement on the

[111] EAC Archive, 2002

[112] There are competing accounts on this point. According to the report from the 2nd Extraordinary Summit on the 20 June 2003, the elimination of internal barriers had already been agreed on by March 2003 (EAC Archive, 2003c). According to a report from a meeting on the 14 August 2003 by the three revenue and customs authorities, however, the issue was still being discussed (EAC Archive, 2003d).

[113] EAC Archive, 2003b

CET, there could be no customs union'[114]. In other words, despite strong cross-issue linkages between integration and policy space, by early 2003, progress towards the customs union had stalled because of an inability to settle distributional concerns. In EAC Director-General Peter Kiguta's words: 'The negotiations had come to a halt and we had to bring out the presidents'[115]. So they did. The presidents came together at an extraordinary summit in Dar es Salaam on the 20th of June to break the deadlock. At the end of the day the top CET band was set at 25%[116] and by the time of the next meeting of the sub-committee on the EAC common external tariff on the 11th to 13th of August the preparations for the Protocol could finally proceed[117]. The customs union had escaped its first near-death experience.

At the extraordinary summit, the issue of what became known as the Ugandan 'raw material list' – the question of allowing Ugandan manufacturers 0% tariff on their imported inputs – was discussed informally but no explicit agreement was reached[118]. At the opening of the 11th Ugandan International Trade Fair on the 9th of October 2003, *The New Vision* reported that Museveni had promised the Ugandan business community 'that the zero tariff rate on raw materials would remain also after EACU [East African Customs Union]. This was a big relief for business community'. Museveni claimed that he had talked to the leaders of Kenya and Tanzania, all of whom agreed that raw materials entering Uganda would remain zero-rated. 'Museveni's assurance was the result of anxiety from manufacturers over, the Arusha

[114] Author's interview with David Nalo, Permanent Secretary of the Kenyan EAC Ministry, Nairobi, 21 April 2011

[115] Author's interview with Peter Kiguta, Director General of Customs and Trade, EAC, Arusha, Oxford, 8 March 2012 and 4 July 2012

[116] EAC Archive, 2003c

[117] EAC Archive, 2003f

[118] EAC Archive, 2003e

negotiators' push for Uganda to lift zero tax on raw materials before the Union is enacted in November this year’. In the same article, UMA chairman Abid Alam was quoted saying that ‘the manufacturing sector faces severe constraints and imposing taxes on raw materials would lead to the collapse of many industries’[119]. It was however becoming increasingly clear that neither the Kenyan nor the Tanzanian president perceived that they had promised Ugandan companies such a competitive advantage. Already, delays in fixing the maximum CET band earlier in the year had pushed the original deadline for implementing the customs union[120]; now the failure to agree on the Ugandan raw materials list was about to conjure the second near-death experience.

In the week running up to signing ceremony on the 2nd of March, Ugandan ministers on a visit to Tanzania indicated that the UMA was stepping up its pressure on Museveni not to sign the Protocol since no guarantee not to impose tariffs on industrial inputs had been given. At the extraordinary summit in June 2003, Museveni had accommodated the higher 25% top CET band preferred by Kenyan and Tanzanian industries rather than sticking to the 20% band advocated by most UMA members. However, in the spring of 2004, the 2005 national presidential election was coming closer and many UMA members were important financial backers of Museveni’s NRM[121]. This increased their leverage. On the 1st of March, a source told the *East African* that ‘[t]here is a lot of ground still to be covered. Uganda government [sic] recently sent an emissary to a senior Kenyan official to tell him the signing would be suicidal for the (Ugandan) business community’. Indeed, when Kenyan president Kibaki flew

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[119] *The New Vision* (Kampala), 10 October 2003

[120] Kashangaki writes: ‘Uganda's attempts to protect its tax base by attempting to exempt products from the CET delayed the full implementation of the Customs Union for many months’ (2007: 231).

[121] *East African* (Nairobi), 1 March 2004

from Nairobi that day to get to Arusha for the ceremony the day after, it was not entirely clear whether the Protocol would be signed[122]. According to EAC Director-General for Trade and Customs, Peter Kiguta, the negotiations between the three presidents in Arusha that night were 'the most difficult time in the entire Protocol negotiation process. There was a lot of political will but for a while that night it looked like the Protocol would not be signed'[123]. By early next day, the three presidents had agreed to give specific Ugandan manufacturers a temporary respite of five years in the form of a permission to import a number of specific intermediate industrial inputs at 0% rather than 10%. But importantly, in direct opposition to the demands of the UMA, the next day, on the 2nd of March, Museveni signed the protocol together with Kibaki and Mkapa[124]. The second near-death experience had been overcome.

It is interesting to note how the particular nature of Museveni's ambition to become East African president made it rational for him to 'browbeat the Ugandan private sector'[125] in both June 2003 and March 2004. Whereas it was important for presidents Kibaki (Kenya) and Mkapa to bring the private sector onboard in order for the customs union to work effectively as a revenue and bargaining enhancer, for Museveni's plan for an East African Presidency such concerns were secondary. The imagined gains from leading an East African Federation trumped the immediate need to accommodate domestic constituents. This meant that Museveni was satisfied with an intra-regional distribution of economic benefits that he was unlikely to have settled for had he not valued the political consequences. In Akesh's words:

[122] See *the East African* (Nairobi), 1 March 2004, for a full account of the events on this day.
[123] Author's interview with Peter Kiguta, Director General of Customs and Trade, EAC, Arusha, Oxford, 8 March 2012 and 4 July 2012
[124] EAC, 2004a
[125] Author's interview with Aidan Eyakuze, Programme Director (Dar es Salaam) at the Society for International Development, Arusha, 4 May 2011

‘Yoweri Museveni's commitment to the EAC II customs union [i.e. the current incarnation], despite opposition from the Ugandan business sector suggests that in a state where foreign policy-making is dominated by the head of state, the process of regional integration can move forward, driven by the leader's idiosyncrasies, even when the domestic constituency it is not in favour’[126]. Indeed, despite various constitutional reforms and compromises to accommodate domestic and international calls for democratisation in Uganda, Museveni remained ‘towering above the rest of the organs of state’[127]. The claim that Museveni’s satisfaction with the distribution of benefits was conditional on steady progress towards political federation was clearly indicated a few years later when, on the 29th of January 2012, amidst frustration with the lack of such progress, Museveni threatened that ‘[p]olitical federation is more rational [and] where it is not possible, then compensatory mechanisms must be worked out [to avoid] a situation that will bring disequilibrium, resentment and break-up of the community’[128]. Nonetheless, on the 2nd of March 2004, it was the intergovernmental satisfaction with the distribution of benefits – economic and political – that allowed perceived cross-issue linkages to translate into the implementation of the customs union.

4. ALTERNATIVE EXPLANATIONS

In the previous two sections, I argued that implementation of EAC customs union following the coming to force of the Protocol is explained by the perceived presence of strong

[126] Akesh, 2007: 98
[127] Bwana, 2002: 59
[128] *East African* (Nairobi), 29 January 2012

institutional and ideational links connecting implementation with the achievement of core government interests. The three African governments were convinced that the customs union would increase their policy space. On the ideational side, these substantive cross-issue linkages had evolved over the course of almost three decades following the collapse of the previous East African customs union. Particularly strong was the perception that the customs union would result in increased government revenue which, in turn, would lessen the international interference with the internal affairs of the three governments. On the institutional side, cross-issue linkages were established between implementation and government revenue through the support of key development partners. And, in the case of Museveni, the implementation of the customs union was institutionally linked to furthering his ambition to become East African president.

However, the presence of these linkages did not constitute a sufficient condition for the implementation of the customs union. As we saw, implementation was critically dependent on the ability of the three governments to reach a regional agreement on the distribution of benefits from integration. The primary facilitators for achieving this was through the 'principal of asymmetry' and Museveni's willingness to overrule the interests of the Ugandan private sector for the sake of his personal regional ambitions. Under these conditions, the RPS predicts that the likelihood of implementation is very high. However, before we have scrutinised the potential support for the alterative explanation – that considerations of policy space were inconsequential to the implementation of the EAC customs union – we are unable to reject the hull hypothesis confidently.

As we saw clearly in this chapter, the influence of international actors filters through the RPS framework by influencing the kinds of linkages perceived by governments. Explaining the implementation of the EAC customs union in reference to the influence of international actors does therefore not constitute an alternative. However, we can imagine the customs union being implemented not because of the private payoffs to governments in the form of policy space but because of the public benefits accruing to the East African economies. That is, the customs union would have been implemented for the sake of trade. As argued in Chapter 3, in this case, we should expect to find that private actors were central to the integration process. Evidence rejects this explanation.

Despite the 1999 Treaty's pledge for a 'people-centred' Community which strengthens 'partnerships with the private sector and civil society'[129], the new EAC was the result of a presidential initiative largely independent from the private sector and civil society. A large number of experts on East African integration agree that the East African Presidents were the chief initiators of the integration process[130]. According to Permanent Secretary of the Kenyan EAC ministry, David Nalo, '[t]he revival was political-leadership initiated'[131]. This is supported by Kasaija who argues that 'the leaders have not carried the people along with them on the integration journey. [...] The common man has played no role in their [the

[129] EAC, 2007: Article 5 (3d and g)

[130] Author's interviews with Tito Byenkia, CEO of the East Africa Law Society, Arusha, 4 May 2011; Beatrice Kiraso, Deputy Secretary General for Political Federation, EAC, Arusha, 12 May 2011; Adams Oloo, Senior Lecturer in Politics, University of Nairobi, and former member of the EAC Team of Experts on Political Federation, Arusha, 29 April 2011; Wanyama Masinde, Regional integration specialist and Director at the East Africa Resource House, Arusha, 29 April 2011; Samuel Mwakubo, Research Manager, African Economic Research Consortium (AERC), Nairobi, 20 April 2011; and Duncan Okello, Regional Director at the Society for International Development, Arusha, 29 April 2011. See also Nabudere (2010: 74).

[131] Author's interview with David Nalo, Permanent Secretary of the Kenyan EAC Ministry, Nairobi, 21 April 2011

regional institutions'] establishment and consolidation'[132]. Also Gingyera-Pinycwa agrees: '[e]ven today, it is the top political leadership and their ministers or hand-picked emissaries have taken the lead in crafting the EAC'[133] Kiondo argues that 'there is a certain degree of political will on the part of the leadership on East Africa to engineer meaningful political cooperation, even though the political will is based on individualised leadership wishes rather than on an established public opinion.'[134] On the 22 March 2010, the *East African* wrote that '[t]he process of integration is led and directed by the partner states' governments, especially their Heads of State'[135].

These observations are further confirmed by Juma Mwapachu, Secretary General of the EAC 2006-2011, who argues that '[t]he EAC business community had nothing to do with the re-birth of the EAC in any direct sense'[136]. The fact that Mwapachu was Chairman of the East African Business Council (EABC) – the very organ representing business interests – at the time of the signing of the EAC Treaty and still argues that the business community did not play a crucial role lends further authority to his statement. In his study, 'The East African Community: a people, market or state-driven project?', Oyugi goes as far as to say that 'superficial engagement of the East African Business Community can hardly justify the community's claim of popular rebirth'[137]. In fact, EAC Deputy Secretary-General Beatrice

[132] Kasaija: 2004: 23
[133] Gingyera-Pinycwa, 2007: 168
[134] Kiondo, 2002: 21
[135] *East African* (Nairobi), 22 March 2010
[136] Author's interview Juma Mwapachu, Secretary-General of the East African Community, Oxford, 3-29 May 2011
[137] Oyugi, 2009: 154

Kiraso clamours for a time in the future ‘when the private sector, when the citizens, will put pressure on their governments to move forward’[138], indicating that this has yet to happen[139].

As we saw, however, once the EAC had been founded the preferences of the business community played an active role in shaping the detailed content of the customs union protocol[140]. In Beatrice Kiraso’s words: ‘the business community came in afterwards [i.e. after the decision to integrate]’[141]. David Nalo reinforces this by stating that ‘the business community was deeply involved in the drafting and negotiating once the decision to integrate had been made’[142]. Indeed, as we saw, the business sector was more often a force for protectionism than integration. At the East Africa Business Summit on the 15th of November 2002, the *East African* reported that the then EAC secretary-general Amanya Mushega ‘pointed out [to the business leaders present] that the region's governments had already agreed upon the issue and that the only sticking points were with private-sector businessmen in the region’[143]. Similarly, in an interview in the *New Vision* on the 22nd of January 2004, two months ahead of the planned signing of the Protocol, chairperson of the UMA, Hillary

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[138] Author’s interview with Beatrice Kiraso, Deputy Secretary General for Political Federation, EAC, Arusha, 12 May 2011

[139] In part the absence of a strong pro-integration lobby can arguably be explained by the low intensity of regional trade linkages. While the volume of intraregional trade as a percentage of total trade has grown, it remains small. In the five customs-union years it has gone up from 12% to 14%. With the exception of Kenya-Uganda trade, trade linkages between EAC members are weak compared to the situation in most non-African RIOs. Indeed, an IMF report from 2005 argued that they were neither competitive nor complimentary (McIntyre, 2005: 14).

[140] Author’s interviews with Tito Byenkia, CEO of the East Africa Law Society, Arusha, 4 May 2011; and John Randa, Senior Economist at the World Bank, Nairobi, 19 April 2011

[141] Author’s interviews with Beatrice Kiraso, Deputy Secretary General for Political Federation, EAC, Arusha, 12 May 2011; and Tito Byenkia, CEO of the East Africa Law Society, Arusha, 4 May 2011; and John Randa, Senior Economist at the World Bank, Nairobi, 19 April 2011

[142] Author’s interview with David Nalo, Permanent Secretary of the Kenyan EAC Ministry, Nairobi, 21 April 2011

[143] *East African* (Nairobi), 15 November 2002

Obonyo, argued stated that 'UMA has made it very clear the CU [customs union] should give manufacturers time to adjust to its demands and expectations. According to our estimate five years is the minimum period required for manufacturers in Uganda, Kenya and Tanzania to do this'. Asked if delaying implementation of the customs union was 'a unified position for all member countries or its only Uganda's position', Obonyo answered that '[i]n Tanzania there is a strong push to delay the implementation to even eight years. In Kenya the majority of the traders especially small and medium scale enterprises (SMEs) who are the bulk employers are not ready'[144]. That is, according to the chairperson of a leading private sector organisation, significant sections of the private sector were not ready for a customs union when it happened. Explaining the implementation of the East African customs union in 2005 in terms of private sector pressure on political leaders in the region is therefore not likely to be fruitful. Rather, as I have argued at great length in this chapter, the explanation for the implementation of the customs union relies on cross-issue linkages with the three participating governments' ambition to widen their policy space.

5. CONCLUSION

In 2012, the South African Institute for Global Dialogue (IGD) claimed that '[t]he revival of the East African Community (EAC) [...] is one of the most important developments in sub-Saharan Africa in recent years'[145]. In this chapter, I have explored the ability of the RPS framework to explain this development. I found that the presence of a number of strong linkages perceived by the three East African governments to connect the implementation of

[144] *East African* (Nairobi), 22 January 2004
[145] IGD, 2012

the customs union with the achievement of core government interests were critical to the establishment of the customs union. As the RPS framework predicts, however, the existence of these perceived benefits to the governments was not sufficient; the three governments also had to reach a regional agreement on their distribution. Evidence shows how the near non-conclusion of such an agreement almost killed the customs union, twice. Ultimately, however, the Kenyan, Tanzanian and Ugandan governments were able to agree on a mutually satisfactory distribution arrangement built on asymmetrical obligations.

Fundamentally, therefore, the EAC customs union was implemented not because of the three governments' interests in promoting trade or providing public goods but because of the private payoffs that were perceived to result from it. In contrast, the next chapter's analysis of ECOWAS provides an informative insight into the difficulty of implementing a customs union agreement for the sake of trade alone.

Chapter 6: The ECOWAS customs union: 37 years of theatre

On the 28th of May 1975, the heads of state and government of fifteen West African states[1] came together in Lagos to sign a treaty creating the Economic Community of West African States (ECOWAS)[2]. Central to the aims of this new regional organisation was the establishment of a customs union[3]. Today, 37 years later, while ECOWAS arguably has achieved aims such as regional security and infrastructure cooperation with some measure of success[4] there still is no customs union: unilaterally imposed tariffs and quotas to intra-regional trade persist despite agreements to remove them and the ECOWAS member governments still have not implemented a common external tariff (CET). As Lavergne put it in 1997: the ECOWAS approach to the customs union 'is one whereby heads of state assemble on a regular basis and pronounce ambitious declarations of what they are going to do, as a prelude to actually doing very little'[5] – an assessment shared by many regional and external observers[6]. Indeed, the leader of the most powerful regional state, Nigerian President Olusegun Obasanjo, admitted that '[i]f an impartial observer were to say that we have failed to reach the pass mark it would be understandable. Now if we are to be frank with ourselves,

[1] The original 15 signatories were: Benin (then: Dahomey), Burkina Faso (then: Upper Volta), Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo. Cape Verde joined in 1977 increasing the number of members to 16 until Mauritania left in 1999.
[2] Referred to as the '1975 Treaty' in this chapter
[3] ECOWAS, 1975: Article 2; Robson, 1983: 100
[4] Ojo, 1999: 120
[5] Lavergne, 1997a: 4
[6] See, for instance, ECOWAS (1992: iv), Buor (1998), Adedeji (1999), Ojo (1999: 119) and Kufuor (2007).

the Community can hardly be said to have made giant strides'[7]. In contrast to the experience in EAC in the 1990s and 2000s analysed in the previous chapter, the history of the ECOWAS customs union is a prime example of theatre integration. In this chapter, I test the RPS framework's ability to explain why the governments of the ECOWAS member states resisted the implementation of the 'Trade Liberalisation Scheme' (TLS) in the 1980s and the CET programme under the umbrella of the 'Roadmap to the ECOWAS Customs Union' finalised in 2004.

Just as the previous two case studies, this chapter is divided into five parts. In the first, I present the historical backdrop to the ECOWAS customs union and assess the extent to which the TLS and the Roadmap resulted in the elimination of intra-regional quotas and tariffs and the erection of a CET. In the second, I look at the Benefits Existence Condition and find a near complete absence of issue linkages connecting the establishing of the ECOWAS customs union with policy space. ECOWAS was set up, at least in part, as a way for Nigeria, the regional hegemon, to balance the lingering influence of France[8]. This objective, however, did not necessitate the actual implementation of the customs union. Despite the fact that many observers argue that 'greater economic growth, more jobs and lower consumer prices'[9] are among the benefits of a customs union, the Nigerian government – as most other governments in the region – feared the loss of customs revenue as a consequence of trade liberalisation. This was a loss that was not compensated for by other

[7] Quoted in *West Africa* (London), 20 December 1999 -9 January 2000, 49; also cited in Kufuor, 2007: 128
[8] See, for instance, Chipman (1989).
[9] USAID, 2011a

benefits to the government contingent on customs union implementation. The fear of loss of revenue for the trade-tax dependent West African governments has been a major obstacle to the implementation of the ECOWAS customs union also in the 2000s though this had begun to change recently. In the third section, I investigate the explanatory power of the Benefits Distribution Condition. Just as the RPS framework predicts, the absence of any strong linkages and therefore perceived benefits to governments makes the question of their distribution largely irrelevant; agreements on distribution could be reached relatively fast. This is an interesting contrast to the situation in SACU and the EAC where the presence of strong issue linkages help explain the sensitivity of members to distributional concerns. As the fear of revenue loss has subsided somewhat in recent years, distributional concerns have emerged as hard constraints. In the fourth section, I discuss potential alternative explanations; and the fifth and final section serves to summarise and conclude the findings of this case study.

Overall, while I consider the policy behaviour of all member governments where relevant, my analysis places a particular focus on Nigeria. This is justified since 'the country's economic power (relative to its neighbours) provides it with an informal but widely acknowledged "veto" vote. While every member state has its particular issues with the implementation of ECOWAS agreements, the gains from understanding better Nigerian views on integration would be particularly large'[10].

[10] ODI, 2012: 4-5

1. THE CUSTOMS UNION THAT DOES NOT EXIST

1.1 West African integration before ECOWAS

Unlike the EAC and SACU which evolved out of institutions established before the departure of the Europeans, ECOWAS is not the heir to a colonial predecessor. Nonetheless, as in all parts of Africa, the West African integration experience is heavily influenced by the region's colonial history. Specifically, efforts to cooperate and integrate regionally have had to be made in reference to the division of the region into a Francophone and an Anglophone sphere where the former consists of states previously ruled from Paris[11] and the latter of the states previously ruled from London[12].

Until 1956, the French West African colonies were formally integrated both politically and economically into the Federation of Afrique Occidental Française (AOF). In reaction to pressure for independence, the AOF was dissolved and in 1958 the individual territories were given the choice of full independence, independence within the French Community or absorption as a fully-fledged part of France – a Département[13]. With the exception of Guinea which opted to sever its links to France, all former colonies chose to continue close cooperation with both France and each other. On the 9th of June 1959, the year before independence, therefore, these states founded the Union Douanière de l'Afrique Occidental

[11] Benin (then: Dahomey), Burkina Faso (then: Upper Volta), Côte d'Ivoire, Dahomey, Guinea, Mali, Mauritania, Niger, Senegal and Togo

[12] The Gambia, Ghana, Nigeria and Sierra Leone. Cape Verde and Guinea-Bissau which were colonised by Portugal and Liberia with its ties to the US fall outside of this dichotomy and have had enjoyed more flexible associations with their neighbours.

[13] Ezenwe, 1983: 7. See Martin (1989) for a discussion of rationale behind France's decision to dissolve the AOF.

(UDAO) under the supervision of France[14]. Over the next decade as the problems in achieving UDAO's aims became increasingly evident, the Francophone states – once again with the encouragement of France – agreed to transform the original organisation first into the Union Douanière des Etats de l'Afrique de l'Ouest (UDEAO) in 1966 and then, in 1974, a mere year before the founding of ECOWAS, into the Communauté Economique de l'Afrique de l'Ouest (CEAO) [15]. The CEAO survived until 1994 when it was succeeded by the Union Economique et Monetaire Ouest Africaine (UEMOA). In parallel with these customs unions, the states of Francophone West Africa retained a common currency introduced under French rule also after independence, the CFA franc, issued by the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) [16]. Both the UEMOA and the BCEAO remain in operation despite the fact that the Francophone states as members of ECOWAS have signed a Treaty which declares that ECOWAS should be the only regional economic organisation in West Africa[17].

Despite the Ghanaian Prime Minister Kwame Nkrumah's dreams of a United States of Africa, Anglophone West Africa did not embark upon integration projects as ambitious as those of its Francophone neighbours. From the early years of independence focus was rather on either launching or participating in functional cooperation schemes to deal with specific

[14] IMF, 1970

[15] For an account of the institutional transformation in Francophone West Africa and its drivers, see Ezenwe (1983: 75-80), Legum and Drysdale (1970: C448), Martin (1989: 17), Legum (1973: C239) and Oyejide *et al.* (1999: 2-3).

[16] Ezenwe, 1983: 38; M'Bet, 1999. While the acronym "CFA" remained the same, its meaning was changed from "Colonies Francaise d'Afrique" to "Communauté Financière Africaine".

[17] ECOWAS, 1993: Chapter 2, Article 2. Fine and Yeo point out that this makes the CEAO 'incompatible with ECOWAS' (1999: 451).

issues. For instance, already in 1961 a first session of the West African Transport Conference in Monrovia was held with the ambition of agreeing on a network of sub-regional roads[18]. A similar initiative was attempted with civil aviation by the International Civil Aviation Organisation (ICAO) in 1964. Beyond confirming the need for cooperation among transport ministers of the region, however, neither of these initiatives led to any substantive progress[19]. Moreover, unlike Francophone West Africa, the Anglophone states did not enjoy a common currency which led to persistent convertibility issues[20].

The closest to a fully-fledged integration project initiated in non-Francophone West Africa prior to the founding of the ECOWAS was the Manu River Union (MRU) between Liberia, Sierra Leone and Guinea[21]. Although some steps were taken to liberalise trade between Sierra Leone and Liberia, the Union never came close to the expectations of 'a flame which would ignite many others, to blaze a trail of positive economic cooperation and development across Africa' as expressed by Liberian President Tolbert at the time of the Manu River Declaration in 1973[22]. After the end of the civil wars in Liberia and Sierra Leone in the 1990s, the three heads of state met in May 2004 to revisit the aims set up in the original Manu River Declaration. Nothing tangible has followed, however.

[18] UNECA, 1961
[19] UNECA, 1969
[20] *West Africa* (London), 7th July 1972
[21] Ezenwe, 1983: 123
[22] President Tolbert quoted in *West Africa* (London), 15th October 1973

1.2 The Trade Liberalisation Scheme: the first attempt at an ECOWAS customs union

It was against this background of a unified Francophone bloc, a scattered Anglophone group and a West Africa deeply divided along the former colonial spheres of influence with a strong French post-independence presence that the idea of ECOWAS first emerged. In April 1972, in response to French President Pompidou's Africa tour in 1971 during which he proposed the creation of the CEAO to balance Nigeria's growing influence, Nigerian President General Gowon and Togolese Head of State Eyadema agreed to form 'an embryo' of a wider West African economic community that was to encompass both Anglophone and Francophone nations in the region[23]. Politically, the Togo-Nigerian initiative served two purposes. First, it showed that economically small states like Togo could team up with Nigeria, the local giant; and second, it demonstrated that French and English-speaking countries could come together to work on regional issues. General disillusion with France's role in the region following the death of de Gaulle in 1970 provided an atypically receptive Francophone audience. In 1973, representatives for the two countries toured the region to rally support and interest for their initiative – a move that resulted with the all-West African Ministerial Conference in Lomé[24]. At the Conference Nigeria and Togo were called on to draw up detailed proposals for the future shape of the Community and a timeline was agreed on. Two years later, on the 28th of May 1975, fifteen West African states signed the Treaty of the Economic Community of West African States in Lagos[25].

[23] *West Africa* (London), 7th May 1972. Initial, tentative step towards such an all-West African organisation had been taken with the signing of articles of association for a West African Economic Community in Accra in 1967 and the subsequent summit in Monrovia the year after (Robson, 1983: 86).
[24] Robson, 1983: 88
[25] Asante, 1986: Chapter 3

Officially, establishing an ECOWAS customs union was a 'priority concern of the Treaty of Lagos'[26]. The Treaty structured the implementation into three stages. In the first two years after the coming into force of the Treaty, member governments agreed to freeze tariffs and quotas on intra-regional goods[27] – the so-called 'stand-still provision'. After two years, quotas and tariffs on Community goods were to be reduced over a period of eight years according to a schedule to be determined[28]. Then, in the third stage, once the ECOWAS free-trade area had been established in stages one and two, the West African governments had five years to converge on a common external tariff (CET) thereby completing the creation of the customs union fifteen years after the coming to force of the Treaty[29]. Given that the Treaty was signed in 1975, it was expected that the ECOWAS customs union be operational by 1990.

Yet implementation was elusive[30] and the stand-still provision did not come into force until after the fourth ECOWAS Summit in May 1979 with the implication that the phasing out of intra-regional trade barriers should have started in May 1981[31]. In order to prepare for the reduction of trade barriers, the ECOWAS Authority consisting of the member states' heads of state and government had adopted the Trade Liberalisation Scheme (TLS) aimed at the

[26] Robson, 1983: 100. See also ECOWAS (1975: Article 2).
[27] ECOWAS, 1975: Article 13(2)
[28] ECOWAS, 1975: Article 13(3)
[29] ECOWAS, 1975: Article 14
[30] To start with it took until 1977 until sufficient number of countries had ratified the Treaty to make the Community operational. Moreover, progress was blocked in the first 18 months by attempts on the parts of Côte d'Ivoire and Senegal to condition the adoption of the first five Protocols on the inclusion of Francophone states in Central Africa such as the Democratic Republic of the Congo. Nigerian opposition to this eastward expansion blocked this expansion.
[31] Olaniyan, 1990: 4

total removal of tariffs on unprocessed goods and handicrafts[32] and, subsequently, a progressive elimination of tariffs on industrial products by 1989[33]. It took another two years – until the Authority Summit in 1982 – before the last details of the TLS were fixed and the May 1983 start date for the scheme could be agreed upon[34]. But despite these agreements none of the member governments moved to implement the TLS. Even though the heads of state and government reaffirmed their commitment to the TLS at the Ouagadougou Summit in May 1989[35] Asante observed two years later that 'the implementation of the trade liberalization programme is not making any significant headway. The tariff stand-still period began with a delay, and although intra-trade tariff reduction period has begun, nothing substantial seems to have been done. [...] For quite a long time, none of the new customs documents has been effectively implemented by any Member State. Significantly, too, there are as yet no agreed external tariffs and [...] there is no indication as to how they are to be achieved'[36]. The poor implementation was also acknowledged by the ECOWAS Secretariat which in a 1992 review of its achievements noted that '[t]he ratification of Protocols is but the first necessary step towards implementation. The next step is to translate the content of the Protocols into the language of domestic law or administrative action. This is when the record is poorest in ECOWAS'[37].

32 ECOWAS Archive, 1980a and 1981
33 ECOWAS Archive, 1983; Robson, 1983: 116; Kufuor, 2007: 26
34 Obadan and Egbon, 1994: 53
35 Omorogbe claims that intra-regional tariffs and quotas on unprocessed goods and handicrafts were removed by some ECOWAS governments in 1990 (1993: 359) but I have not been able to confirm this from other sources.
36 Asante, 1991: 116-117
37 ECOWAS, 1992: 18

In 1990, the year that the ECOWAS customs union initially was meant to be up and running, therefore, virtually none of the steps towards its establishment had been taken: intra-Community goods were still subjected to quota and tariff barriers and there was no CET[38]. Recognising the almost complete lack of progress on the TLS and other integration programmes, the Authority reached Decision A/DEC 10/3/90 which called for the appointment of a Committee of Eminent Persons to examine how ECOWAS could be made more effective[39]. Chaired by former Nigerian president General Gowon, the Committee started its work in April 1991[40]. The move was, in part, inspired by negotiations leading up to the 27th Summit of the Organisation of African Unity (OAU) in Abuja in June that year[41]. With the resulting Abuja Treaty, the gathered African leaders agreed to create an African Economic Community (AEC) by 2025 to counter marginalisation in the wake of the end of the Cold War and increasing integration of Europe[42]. The Abuja Treaty reinvigorated the existing regional organisations such as ECOWAS by allocating the responsibility of the gradual realisation of the AEC to them; the Treaty called on the regional organisations to create conditions for continental integration by achieving 'islands' of regional economic and political cooperation. In the context of this new drive towards Pan-African integration, the Committee of Eminent Persons presented its recommendations to the ECOWAS Authority on the 9th of June 1992: the ECOWAS Treaty of 1975 was to be revised and a customs union achieved by 2000[43].

[38] See Kufuor (2007).
[39] Omorogbe, 1993: 368
[40] Bundu, 1997: 43; ECOWAS, 1992: 22;
[41] Bach, 1997: 79-82
[42] Asante, 1999: 13
[43] ECOWAS, 1992: 23-27

1.3 The Roadmap: the second attempt at an ECOWAS customs union

The heads of state and government of the sixteen West African states signed the revised ECOWAS Treaty on the 24th of July 1993 in Cotonou. With the new Treaty the member governments hoped to 'modify the Community's strategies in order to accelerate the economic integration process in the region' which would promote a 'harmonious economic development of [West African] States'[44]. The Treaty came into effect on the 23rd of August 1995 after the ninth ratification instrument was deposited with the Secretariat[45].

Even though the conflict in Liberia and Sierra Leone diverted some of the attention away from the customs union project[46], the 1990s saw some progress with regard to the reduction of intra-regional trade barriers. On the 1st of January 1990, a new liberalisation programme, the ECOWAS Trade Liberalisation Programme (ETLS)[47] had been launched to replace the unsuccessful TLS of the 1980s[48]. Two years later, a meeting of technical trade experts organised by the ECOWAS Secretariat in Dakar brought about a revision of the previously extremely stringent rules-of-origin protocol for the ECOWAS customs union[49]. The requirements to qualify for Community treatment under the First Protocol to the 1975 Treaty included that 35% of ex-factory value of any good had to have been added within the Community and ECOWAS citizens had to control 51% of equity in the company producing

[44] ECOWAS, 1993: Preamble
[45] Bundu, 1997: 43-44
[46] *Reuters News*, 1 July 1991
[47] To avoid misunderstandings, I will consistently refer to the trade liberalisation scheme of the 1980s as the 'TLS' and the trade liberalisation scheme first introduced in 1990 as the 'ETLS'.
[48] ECOWAS Archive, 1989; *BBC*, 29 August 1989; *Reuters News*, 27 June 1991
[49] ECOWAS, 1992: 50-51

the good[50] stakes in the companies granted community treatment[51]. Only 17 companies in the entire region had qualified for Community treatment under these rules of origin[52]. The Dakar meeting brought down the equity requirement to 25%, thereby expanding the potential for trade under the regional trade liberalisation scheme[53]; by the end of the 1990s 170 companies qualified for Community treatment[54].

However, there was still no progress in terms of establishing the CET and the revised Treaty of 1993 did not turn out to be the magic solution to the problem of lacklustre implementation that it had been made out to be. As the then Executive Secretary of ECOWAS, Abass Bundu, had predicted in 1992: ‘the slow pace of regional integration in West Africa has very little to do with any inadequacies of the 1975 ECOWAS Treaty. Even a perfect treaty will make little difference if member states are not willing to consider regional integration as a national priority’[55]. Even considering the relaxation of the rules of origin and the launch of the ETLS, the willingness of ECOWAS member governments to implement the agreed customs union timeline remained low. The situation at the first ECOWAS Fair held in Dakar in June 1995 illustrated how little had been achieved in terms of the ECOWAS customs union: goods sold by Francophone ECOWAS members attracted only 0.05% import duty since they, like the host nation Senegal, were members of UEMOA, the Francophone customs union mentioned

[50] The equity requirement had been increased gradually. In May 1982, firms granted Community treatment had to be owned by ECOWAS citizens to 20%; in May 1983 this was increased to 30%. The 51% requirement was phased in May 1989.
[51] Robson, 1983: 118; Asante, 1991: 118
[52] For a discussion of the politics behind these restrictive rules, see Adibe (1994: 207-209).
[53] Bundu, 1997: 38; see ECOWAS (1992: 52-53) for a full presentation of the revised rules of origin.
[54] Ojo, 1999: 120
[55] Abass Bundu quoted in Bach, 1997: 85

above; goods from Anglophone ECOWAS members, by contrast, paid duties of between of 30% and 40%[56]. In 1999, one year before the customs union was meant be operational according to the revised ECOWAS Treaty[57] and ten years after the deadline set in the original Treaty, Ojo remarked that '[s]trictly in terms of market integration objectives, ECOWAS has achieved relatively little'[58].

Then, allegedly to jump start the customs union preparations, in December 2000, the ECOWAS heads of state and government agreed to adopt the CET of the UEMOA as the basis of the Community-wide CET[59]. In effect, this implied that the seven non-UEMOA ECOWAS members – Cape Verde, The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone – agreed to adjust their trade regimes on third parties to align with that of the eight Francophone UEMOA ECOWAS members – Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. Sponsored and supported by USAID and other development partners, this set in motion a number of programmes under the umbrella name 'Roadmap to the ECOWAS customs union'[60]. In March 2004, the heads of state and government of the ECOWAS members and the president of the World Bank presented the

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[56] Buor, 1998: 240

[57] Article 35 of the 1993 Treaty states: 'There shall be progressively established in the course of a period of ten (10) years effective from 1 January, 1990 as stipulated in Article 54, a Customs Union among the Member States. Within this union, Customs duties or other charges with equivalent effect on Community originating imports shall be eliminated. Quota, quantitative or like restrictions or prohibitions and administrative obstacles to trade among the Member States shall also be removed. Furthermore, a common external tariff in respect of all goods imported into the Member States from third countries shall be established and maintained' (ECOWAS, 1993: Article 35).

[58] Ojo, 1999: 119. Abass Bundu, who had stepped down from the position of ECOWAS Secretary General at this point remarked in 1997 that 'Trade liberalization has been [...] negligible under ECOWAS' (Bundu, 1997: 35).

[59] ECOWAS Archive, 2000

[60] AIRD, 2005

'The Accra Short-term plan of action' which, among other things, set the new deadline for the establishment of the ECOWAS customs union to the end of 2007[61]. The customs union deadline was picked to coincide with the EU deadline to negotiate Economic Partnership Agreements (EPAs) with the 77 members of the African, Caribbean and Pacific (ACP) group. At the time, the existing EU-ACP agreement was not WTO compatible which had forced the EU to negotiate a WTO waiver – a waiver bound to expire at the end of 2007. The EU therefore sought to have new trade agreements with ACP's sub groups such as ECOWAS in place before the waiver expired and encouraged the ECOWAS member government to conclude the ECOWAS customs union negotiations in preparation for the EPA rounds[62].

Together with the implementation of the ETLS, implementation of the ECOWAS CET programme is a constitutive component of the achievement of the ECOWAS customs union under the Roadmap. The Roadmap called the member state governments to adopt a four-band CET covering more than 5,500 tariff lines at rates of 0%, 5%, 10% and 20%. As agreed in 2000, this was the CET imposed among those Francophone members which were also members of the UEMOA customs union[63]. Commenting on the seeming resolve of the ECOWAS governments to agree on the external tariff David Plunkett, who coordinated USAID's support for the CET negotiations, was hopeful that the Roadmap finally would make the customs union come true: '[i]t's been 14 years and counting since the original deadline of 1990 for completing the ECOWAS Common External Tariff (CET) a key part of

[61] ECOWAS Archive, 2004; *This Day* (Lagos), 23 March 2004. The 2007 deadline had been floated earlier in talks with EU negotiators (*Agence Europe* (Brussels), 13 October 2003).
[62] *This Day* (Lagos), 5 May 2004
[63] AIRD, 2005

the planned customs union uniting the 15 member states. But now there is new hope for success'[64].

As it turned out, however, that hope was premature. While 12 out of 15 ECOWAS had commenced implementation of the four-band CET by the deadline on the 1st of July 2005, the largest economy in the region, Nigeria with its 150% maximum tariff rate, had not[65] and with that 'all hopes of launching a functioning customs union by 2008 [had] to be abandoned'[66]. Hopes for the implementation of the CET were once again raised in October that same year 2005 when the Nigerian governments announced that it had accepted the ECOWAS CET as the basis for a major overhaul of its tariff regimes even though it retained a top tariff band of 50% absent in the ECOWAS CET agreement[67]. However, hopes that this would lead to a rapid resolution on the CET were quelled on the 14th of December 2007 – on the eve of launching the customs union – when the ECOWAS governments announced that they failed to reach an agreement on a final harmonisation of the CET[68].

For reasons of scope, I will focus my analysis in later sections on the developments surrounding the CET and only make minor references to the failed ETLS. This is justified given its status as constitutive component of the customs union but it should be noted that also implementation of the ETLS which was meant to ensure the removal of unilaterally

[64] *This Day* (Lagos), 5 May 2004
[65] The other two non-implementing countries were Cape Verde and Liberia.
[66] *The Economist Intelligence Unit: Business Africa*, 1 September 2005
[67] See Zouhon-Bi and Nielsen (2007) for details of the Nigerian trade regime overhaul in October 2005.
[68] *This Day* (Lagos), 14 December 2007

imposed quotas and tariffs on intra-regional goods was slow across the entire region[69]. A comprehensive USAID review of the state of implementation of the ETLS in the nine largest West African economies found, among other things, that '[d]uty free treatment for unprocessed goods is not being implemented contrary to the ETLS'[70]. That is, even if Nigeria had implemented the CET, the customs union would have been a mirage.

On the 29th of June 2007, the Ghanaian Trade Minister Alan Kyerematen conceded that '[i]f you look at our own timetable for achieving full integration in ECOWAS, we're not there yet. [...] We don't have a customs union [...] the free movement of goods and services isn't fully operational'[71]. Indeed, five years later, despite countless declarations to the contrary there is little sign of progress towards establishing the customs union. On the 8th of October 2012, the *Ghanaian Chronicle* reported that Kyerematen's successor on the post as Ghanaian Trade Minister, Hannah Tetteh, had pointed to 'the urgent need to complete negotiations on achieving a customs union, single currency and secure full implementation of the ECOWAS protocols, particularly the ECOWAS Trade Liberalization Scheme in order to maximize the benefits of regional trade'[72].

Twenty one years earlier, UN Under-Secretary General Ibrahim Gambari had observed that '[a]t the core of the problems faced by ECOWAS is the cooling of political enthusiasm or the

[69] *All Africa* (Accra), 21 December 2005
[70] USAID, 2011b: 5
[71] Kyerematen quoted by *Reuters*, 29 June 2007
[72] Tetteh quoted in the *Ghanaian Chronicle*, 8 October 2012

absence of political will by members of the community. This is reflected first in their generally low commitment to implement the decisions and agreements collectively made at the highest political level of ECOWAS'[73]. In other words, the primary reason for the lack of implementation of the customs union provisions is a lack of political commitment – an assessment shared by a large number of observers over the last 37 years[74]. This realisation is a crucial first step in explaining the prevalence of integration theatre in ECOWAS; but to draw lessons applicable to other regions and to design mitigating policies we need to move beyond the mere observation of the lack of commitment: we need to understand *why* commitment to implement the customs union is lacking among the governments of West Africa. And this, I argue in the next section, can be explained in reference to an absence of strong linkages between formal economic integration on the one hand and core regime interests such as security, revenue and international standing on the other.

Table 6.1: To be explained

The ECOWAS customs union as theatre
1. Member governments' resistance to implementing the Trade Liberalisation Scheme (TLS) in the 1980s
2. The failure to implement the CET under the Roadmap in the 2000s

[73] Gambari, 1991: 44

[74] In 1991, Asante wrote that '[p]robably the most important requirement for progress in economic integration in West Africa, as in other parts of the continent, is the political will to make it succeed. The slow progress of ECOWAS can be attributed, to a great extent, to the absence of such a will' (Asante, 1991: 126). See also Munu (1989: 7), Bundu (1997: 37), Lavergne (1997a: 4), ECOWAS (1992: iv), Buor (1998), Adedeji (1999), Ojo (1999: 119) and Kufuor (2007)

2. THE BENEFITS EXISTENCE CONDITION

The central problem for the ECOWAS customs union has been an almost complete lack of effective connections between formal economic integration and government policy space. Unlike the governments of the EAC member states in the 1990s and 2000s, during much of ECOWAS's existence the governments of the member states did not perceive a successfully implemented customs union to contribute to revenues or international standing. And, in contrast to the situation in SACU discussed in the next chapter, there have not been any linkages between the customs union and government security. Rather, the ECOWAS member governments are expected to implement the customs union for the sake of implementing the customs union. As the last 37 years show, this has proved spectacularly unsuccessful.

For the Francophone governments in the 1980s, France provided an implicit security and aid guarantee. Implementing the ECOWAS customs union did not only *not* add to the financial and political security of the Francophone regimes; it risked reducing their sense of security by alienating France and subjecting them to Nigerian dominance. Similarly, in Anglophone West Africa, implementing TLS was perceived to reduce revenue accruing to the trade-tax dependent governments without necessarily offering anything in return. The connection between customs union implementation and revenue loss remained intact among most ECOWAS governments throughout the 1990s but began to change in the early 2000s as a number of impact assessments pointed to positive medium-term revenue effects. This change explains the intensified integration efforts after 2005 – efforts that have been stifled by distributional concerns as discussed in the next section. The theatre surrounding the formal economic integration in ECOWAS, in other words, has very little to do directly with an assessment of the impact of the customs union on trade; rather, just as in the EAC case studies, government policy on integration is explained by factors outside the trade regime.

Table 6.2: Policy space linkages in ECOWAS

	Integration-security	**Integration-revenue**	**Integration-international standing**
Institutional	The success of regional security provision not contingent on custom union	Not credible	Linking the implementation of the CET with EPA negotiations backfired
Ideational	Francophone governments feared severance of crucial links with France	For most of ECOWAS's existence implementation of the customs union was linked to a fear of revenue loss **2000s: a growing perception of positive revenue effects**	Nigeria's interest in ECOWAS as a counterweight to France not contingent on customs union

Bold highlights linkages which convinced participating regimes that integration furthered policy space.

2.1 Institutional linkages

Unlike the experience of the EAC, where a combination of Ugandan president Museveni's interest in heading an East African Federation and an institutional gradualism which required the success of the customs union before deeper integration could be attempted provided an institutional issue-linkage between economic integration and the pursuit of international prestige of a key player; or the situation in SACU where the customs union contained a contractual obligation on South Africa to support the other members financially, the institutional setup of the ECOWAS customs union does not make government security, revenue or international standing contingent on its successful implementation.

This should not be taken to mean ECOWAS has not played an important security role in the region. On the contrary, during the Liberian civil war in the early 1990s ECOWAS members formed the first-ever regional, African peace-keeping force: the ECOWAS Monitoring Group (ECOMOG)[75]. Though ECOMOG attracted wide criticism for increasingly acting like a warring party itself[76], ECOMOG 'continued to command wide respect […] as a unique African initiative'[77]. Moreover, the better record achieved in neighbouring Sierra Leone as ECOMOG deployed when the conflict spread in 1991 injected further confidence in the effectiveness and political importance of the ECOMOG[78]. Yet as demonstrated by the deployment of ECOMOG at a time when progress towards the custom union had come to a

[75] Kwuchukwo, 1991: 102, ECOWAS, 1990
[76] Legum, 2004: B111
[77] Legum, 2000: A56
[78] Legum, 2000: B174

halt, ECOWAS's ability to boost members' security did not rely on the implementation of the TLS in the 1980s nor the ETLS and the CET programme in the 1990s and 2000s.

Similarly, there were no provisions in the TLS or the Roadmap which credibly could be perceived to create a contractual link between customs union implementation and government revenue. As I will discuss in the context of the Benefits Distribution Condition, the West African governments had agreed to establish an ECOWAS Fund financed primarily by the four largest members – Nigeria, Côte d'Ivoire, Ghana and Senegal – from which to compensate governments that incurred losses as a result of the TLS[79]. After an initial five-year transitional period in which the less developed members would be marginally 'overcompensated' for any losses, this was strictly a matter of compensation – not of revenue generation. Decision A/DEC. 19/5/80 states that '[t]he budget for compensation is equal to the aggregate of loss in revenue incurred by all Member States due to the implementation of the provisions of the Treaty relating to Trade Liberalisation'[80]. As we will see in the next chapter, this is in stark contrast to the SACU Common Revenue Pool which awarded losers from the customs arrangement a permanently *dis*proportionate share and hence enabled revenue generation. Moreover, as Kufuor points out, the ECOWAS Fund could not even perform the more modest compensation function; chronic failures by member states to contribute to the Fund reduced its credibility. The total 'compensation budget' for 1989 was set to a mere $1.4 million[81]. By 1990 only seven members had agreed to contribute to the

[79] ECOWAS Archive, 1980b; ECOWAS, 1975: Articles 50-52
[80] ECOWAS Archive, 1980b
[81] *BBC Monitoring Service: Africa*, 20 December 1988

Fund and only three countries (Burkina Faso, Nigeria and Mali) had actually paid anything in and not a single payment had been made under the compensation scheme[82]. Similarly, under the ETLS leg of the 'Roadmap to the ECOWAS customs union', members incurring revenue losses as a result of implementing intra-regional trade liberalisation have the right to claim compensation funded by a 0.5% levy on imports from third parties[83]. At best, this renders customs union implementation revenue neutral; it does not establish a contractual link between integration and revenue generation.

There has, however, been one institutional linkage between core government interests and successful implementation of the ECOWAS customs union. The EU made the conclusion of its Economic Partnership Agreement with ECOWAS contingent on the finalisation of the CET[84]. To the extent that ECOWAS governments perceived their international standing or revenue generation to be enhanced by a regional EPA, the RPS framework would predict this EPA-customs union link to increase the likelihood of formal economic integration. However, with the exception of the governments of Ghana and Côte d'Ivoire which signed so-called interim EPAs as individual states rather than as members of ECOWAS[85], most West African governments are sceptical towards the EPA. The fear is that while it provides access to the European market, an EPA also gives European companies duty-free access to the West African market thereby not only pushing regional firms out of business but also severely reducing government revenue. At a meeting of West African customs officials in Accra in

[82] Kufuor, 2007: 28
[83] *This Day* (Lagos), 17 September 2007
[84] ECOWAS Archive, 2011b; *Vanguard* (Lagos), 13 October 2008
[85] EU, 2012

September 2007, Buba Gyang, Controller-General of the Nigerian Customs Services, claimed that most African countries are reluctant to drop duties on imports, because 'the duties provide a large part of their annual revenue. [...] African countries are asking the European Union, which brought in the idea of the Economic Partnership Agreement (EPA), to spell out alternatives. [...] Alternatives or development packages to supplement the revenue loss at the borders and ports had not been clearly spelt out by the EU'[86]. This was reiterated by the President of the ECOWAS Commission, Dr. Mohammed Ibn Chambas, who identified finding sources of funding 'the adjustment costs and fiscal dislocations arising from the implementation of EPAs, realizing that the majority of our member states, import duties constitute an important source of government revenue and increased liberalization of trade will imply loss of revenue' as key challenge for the conclusion of the EPA[87].

That the EPA risks having a detrimental effect on government revenue in the West African states has been noted by a number of authoritative external observers[88]. In a World Bank Paper from 2007, it is acknowledged that '[g]iven the ECOWAS countries' fragile economies, precarious fiscal positions, and enormous development needs, other sources of revenue may need to be mobilized to offset such [EPA-related] revenue losses'[89]. Given the negative revenue effects of the EPA for many ECOWAS governments[90] the institutional link between the implementation of the customs union and the EPA may well have backfired;

[86] *This Day* (Lagos), 17 September 2007
[87] *Vanguard* (Lagos), 1 June 2009
[88] *Economist Intelligence Unit – Business Africa*, 1 May 2008
[89] Zouhon-Bi and Nielsen, 2007: 2
[90] Ghana and Côte d'Ivoire are two exceptions and it is telling that these governments therefore have signed interim EPAs ahead of the region as noted above. It is also informative that the Ghanaian government is one of the most eager implementers of the ECOWAS customs union (*Public Agenda* (Accra), 28 November 2011).

while it was intended to promote ECOWAS integration, it may instead have retarded it. As noted in a leader in the Abuja-based newspaper *Leadership*: '[i]ndeed, an economic bloc without trade barriers or border posts might have been quite desirable. But since the advent of Economic Partnership Agreement, (EPA), things have no longer been at ease as far as trade policy is concerned in the [West African] sub-region'[91].

2.2 Ideational linkages

As we saw in the case of the EAC in the 1990s and 2000s, ideational cross-issue linkages can play a decisive role in securing government commitment to implementing customs union policies. In theory therefore, the lack of effective institutional linkages in the ECOWAS case could have been compensated for by strong ideational connections perceived by West African governments to link the implementation of the TLS in the 1980s and the CET in the 1990s and 2000s with core government interests. Until the early 2000s, there is however no evidence of such linkages; rather, the strongest cross-issue linkage was between implementation of the customs union and a *loss* of government revenue. This shifted in the early 2000s – a shift that explains the intensified efforts to conclude a CET agreement in recent years.

At independence, most ECOWAS states adopted import-substitution models of development. This necessitated restrictive control of trade for the sake of protecting local industry which, in turn, promoted a tendency among West African governments to rely on trade taxes as a

[91] *Leadership* (Abuja), 26 January 2009

major source of revenue[92]. Around the time of the 1975 Treaty, on average 47% of government revenue in member states came from trade taxes. 'This made national policy-makers wary of any programme that would threaten their interests and so lessened enthusiasm for and compliance with the TLS.'[93] This assessment receives support from Badiane who, citing Dollar's finding that at least ten out of sixteen ECOWAS members pursued inward-looking development strategies between 1976 and 1985[94], claims that trade liberalisation was a very unlikely strategy to succeed since 'national governments relying on protectionist strategies to promote domestic manufacturing are unlikely to encourage unrestricted trade with neighbouring countries'[95].

General economic decline in the region in the 1980s increased protectionist tendencies among the ECOWAS member governments. According to former ECOWAS Secretary-General Bundu the member governments went into economic survival mode and this 'excluded regional integration or gave it only token recognition'[96]. Integration was viewed in opposition to economic survival. This was particularly pronounced after the collapse of Nigeria's oil revenues as prices fell in the early 1980s. 'By 1983, Nigerian leaders were growing impatient with the tenuous progress of regional integration under ECOWAS. The results were negligible or even negative, as far as Nigeria was concerned. [...] Ever since the adoption of the ECOWAS charter, such countries as Benin and Togo [...] had been anxious to maintain good relations with Nigeria but remained equally reluctant to implement ECOWAS

[92] Olukoshi and Obi, 1994: 18-19
[93] Kufuor, 2007: 27
[94] Dollar, 1992
[95] Badiane, 1997: 153
[96] Bundu, 1997: 40

protocols to reduce tariff and currency disparities in the Community. As a result, many Nigerian decision-makers considered the cost of trans-state flows of goods, currency, and migrants unacceptably high in light of the country's own recession and the absence of any tangible compensation'[97]. In April 1984, Muhammed Buhari who had assumed the office of president of Nigeria through a coup four months earlier closed Nigeria's borders to its neighbours – a situation that remained until February 1986. By that time hundreds of thousands of ECOWAS citizens had been expelled in direct violation of ECOWAS's protocol on the free movement of ECOWAS citizens[98].

Resistance against liberalising regional trade was further exacerbated by the differences in industrial policies pursued by, on the one hand, the two largest Anglophone economies, Nigeria and Ghana, and, on the other, the two largest Francophone economies, Côte d'Ivoire and Senegal. While the Anglophone states had pushed through large-scale indigenisation programme of domestic-based industries, the Francophone governments had allowed foreign – predominantly French – ownership to continue. In Côte d'Ivoire, French firms controlled 99% of the leather and footwear industry, 88% of the mechanical industries, 75% of the chemical sector and 71% of the petroleum-refinery industry. In Senegal, French control of the leather and footwear, the beverage, and the tobacco industries was absolute and control in the agro-allied, chemical and mechanical, and the paper products industry was 92%, 89% and 88%, respectively[99]. Given the greater competitiveness of the French firms, the Ghanaian and

[97] Bach, 1997: 95
[98] Bach, 1997: 95-97
[99] Kufuor, 2007: 27. See also Ojo (1999).

Nigerian governments perceived regional trade liberalisation not only to be an immediate threat to their revenue collection at the borders, but also as a threat to their long-term tax base by undermining local industry. This explains the extremely exclusive rules-of-origin protocol underpinning the TLS which, as discussed above, restricted community treatment to a mere 17 companies in the entire region[100]. In other words, even if the TLS had been implemented it would have had negligible effects on formal regional trade. The protectionist policies combined with a large devaluation of the Nigerian naira did, however, have huge consequences for informal trade flows in the region which prospered in the borderlands of Anglophone and Francophone states[101].

Surveying ECOWAS governments' resistance to implementing ECOWAS protocols in the 1980s and the first half of the 1990s, Olaniyan remarks that '[s]ome measures, especially those on trade liberalization, free movement of persons, common external tariffs, [but also] nonaggression and mutual defence assistance pacts, have not been effectively implemented by the member states because of perceived disadvantages to national interests'[102]. The linkage between implementing the customs union and incurring revenue losses was a central component of such perceived disadvantages. However, as noted in the EAC case where Ugandan president Museveni was willing to comply with an agreement with potentially negative consequences to the Ugandan treasury in exchange for a chance to become president

[100] A report by the *BBC Monitoring Service – Africa* on the 20 December 1988 claims only 15 companies qualified.
[101] Bach, 1997: 95-97. See also Olukoshi and Obi (1994: 15-18) and Meagher (1997).
[102] Olaniyan, 1996: 122

of an East African Federation, one core government interests can be traded off against another[103].

In ECOWAS, however, no other core government interest hinged on the implementation on the customs union either. As pointed out earlier, ECOWAS's role as a provider of regional security was institutionally separate from its ability to create a West African customs union. There was also no reason for the ECOWAS member governments to establish ideational connections between implementing the customs union and improving government security. Rather, among the Francophone governments, there was cause for concern that creating close economic and political bonds with Anglophone West Africa would not only alienate France, their most important provider of both aid and security, but also risk placing them under Nigerian domination. As former ECOWAS Secretary-General Bundu put it: '[a]lways lurking in the political shadows is the unexpressed fear of domination by Nigeria: the "big country" issue'[104]. In fact, this was a fear that was actively provoked and sustained by France in order to ensure the loyalty of the Francophone governments[105]. France maintained an active policy of tying the Francophone countries to France by supporting the ruling regimes

[103] Adibe makes a similar point arguing that the 'overwhelming dependence of ECOWAS states on trade taxes for government revenue' presents a 'persuasive argument' for the unwillingness to implement the customs union but 'it also suggests is that these states may be willing to make a trade-off should they be presented with a choice which appropriately addresses their concern; i.e. the loss of national revenue' (1994: 205-6).
[104] Bundu, 1997: 39. See also ECOWAS (1992: 14), Obiozor et al. (1994) and *Inter Press Service* (8 August 1994)
[105] Bundu, 1997: 39

with financial assistance and military guarantees – both of which were crucial to remaining in power for a large number of governments in the decades after independence[106].

For Nigeria, which initially had conceived of ECOWAS as a means to launch itself as the regional successor to French hegemony[107], the experience of ECOMOG intervention in Liberia and Sierra Leone showed that it could improve on its international standing and security needs without having to pay the price of lower revenues as caused by implementing the customs union. As noted in 1994: 'Nigeria's involvement in West African affairs has predominantly been informed by security and humanitarian considerations. [...] Nigeria has yet to fully pursue economic integration with its neighbours, even though it has been the financial pillar of ECOWAS'[108]. This perception gained further support after shifts in France's policy towards West Africa in the 1990s; while keeping a large influence on economic affairs of the Francophone states through its support of the UEMOA, France became increasingly reluctant to intervene militarily and instead encouraged regional initiatives under the aegis of ECOWAS[109]. The absence of effective strong linkages between successful implementation and core government interests, I argue, meant that the policy-space widening effects of the customs union were put into question. This explains the lack of commitment on part of the member governments which, in turn, explains the failure to make progress on the trade liberalisation programmes.

[106] For a comprehensive survey of France's policies towards Francophone Africa and accounts of military and financial interventions, see Kroslak (2004)
[107] Robson, 1983: 86-87; Ate, 1983; Okolo and Wright, 1994: 126; Obiozor *et al*., 1994: 1
[108] Olukoshi and Obi, 1994: 20
[109] Kroslak, 2004

While the absence of integration-security and integration-international standing linkages in the 1980s and 1990s remained throughout the 2000s, just as in East Africa, the fall of Communism, the moves towards closer European integration and the establishment of the WTO gradually shifted perceptions about the connections between formal economic integration and revenue in the late 1990s[110]. Already in 1991, Mbemba Jatta, Gambian trade minister and chairman of the ECOWAS council of ministers, argued that ECOWAS members should reassess their approach to integration in the light of moves towards the creation of economic blocs in Europe and elsewhere declaring that '[w]e in West Africa have to outgrow micro-nationalism'[111]. It was, however, only in the first half of the 2000s that the integration-revenue loss linkage began to disintegrate[112]. In the remainder of this section, I focus on the developments surrounding the implementation of the CET.

Linking implementation of the customs union with revenue generation

At the beginning of the 2000s, the governments of Benin, Cote d'Ivoire, Burkina Faso, Mali, Niger, Togo and Senegal had already established a customs union, the UEMOA, and enjoyed a common currency, the CFA franc, with the support of France[113]. The decision to adopt the

[110] Kufuor, 2007: 42
[111] *Reuters News*, 1 July 1991
[112] Bundu (1997) argues that at the point of his analysis of the obstacles to formal economic integration in West Africa in the late 1990s, the ECOWAS member governments were still in a crisis mode after the economic decline in the 1980s. Integration was deemed an expense they could not afford. Ojo (1999) makes a similar observation stressing that the perceived costs of the Structural Adjustment Programmes (SAPs) in the 1980s and early 1990s to the West African governments made them unwilling to forego further revenue by liberalising trade regionally.
[113] See report by *Inter Press Services* (8 August 1994) for an account of the politics behind UEMOA's formation.

UEMOA CET as the basis for the ECOWAS trade regime, therefore, put the responsibility of adjustment on the non-UEMOA ECOWAS members: The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone. On the 4th of August 2004, reports on the impact on national revenue from implementing UEMOA's four-band CET regime were presented by five of these six countries at a workshop in Accra. Against a 2002 benchmark, Gambian tariff revenue was expected to increase by 0.02%; Guinean by 0.6%; and Ghanaian by 20%. In contrast, Sierra Leonean revenue was expected to shrink by 0.6% and Nigerian by 2.9%. As a direct consequence of these findings, the governments for whom the CET adoption meant increased revenue committed to its implementation[114]. Making the importance of the integration-revenue linkage explicit, the Gambian government stated that it was 'ready for implementation as long as donors absorb losses arising from the adoption of the CET [in case the estimated 0.02% gain turned out to be misguided] and the retention of the present rates on re-export goods as exceptions until other sectors are capable of absorbing the resultant losses'[115]. Similarly, the Ghanaian government reported that given the 20% revenue increase it 'proposes to adopt the [UEMOA] CET [...] it also proposes a common take-off date for member states in the adoption of the CET'[116]. The Guinean government decided to adopt the CET on the 1st of January 2005[117]. After it had become clear that the Sierra Leonean government would receive donor support to finance the implementation of the CET under USAID's ECOTRADE programme it too adopted the CET[118]. As a result, by the CET

[114] A few days before the official presentation of the national impact reports, Mame Cor Sene, Deputy Executive Secretary of ECOWAS, had highlighted the importance of the positive revenue effects for the chances of getting the governments to adopt the CET (*Liquid Africa* (Chiselhurston, SA), 24 July 2004).
[115] TWN Africa, 2005
[116] TWN Africa, 2005
[117] TWN Africa, 2005. See also Zouhon-Bi and Nielsen (2007).
[118] *Liquid Africa* (Chiselhurston, SA), 24 February 2005

implementation deadline of the 1st of July 2005 the only government that still had not adopted the ECOWAS CET was the only government that stood to lose in terms of revenue: the Nigerian[119].

Against this background the Nigerian Finance Minister Ngozi Okonjo-Iweala's announcement of the overhaul of the Nigerian trade regime on the basis of the ECOWAS CET on the 6th of October 2005 would at first seem to run counter to the predictions of the RPS framework. However, this overlooks two critical features of the trade reform. First, while the new tariff regime was *based* on the ECOWAS CET, it was not identical to it in that it retained a tariff band of 50% on top of the four bands at 0%, 5%, 10% and 20% bands agreed with the other ECOWAS governments. Even with the new Nigerian tariff regime, therefore, there was no uniform CET in ECOWAS and therefore no customs union. The retention of the 50% band was motivated precisely by the need to protect government revenue in the short term; both in a direct customs duty sense and the sense of shielding the industrial tax base from outside competition[120]. Second, the overhaul was part of a larger reform agenda – the National Economic Empowerment and Development Strategy' (NEEDS) – which sought to increase the competitiveness of the Nigerian economy to meet 'the needs of the global capitalist economic development and increase in government revenue base'[121]. Although it necessarily was influenced by political events in the region, NEEDS did

[119] *Economist Intelligence Unit – Business Africa*, 1st September 2005. It should be noted that the failure to implement the CET in Nigeria was set against the backdrop of a promising that it would (see, for instance, *This Day* (Lagos), 6 April 2005). The situation in Liberia and Cape Verde with regards to CET implementation is unclear.
[120] *Nigeria First* (Lagos), 7 October 2005
[121] Garbua, 2010: 15

not spring out of the regional agenda of ECOWAS. As previously remarked, Nigeria's protectionist policies had created a veritable paradise for smugglers who imported third-party goods into neighbouring ECOWAS members – primarily Benin, Togo and Ghana – at much lower import rates and then smuggled the goods into Nigeria for a profit. The Nigerian government lost significant revenues as a consequence. By approaching the trade regime of its neighbours, the Nigerian government was hoping to make smuggling less profitable, redirect trade routes to its own ports and thereby increasing revenue in the medium to long term[122]. In other words, just as for all the other ECOWAS governments, Nigeria's regional policies were dictated by the absence or presence of cross-issue linkages connecting the implementation of the ECOWAS customs union with core government interests such as revenue, security and international standing. As the RPS framework predicts: ultimately, whether or not the customs union created an environment conducive to trade was secondary.

However, what the story so far cannot explain is why, on the basis of the ECOWAS and NEEDS tariff regimes, the fifteen governments were unable to reach an agreement on the CET in the autumn of 2007. To explain this we need to turn to the second condition for formal economic integration: the Benefits Distribution Condition.

[122] *Daily Champion* (Lagos), 26 September 2003, 8 June 2004 and 1 April 2005; *Vanguard* (Lagos), 13 October 2008; Garuba, 2010: 15-16;

3. THE BENEFITS DISTRIBUTION CONDITION

It follows intuitively from the RPS framework that an absence of effective cross-issue linkages makes the question of distribution irrelevant; when there are no perceived benefits there is nothing to distribute. Given that absence during most of ECOWAS's history we should expect the discussion of the Benefits Distribution Condition in this chapter to be relatively short. This is indeed the case and it marks yet another stark contrast to the EAC in the 1990s and 2000s or, as we shall see, in SACU where distributional concerns assumed centre stage from the start. In West Africa, it was only once perceptions regarding the connections between the customs union and revenue had shifted in the 2000s that distributional concerns began to matter in earnest.

Officially, however, a number of distributional provisions had been put in place already in the 1975 Treaty. Articles 25, 26 50, 51 and 52 of the Treaty, the annexed Protocol on Compensation for Revenue Loss and a number Decisions adopted by the ECOWAS Authority in May 1980 provided the institutional backbone of the distributional system[123]. The Treaty called for the establishment of a Fund for Co-operation, Compensation and Development (the 'ECOWAS Fund') which, in addition to funding development projects in member states, was to 'provide compensation and other forms of assistance to Member States which have suffered losses as a result arising out of the application of provisions of this

[123] ECOWAS, 1975; ECOWAS Archive 1980a and 1980b

Treaty on the liberalisation of Trade within the Community'[124]. Decisions A/DEC 17-19/5/80 divided up ECOWAS members into three groups on the basis of their level of development. Group 1 consisted of the least developed members: Cape Verde, The Gambia, Guinea-Bissau, Burkina Faso, Mali, Mauritania and Niger. This group had eight years to eliminate intraregional tariffs on 'Priority Industrial Products' and ten years to eliminate tariffs on all other industrial goods. Group 2 consisted of the intermediately developed countries: Benin, Guinea, Liberia, Sierra Leone and Togo. This group had six years to eliminate tariffs on Community trade with Priority goods and eight years for the non-Priority category. Finally, Group 3 consisted of the most developed members: Côte d'Ivoire, Ghana, Nigeria and Senegal. This Group had four years to eliminate intra-regional tariffs on Priority goods and six years on non-Priority goods.

Grouping the member states in this way, it was hoped that the less developed countries would have time to adjust their economies before opening up to competition from the more developed ones. It was also hoped that a phased introduction of the TLS would mitigate industrial polarisation effects that the customs union could bring about. The ECOWAS Fund was envisaged to provide additional support in this context. Moreover, the Decisions reached in May 1980 charged the most developed members with the responsibility of financing the Fund by mandating that whereas states in Groups 1 and 2 would be fully compensated for

[124] ECOWAS, 1975: Article 52(c)

any loss incurred through the TLS, states in Group 3 would only be compensated to 80% over the first five years. The balance would be distributed to Groups 1 and 2[125].

As we know, despite this elaborate structure of phased deadlines aspiring to distribute the benefits the TLS more equally, the TLS was never fully implemented. This was because of a perceived absence of benefits and not because of dissatisfaction among ECOWAS governments about the distribution thereof. A clear illustration of this is provided by the fact that when, in 1990, the ECOWAS Fund for the first time made compensation payment available to member states there were no takers[126]. Indeed, by 1991, just as the RPS framework predicts 'the problems of polarization, particularly the issue of equity in the distribution of benefits, [had] not become evident in ECOWAS'[127].

It was only with the shift in perceptions among ECOWAS member governments regarding the linkages between implementation of the customs union and revenue generation in the 2000s – a shift that suggested that customs union implementation could be conducive to the governments' policy space – that the question of distribution came to the fore. In particular, it came to play a decisive role in the negotiations surrounding efforts to harmonise Nigeria's NEEDS-based tariff regime implemented on the 6th of October 2005 and the ECOWAS CET adopted by remaining ECOWAS states on the 1st of July that same year. On the 23rd of July

[125] See Robson (1983: 99-112) and Nwakile (1986: 139) for fuller discussions on the compensation mechanisms of the early ECOWAS years. For a more critical view of the ECOWAS Fund and the problems with compensation, see Asante (1991).
[126] Ojo, 1999: 121-122
[127] Asante, 1991: 119

2006 the Joint ECOWAS/UEMOA Management Committee of the ECOWAS Common External Tariff held its inaugural meeting in Abuja. The Management Committee was charged with agreeing on a set of taxes and other mechanisms levied on third-party imports to safeguard member revenue generation and design a legal framework for the final implementation of the CET across the region over the next 18 months[128]. The two biggest challenges for the Committee, however, were finalising the lists of permanent tariff exceptions – so-called Type B Exceptions – to be granted to individual member states and, while not explicitly stated, to reach an agreement with Nigeria on the adoption of the four-band ECOWAS CET. Even though the Nigerian president had signed the approval of the CET at a Summit together with the other ECOWAS heads of state and government in Niamey, Niger, in January that same year, the Nigerian governments maintained, as noted earlier, a five-band regime on the basis of revenue protection.

Though the ECOWAS Fund which had been retained under the revised ECOWAS Treaty of 1993 was responsible for distributing the benefits of the customs union equitably in an operational sense[129], agreeing on the details of the underlying tariff structure was – just as we saw leading up to the EAC Customs Union Protocol in 2005 – a critical aspect of satisfying participating governments' sense of fair distribution. At stake was not only the potentially inequitable protection of member states' respective economies but also perceived benefits from attracting trade from outside of the region.

[128] ECOWAS Archive, 2006
[129] ECOWAS, 1993: Articles 21 and 48

Against the Nigerian position that a top tariff band of only 20% would expose its manufacturing industry to competition from the West which it could not sustain stood the argument articulated most forcefully by the Francophone members and Ghana that the general tendency within the WTO was towards a lowering of tariffs and that a top band of more than 20% would increase the cost of industrial inputs and make the whole of West Africa relatively uncompetitive[130]. This would affect Nigeria less than most other members of ECOWAS since Nigeria had a larger domestic industry capable of substituting for imports[131]. The inability to reach a consensus on this matter was the direct cause of the inability to implement the ECOWAS CET by deadline set out in the Roadmap. On the 14th of December 2007, the Nigerian Finance Minister Shamsuddeen Usman admitted that the Committee's negotiations had entered into a deadlock at meetings between the 25th and 29th of June and that '[i]n view of [this] development, the January 1, 2008 effective date for full adoption of ECOWAS CET is no longer feasible. The Type B Exception List and [the] 50 per cent [tariff band] are yet to be negotiated and agreed upon'[132]. And once a compromise on a new tariff band of 35% on top of the four ECOWAS bands had been reached after Ministerial Monitoring Committee meeting on the 21st of February 2008[133] disagreements on the CET nomenclature which determines exactly what goods would be protected under this higher tariff rate to ensure that the ECOWAS member governments were satisfied with the distribution of benefits continued to delay the implementation of the CET and therefore also the customs union[134]. At the 11th meeting of the Joint ECOWAS/UEMOA Management

[130] *Africa Today* (London), 27 July 2010
[131] *This Day* (Lagos), 30 March 2011
[132] *This Day* (Lagos), 14 December 2007
[133] *Vanguard* (Lagos), 20 August 2008
[134] ECOWAS Archive, 2010

Committee of the ECOWAS Common External Tariff held in Cotonou 7th-9th of December 2011 – close to four years after the initial deadline for its work had passed – the Committee was still in the process of reviewing the draft CET nomenclature[135].

4. ALTERNATIVE EXPLANATIONS

In the preceding sections, I examined the RPS framework's ability to explain the theatre surrounding the establishment of the ECOWAS customs union. As the RPS hypothesis predicts, I found that for much of ECOWAS's history, an absence of effective linkages connecting successful implementation with core government interests put the policy-space widening potential of the customs union in question and that this led to a lack of commitment. When, in the 2000s, perceptions started to change, the ability to implement the customs union was impeded by an inability to reach a regional agreement on the distribution of benefits. Despite the evidence presented in this chapter in support of this explanation, it is possible to think of alternatives. In this last section I argue that there either is not enough support for these alternatives or that they, rather than presenting alternatives, are nested in the RPS framework.

The first regards the role of external actors. It could be argued that the reason the ECOWAS governments have failed to establish a customs union over the last 37 years has been either too much or too little external involvement. The 'too much' scenario is most powerfully

[135] ECOWAS Archive, 2011a

illustrated by the role of France – particularly in the early ECOWAS years – and regional tensions caused by the current EPA negotiations. The 'too little' scenario would rely on an assessment that suggests that there has been insufficient support – most likely financial – by major bilateral and multilateral donors. The fact that, as we have seen, external actors have played an important role at various points in the history of the ECOWAS customs union – either as obstacles or supporters – makes this explanation intuitively plausible[136]. However, the behaviour of external actors does not constitute an alternative explanation for theatre integration in West Africa but is nested in the RPS framework; as we have seen the behaviour of external actors has repeatedly influenced the perception of both the policy space made available by the ECOWAS customs union. Fear of alienating France reduced the chances of creating effective linkages between integration and both revenue and security for the Francophone members; receipt of donor funds to compensate for any losses incurred by implementing the CET swung the perceptions of the Sierra Leonean government in favour of the customs union. The RPS framework cannot be considered in isolation from the international environment in which the participating governments operate.

This line of thinking also holds in connection with two further 'alternative' explanations: first that the inability to implement the ECOWAS customs union needs to be explained in reference to the large number of violent conflicts that has crippled the region. Indeed, former ECOWAS Secretary General Bundu remarked that '[w]ithout peace in the continent there is

[136] See Lavergne (1997b).

no chance of moving forward with economic integration'[137]. While this, no doubt, is true judging by the crisis-mode behaviour of West African governments observed in the late 1980s and early 1990s, it does not invalidate the claims of the RPS framework. Rather, it suggests that in war time in ECOWAS it has been difficult to establish credible cross-issue linkages that have made the customs union interesting to struggling regimes. As we will see in the next chapter, in SACU, governments under strain have tended to be *more* – not less – committed to keeping the customs union intact. In order to explain this variance, I argue, we need to look at the underlying cross-issue linkages.

The second 'alternative' explanation argues that the failure to implement the ECOWAS customs union is a result of protectionist pressures on West African governments by powerful domestic lobbies. Once again, this explanation takes its starting point in an observation that is correct: groups representing the interests of manufacturers in the region have been overwhelmingly critical of liberalising trade. This has been particularly noticeable in Nigeria and Ghana[138]. Once again, however, this must not be considered an alternative explanation to the RPS framework but a part of it. If we insist on analysing government behaviour in isolation from external actors, security issues and domestic constituents, we remove the arguably most important points of reference in relation to which government seek to widen their policy space in the first place. Moreover, pointing to domestic protectionist interests cannot hope to offer a full explanation unless we include it in an analysis of

[137] *Reuters News*, 27 June 1991
[138] Kufuor, 2007: 118, 120-121; *This Day* (Lagos), 7 April 2005; *Vanguard* (Lagos), 27 January 2006; *This Day* (Lagos), 17 May 2006

governmental responses to such interests. Without considering the government's perception of a link between implementation and revenue we cannot explain why the Ghanaian government implemented the CET when the Nigerian government did not even though both faced domestic opposition. In this can only be understood in relation to the linkages made by the respective governments between CET implementation and core government interests – in this case, revenue.

A further potential alternative explanation points to technical difficulties as the decisive factor. In 1983, Robson claimed that '[t]he implementation of [...] the trade liberalisation itself confronts serious difficulties because of the lack of a uniform Community system of customs and of internal indirect taxes, and from the lack of a clear distinction in the tax systems of several member states between import duties and internal indirect taxes'[139]. Adibe, however, counters this claim effectively saying that '[t]he technical dimension of such explanation is hardly disputable. Indeed, the streamlining or harmonisation of national import-export taxes is one of the core objectives of the liberalisation plan. But also indisputable is the fact that these supposedly technical obstacles will be ameliorated by a collective political decision to standardise these taxes or eliminate them entirely by pitting in their place adequate compensatory mechanisms. Therefore, the problem that yearns for explanation is not the continuing existence of overlapping tax jurisdictions, but the continuing absence of a political decision to deal with them'[140]. This response receives further support from Bundu who during his time as ECOWAS Secretary General observed

[139] Robson, 1983: 116. See also Asante (1991: 118).
[140] Adibe, 1994: 205-6

‘delays in reacting to requests for information from member states [and] poor attendance at ECOWAS meetings’[141]. Technical issues can be difficult but when member governments fail to attend meetings to find a solution they become insurmountable. The fact that technical solutions have been found since ECOWAS governments started to link implementation with revenue in the 2000s suggests that Adibe is right; it is only once we understand the factors that drive commitment that technical issues become interesting.

The final potential alternative explanation relates to the problem of overlapping memberships in West African RIOs. Between 1975 and 1994, all members of the Francophone CEAO customs union were also members of the ECOWAS customs union; and even though the Francophone ECOWAS members signed the revised ECOWAS Treaty of 1993 and thereby committed to making ECOWAS the only organisation for regional economic integration, a year later, in 1994, they signed a new treaty creating the UEMOA as a successor to the CEAO thereby once again committing to being members of two customs unions at the same time[142]. In order to comply with UEMOA provisions, the Francophone members were expected to erect a CET on goods from the Anglophone ECOWAS states; in order to comply with the ECOWAS provisions they were expected not to erect a CET on goods from the Anglophone states. The two are mutually incompatible, making the issue of overlapping membership an intuitive alternative account of the lack of implementation of the ECOWAS customs union. However, this account fails to explain two features of the integration experience in West Africa. First, it does not explain why overlapping membership had an

[141] Bundu, 1997: 37
[142] Ezenwe, 1986: 130; Olanyian, 1990: 6; Asante, 1991; Bundu, 1997; Kufuor, 2007

effect on the ECOWAS customs union in the 1980s at a time when also the CEAO failed to implement a customs union. The absence of a CEAO CET at the time should have made it possible to erect an ECOWAS CET. Of course, it could have been the case that the mere existence of competing customs-union protocols paralysed both customs union attempts regardless of stage of implementation. Yet this brings us to the second feature of the integration experience in West Africa which an account centred on the overlapping membership issue cannot explain: how could CEAO's successor UEMOA successfully establish a customs union between 1994 and 2000 in the presence of ECOWAS[143]? Moreover, and more interestingly, if the two customs unions are mutually exclusive, why did the Francophone governments prioritise UEMOA over ECOWAS? Only if we can explain this can we also explain how the overlapping membership problem posed a threat to ECOWAS implementation. And this, I argue, requires us to return to linkages with policy space. Overlapping memberships, according to the RPS framework, is a symptom of theatre, not a cause of theatre. Ultimately, as we saw, as soon as West African governments began to perceive the policy-space benefits of the ECOWAS customs union, they found ways of mitigating the problem of overlapping membership by appointing the Joint ECOWAS/UEMOA Committee with a mandate to converge the CETs of the two.

[143] Iheduru, 2011: 217

5. CONCLUSION

In 1994 – almost twenty years after fifteen West African governments had signed the Treaty that founded ECOWAS – Obadan and Egbon noted that ‘it now seems that the member states of ECOWAS are not yet committed to the goal of monetary and other aspects of economic integration, although these are very desirable and the current global advance in the direction of regionalism and the emergence of preferential trading blocks [sic] around the triad of the USA, the European Community and Japan address the importance of economic integration for the survival of national economies. No notable results have been achieved so far. [...] At the level of the Authority of Heads of State, there is every indication of political commitment during ECOWAS summit meetings. But the political input at the national level tapers off soon after’[144]. The case of the ECOWAS customs union bears all the hallmarks of integration as theatre.

In this chapter, I have tested the RPS framework’s ability to explain the lack of commitment to implement the customs union. As the RPS framework predicts I found a lack of strong cross-issue linkages connecting implementation with government policy space. Despite the potentially positive effects on the West African economies, the perception that the customs union was, at best, irrelevant or, more likely, detrimental to the fiscal position and the sense of security of most West African governments resulted in a situation in which agreements signed were left to gather dust on shelves. The absence of perceived benefits also meant that

[144] Obadan and Egbon, 1994: 55

the question of their distribution became irrelevant. Once the perception of the integration-revenue link shifted in the 2000s, ECOWAS member governments were considerably more active in their efforts to erect a CET. With the emergence of effective linkages, however, the governments also became more sensitive to distributional concerns. The inability to reach an agreement on this point so far has resulted that still today – 37 years after the initial agreement – there still is no ECOWAS customs union.

Yet one question remains: if the governments which agreed to the 1975 Treaty and associated Decisions and Protocols calling for an ECOWAS customs union never intended actually to implement it, why did they sign it? In 1992, almost twenty years after the customs union was first agreed to, the ECOWAS Secretariat suggested an answer to this question. It observed that '[m]any countries seem to have entered into regional co-operation without any intention of surrendering some measure of national sovereignty. Rather membership seemed to have been sought as a sign of being a good neighbour, in expectation of reaping benefits without much sacrifice, and as a means of obtaining additional external development assistance'[145]. As discussed in Chapter 2, this is the essence of theatre regionalism.

[145] ECOWAS, 1992: 13

Chapter 7: The Southern African Customs Union: David works with Goliath

Just as the EAC, the Southern African Customs Union (SACU) has a long colonial pedigree. Botswana, Lesotho, Namibia, South Africa and Namibia have – under various names and colonial masters – been joined in different forms of customs unions for over a century. However, on the eve of South Africa's democratisation in the first half of the 1990s, its continued existence was by no means certain. In 1992, after a long period of deteriorating relations between South Africa on the one hand and the BLNS countries[1] on the other, the South African Department of Finance urged the government to disband the customs union[2]. As Davies *et al*. observed at the time: 'SACU is clearly now an organisation in crisis'[3]. Yet SACU was not disbanded. It took eight years to conclude negotiations between the five governments but, eventually, in 2002, a new SACU Agreement was signed. But not only does SACU exist *de jure*; like the current EAC customs union and unlike most other African customs unions, SACU exists *de facto*. Indeed, the new SACU is not only 'widely regarded as the most effectively functioning regional trade agreement in Africa'[4]; it has even been lauded as the 'most effectively operating customs union in the world'[5].

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[1] BLNS stands for 'Botswana, Lesotho, Namibia and Swaziland' and is an established acronym in the literature on the southern African region (Davies, 1994; Lee, 2003; Mayer and Zarenda, 1994; McCarthy 2003 and 2004; Schlettwein, 2010; Soko, 2007).

[2] Davies *et al*., 1993: 59; Mayer and Zarenda, 1994: 5

[3] Davies *et al*., 1993: 59

[4] Gibb, 2006: 583

[5] McCarthy, 2004: 158. See also Lee (2003: 29-30) who, writing before the current EAC customs union had been established, considered SACU to be the *only* 'successful' customs union in Africa.

This chapter sets out to test the ability of the RPS framework to explain why the five governments of Southern Africa decided to keep SACU intact after the fall of apartheid in 1994 and why SACU avoided turning into theatre in the crisis prompted by the Economic Partnership Agreement with the EU 2007-2010. In line with the three previous chapters, this case study is divided into five parts.

The first part provides the historical background to the customs union negotiations in the 1990s and early 2000s as well as a discussion of the dependent variable. The second and third parts analyse the RPS conditions for formal economic integration in the context of SACU. In the context of both conditions, it is important to state that the policies which have made possible the success of SACU are heavily influenced by the starkly asymmetric relationships between the member states[6]. South Africa's share of SACU's population and GDP is 87% and 92%, respectively[7]. As we saw in the cases of ECOWAS and the EAC in the 1960s and 70s, hegemonic presence is by no means a guarantee for successful integration. In the case of SACU, however, institutional and ideational linkages ensured that integration was perceived as conducive with widening regime policy space in the context of regional asymmetries. At critical stages in the negotiation process, therefore, the governments intervened to ensure that the 2002 SACU Agreement could implemented: the BLNS governments' interest in SACU was driven by an institutional "integration – revenue" linkage; the South African government's interest in SACU membership was driven by

[6] Simon argues that '[c]rucial to an understanding of regional dynamics in southern Africa, and, indeed, the nature of current reappraisals and repositionings, is the enormous asymmetry between South Africa, which constitutes the demographic, economic and political core of the region, and the other states, which are themselves remarkably heterogeneous' (Simon, 1998: 4).
[7] World Bank, 2011a

ideational linkages connecting the maintenance of SACU with boosts to its international standing and security. Moreover – and, I argue, crucially – the governments' ability to reach compromises regarding the distribution of benefits among themselves secured SACU's survival at points when its existence was put into question. In the fourth section, I discuss possible alternative explanations; and in the fifth section, I summarise the results.

1. ON PAPER AND IN PRACTICE

1.1 SACU before the end of apartheid

The first Southern African Customs Union Agreement was signed between the Union of South Africa and the British High Commission Territories of the Bechuanaland Protectorate (Botswana), Basutoland (Lesotho) and Swaziland in 1910. This makes SACU the oldest still operating customs union in the world[8]. Similar to the rationale behind regional colonial institutions in East Africa, the Agreement was a motivated by a desire by British imperial authorities in London to shift the administrative burden of the High Commission Territories to colonial authorities in South Africa. In the longer run, it was assumed, the Territories would be incorporated into South Africa; the 23-page SACU Agreement was merely intended to be transitional. The fact that Lord Gladstone was the signatory for all four parties to the Agreement is telling in this regard: he was simultaneously Governor General of South

[8] Gibb, 2006: 583; Blumenfield, 1991: 35; Maasdorp, 1988: 32. For a short overview of the history of SACU under the 1910 Agreement, see McCarthy (2003: 611-613). There were, however, earlier customs agreements between the constitutive components of what was to become the Union of South Africa – the Cape Colony, Natal, Transvaal and the Orange Free State – in different constellations, some of which also included Basutoland, Bechuanaland and Swaziland. The first of these was signed in 1889 (Lee, 2003: 74; Maasdorp, 1988: 32).

Africa and British High Commissioner over the Territories[9]. The terms of the Agreement were dictated by South Africa; the Bechuanaland Protectorate, Basutoland and Swaziland neither had an opportunity to influence tariffs and excise duties nor had the right to exit the Agreement[10].

Yet the incorporation of the Territories into South Africa never materialised. Initially, Britain retained a separate administration over the Territories as a matter of diplomatic leverage but increasingly it was uneasy about ceding territory to South Africa on account of the latter's 'native policies'[11]. Eventually, the adoption of apartheid and South Africa's subsequent exit from the Commonwealth in 1961 put an end to discussions about incorporation[12]. At this point, however, South Africa had already governed former German South West Africa – today's Namibia – since the First World War, making it a de facto member of the 1910 SACU Agreement.

A new SACU Agreement was signed on 11th December 1969 to reflect the achievement of independence of Botswana (1966), Lesotho (1966) and Swaziland (1968)[13]. While the new Agreement, which came into force on the 1st of March 1970[14], called for the establishment of a limited number of regional institutions such as the Customs Union Commission and three Liaison Committees, these institutions were merely consultative. South Africa's 'complete

[9] Gibb, 2006: 589-590
[10] Union Gazette, 1910: 712. See also McCarthy (2003: 611-613).
[11] Gibb, 2006: 586-592
[12] Lee, 2003: 75
[13] Maasdorp, 1988: 32
[14] Kumar, 1991: 92

and absolute domination remained unchallenged'[15]. The implicit deal was that BLS (Botswana, Lesotho and Swaziland) would expose their economies to South African competition in exchange for disproportionate claims to the Common Revenue Pool (CPR) made up of the region's tariff and excise income[16]. Over the next two decades the exact formulation of the revenue-share formula and the resulting distribution among the four SACU members was under near constant discussion. A revision of the formula in favour of the BLS was agreed to in 1977 yet the relationship between the members remained strained[17] – not only on part of the operations of SACU but also as a consequence of the apartheid government's wider policies towards it own black population and neighbouring states[18]. To suggest how the SACU-related tensions could be eased the Customs Union Commission appointed a Study Group in 1980. At the 1982 meeting of the Commission, South Africa rejected the proposals of the Study Group. At the 1984 meeting, the BLS states in turn rejected the findings of a report sponsored by South Africa. The stand-off between Botswana, Lesotho and Swaziland on the one hand and South Africa on the other persisted throughout the 1980s and until the early 1990s, as the two sides 'took turns' commissioning and rejecting reports and proposals[19].

In June 1991, at the Customs Union Commission's meeting in Swaziland, one year after Namibia had gained independence from South Africa and become a member of SACU, South Africa had reached the conclusion that 'the differing trade and industrial objectives of

[15] Gibb, 2006: 592. See also Lee (2003: 76).
[16] McCarthy, 2003: 614; Hentz, 2005: 12
[17] Hentz, 2005: 12. For a brief account of the amendment to the revenue-sharing formula, see Stoneham (1994: 4).
[18] Gibb, 2006: 583
[19] Davies, 1994: 35

members of the SACU [...] has become impossible within the present Custom Union Agreement'[20]; a year later the South African Department of Finance floated the idea of dissolving SACU[21].

1.2 SACU survives the end of apartheid

Yet plans to dissolve SACU were abandoned and instead, on assuming power on the 10th of May 1994, Nelson Mandela's government invited the other SACU member states to renegotiate the 1969 SACU Agreement[22]. A Customs Union Task Team (CUTT) consisting of members from all member states was set up on the 11th of November that same year to explore the issue[23]. Initially, CUTT was expected to report back in March 1995 but it was to take eight years to draft the new agreement. On the 21st October 2002 the five governments signed a new Southern African Customs Union Agreement (2002 SACU Agreement) in Gaborone[24] – an agreement that came into effect on the 15th of July 2004. Ten years after Mandela had assumed office, SACU had survived the end of apartheid.

While a number of questions were left to be resolved in future annexes[25], the Agreement nonetheless clearly lays out both the institutional framework and the objectives of the new

[20] Stoneham, 1994: 6
[21] Mayer and Zarenda, 1994: 5; Davies *et al*., 1993: 59
[22] Hentz (2005: Chapter 3) argues that the ANC's preferred institution for regional involvement in Southern Africa was SADC (the Southern African Development Community) rather than SACU. I have no reason to dispute this claim but the shift in attitudes SACU from the last National Party government to the first ANC government was nonetheless palpable. SADC may have been the preferred organisation but SACU was certainly a part of the 'arsenal' as the ANC sought to rebuild South Africa's post-apartheid regional credibility. I discuss the interest in continued SACU operations in Section 2 of this chapter.
[23] Sidaway and Gibb, 1998: 177; Gibb, 2006: 595
[24] McCarthy, 2003: 620; Gibb, 2006: 595, 583
[25] McCarthy, 2004: 159, 177; Erasmus, 2004: 183, 189

Customs Union[26]. As with all customs unions, the 2002 SACU Agreement called for the establishment of a common external tariff (CET) and the abolishment of any unilaterally imposed tariffs and quotas[27]. Taking trade agreements with the EU, SADC and the WTO into consideration, the current SACU CET consists of a complex set of tariff rates (Table 7.1).

Table 7.1: Summary of SACU tariff schedule

	2006 most-favoured-nation average	2006 EU average	2006 SADC average	All trade partners
Simple average	8.2%	4.8%	0.1%	4.4%
Import weighted averages:				
All goods	7.4%	7.9%	0.0%	7.3%
Final goods	20.2%	16.8%	0.3%	18.8%
Inputs	5.8%	8.5%	0.0%	6.5%
Max rate	108%	108%	60%	108%

Legend: a) The 'all trade partners' column gives the (1) the simple average of the simple averages for trade partners across the most-favoured-nation, EU and SADC categories; (2) the import weighted average of the import weighted averages across trade partners in the three categories; and (3) the maximum tariff rate for trade partners in any of the three categories.
b) 'All goods' comprises both final goods – i.e. goods ready for end use – and inputs – i.e. goods required for the production of final goods.
c) Import weighted averages differ from simple averages in that they attach a larger weight to tariff lines associated with goods more often imported into SACU. This, combined with rounding, explains the 0.0% SADC tariff rate for all goods even though final goods from SADC attracted a 0.3% rate. The large quantity of inputs compared to the quantity of final goods imported from non-SACU SADC countries into SACU results in an import weighted average which, when rounded down, amounts to zero.
Source: Author's adaption of Table 2 in Edwards and Lawrence (2008: 11)

[26] For a comparison of the SACU Agreements of 1910, 1969 and 2002, see Gibb (2006).
[27] See SACU (2002: Article 2) for a full list of objectives.

Even though the institutional development of SACU as outlined in the 2002 Agreement has been slow since the coming into force in 2004[28], SACU has successfully maintained the CET and avoided tariffs and quotas on intra-SACU trade other than those allowed for infant-industry protection, protection of the environment and national security[29]. In the words of the Office of the US Trade Representatives 2009: '[t]here are, currently, no internal tariff barriers among SACU members. [...] Imports from outside SACU are subject to a common external tariff.'[30] This is reflected in the World Bank's assessment of SACU in 2011 which states that even though problems with non-tariff barriers persist, '[SACU's] efforts to reduce tariffs have largely been met with success'[31]. Indeed, in line with the observation of at the beginning of this thesis, Bach claims that 'SACU is one of the few African regional groupings within which integrated customs and monetary (*de facto* or *de jure*) arrangements are both functioning and of significance to the economies of participating countries'[32].

1.3 SACU survives the second coming of the Europeans

However, while the successful implementation of the tariff and quota relevant Articles was facilitated by a century-long experience of regional customs cooperation, already in 2007 the future of the intra-union free trade area and the integrity of the CET were under threat. Between December 2007 and January 2008, four of SACU's five members – Botswana, Lesotho, Namibia and Swaziland – initialled an interim European Partnership Agreement

[28] Most of the national and regional bodies required to operate SACU (and its tariff setting) as stipulated in the 2002 SACUA were still not set up in 2005 (see, for instance, Bach, 2006: 157). As a consequence, the institutional structure has remained largely in line with the 1969 Agreement in which national South African institutions manage SACU on behalf of all the member states.

[29] SACU, 2002: Article 18. See Gillson (2004: 7) for examples of protection within remit of the SACU Agreement. See Lee (2003: 75-76) for examples of protection of more 'dubious' legal standing.

[30] USTR, 2009: 443

[31] World Bank, 2011b: 17

[32] Bach, 2006: 137; italics in original

(EPA)[33] with the EU without prior consent from South Africa which did not accept EU's push to liberalise services along with goods[34]. For the BLNS which, unlike South Africa, belong to the ACP (Africa, Caribbean, Pacific Island) group of countries with whom the EU had concluded the Cotonou trade agreement, it was important to be included in the interim EPA negations since the Cotonou Agreement was expiring in 2008, thereby reverting ACP access to the European market to the more restrictive Generalised System of Preferences. However, while South African Minister for Trade and Industry, Rob Davies, acknowledged that many ACP countries were forced to conclude EPAs 'with a gun to their heads'[35], the non-unanimous move by the BLNS to proceed with their EPA negotiations violated Article 31 of the 2002 SACU Agreement[36] which expressively forbade SACU members to enter trade agreements with third parties without the consent of all members[37]. More importantly, the move also ran the risk of (1) disintegrating the CET as BLNS would treat goods from the EU different from South Africa, and (2) forcing South Africa to erect intra-SACU barriers to trade in order to prevent the influx of reduced-tariff goods from the EU via the BLNS.

[33] At first, Namibia resisted the interim EPA since it had reservations regarding clauses on most-favoured-nation treatment, cereal import restrictions and infant industry protection. This explains why Namibia did not initial the interim EPA in December 2007 together with Botswana, Lesotho and Swaziland. However, after receiving assurances from the EU that Namibia's reservations would be dealt with in subsequent negotiations, Windhoek was brought onboard in January 2008 (*Business Day* (Johannesburg), 14 December 2007; *Mail and Guardian* (Johannesburg), 25 January 2008; *Mmegi* (Gaborone), 10 July 2010).

[34] The reasons and processes surrounding the EPA negotiations in the context of SACU will be discussed in detail later in the chapter. However, it should be noted from the start that South Africa's situation in the context of the interim EPA was rather special since it already had a Trade, Development and Cooperation Agreement (TDCA) with the EU (European Commission, 2012). Hentz provides a good account of the negotiations leading up to the TDCA in the 1990s (2005: 133-139).

[35] Davies quoted in *Business Day* (Johannesburg), 10 January 2008

[36] SACU, 2002: Article 31

[37] It should be noted, however, that also South Africa's Trade, Development and Cooperation Agreement with the EU was concluded without the consent of the other SACU members (Lee, 2003: Chapter 7).

The schism started a protracted set of negotiations threatening the very existence of SACU. Leading up to a meeting with EU trade representative Peter Mandelson on the 4th of March 2008, South African foreign minister Nkosazana Dlamini-Zuma jetted around the SACU capitals trying forge a regional consensus seeing that 'the meeting [with Mandelson] will [...] be critical for the future of the Southern African Customs Union (Sacu)'[38]. During question time on the issue of the interim EPA in the South African Parliament on the 6th of March 2008, President Thabo Mbeki stated that '[i]t is clear to us that various provisions in the economic partnership agreements would work in an adverse manner [...] with regard to this process of regional integration'[39]. On the 5th of June 2009, in connection with Botswana, Lesotho and Swaziland signing the EPA – Namibia which had previously initialled the agreement refused to sign – South African Minister for Trade and Industry, Rob Davies, declared that '[w]e will not be allowing them [EU goods] to come into the SA market [through the EPA], and if that means that we have to introduce border control issues with Botswana, Lesotho and Swaziland and they have to do likewise, then so be it'[40]. In other words, even if SACU survived "on paper", with the introduction of intra-regional tariff and quota barriers and unilateral renegotiations about the CET with third parties, in practice, the customs union would have turned into theatre. South Africa's contrarian stance on the interim EPA and its subsequent threats to withdraw from SACU immediately attracted criticism from the other SACU governments. Botswana Trade and Industry Minister, Neo Moroka, scolded the South African government for behaving 'like Big Brother in Sacu' – a

[38] *Business Day* (Johannesburg), 28 February 2008
[39] Thabo Mbeki quoted in *Mail and Guardian* (Johannesburg), 6 March 2008
[40] Rob Davies quoted in *Business Day* (Johannesburg), (5 June 2009).

behaviour that would no longer be tolerated[41]. Relations between, in particular, Botswana, Lesotho and Swaziland on one hand, and South Africa on the other were at various points reported as being plagued by ‘acrimony’[42] and ‘bitterness’[43].

Yet instead of disintegrating, the leaders of the five member states – President Ian Khama of Botswana, Prime Minister Pakalitha Mosisili of Lesotho, President Hifikepunya Pohamba of Namibia, President Jacob Zuma of South Africa and King Mswati of Swaziland – came together at a SACU summit in Pretoria on the 15th and 16th of July 2010. The heads-of-government summit was unprecedented for SACU whose ‘supreme decision making authority of SACU matters’[44] under normal circumstances is the Council of Ministers comprised of members’ trade ministers[45]. As reported by South Africa’s *Financial Mail*, it was ‘regarded as a signal that the organisation is in crisis’. However, while by no means resolving all outstanding issues, ‘it [the summit] plastered over the cracks threatening to break up the Southern African Customs Union’[46]. Importantly, the heads of government of Botswana, Lesotho and Swaziland agreed not to ratify the interim EPA until a solution which included South Africa and Namibia had been found. It was also agreed that the contentious revenue-distribution formula agreed to in 2002 be reviewed again[47]. After the Summit, SACU executive secretary Tswelopele Moremi told the media that ‘[c]urrent calendars and strategic opportunities [i.e., the EPA] require that we do things in a different way to the

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[41] Neo Moroka quoted in *Business Day* (Johannesburg), 1 December 2008
[42] *Business Day* (Johannesburg), 30 June 2008
[43] *Business Day* (Johannesburg), 28 October 2008
[44] SACU, 2002: Article 8
[45] See Soko (2007: 17). Strictly speaking, there had been one SACU summit before the meeting in Pretoria: the centenary celebration of the customs union in April the same year.
[46] *Financial Mail* (Johannesburg), 22 July 2010
[47] *Business Day* (Johannesburg), 16 July 2010

benefit of all members of SACU'[48]. Indeed, after three months of further negotiations, on the 7th of October, the South African minister for International Relations and Co-operation, Maite Nkoana-Mashabane, declared that '[w]e can indeed conclude this EPA by the end of this year as long as they [the EU] do not bring new issues on the table'. She added that SACU was now negotiating with 'one voice'[49]. The choices made by the five governments contrast sharply to the behaviour observed in East Africa in 1970s when in response to external strains, the EAC member governments pulled apart rather than together.

The decision by the five Southern African states to continue cooperation in the form of a renegotiated SACU at the fall of apartheid in 1994, their ability to reach a new SACU Agreement in 2002 and their safeguarding of the customs union in 2010 were critical for the survival of SACU both on paper and in practice (Table 7.2). Understanding the conditions that made this possible is therefore crucial if we want to understand the conditions for formal economic integration in Africa. In line with my argument for the present-day East African customs union, I argue that the successful implementation of the SACU Agreement needs to be explained in reference to the RPS conditions. The five governments were *willing* to resist the breaking up of SACU since all of them perceived there to be strong ideational and institutional linkages between continued cooperation and the core government interests of

[48] Tswelopele Moremi quoted in *Business Day* (Johannesburg), 16 July 2010

[49] Maite Nkoana-Mashabane quoted in *Business Day* (Johannesburg), 8 October 2010. In the two years since, the SACU members have engaged in negotiations on the topic of reformulating the 2002 SACU Agreement. As the debate over whether the existence of SACU is incompatible with the objectives of SADC and, if so, which organisation the region should prioritise has flared up again it is too early conclude that SACU is 'safe'. As every RIO, it is a work in progress. However, no matter the outcomes of current negotiations, it remains true that the July Summit of 2010 saved SACU from disintegrating – either explicitly or in the form of theatre – at a time when it was seriously at risk. As such, the episode provides a unique opportunity to study the conditions under which African regimes pursue actual integration.

security, revenue and international standing; the five governments were *able* to resist the breaking up of SACU since an agreement was reached on the distribution of benefits.

Table 7.2: To be explained

SACU: a customs union on paper and in practice
1. Member governments' decisions to ensure the integrity of SACU after the fall of apartheid in 1994
2. Member governments' decisions to keep SACU alive amidst the intra-SACU conflict in connection with the EPA negotiations 2007-2010

2. THE BENEFITS EXISTENCE CONDITION

The Benefits Existence Condition tells the first part of the story. My argument is that the five Southern African governments continuously ensured the integrity of SACU because they perceived there to be linkages between integration and core government interests (Table 7.3). Crudely, the member states can be divided into two groups – South Africa and the BLNS – motivated by two different sets of linkages. For the BLNS, the dominant linkage was institutional, connecting integration with revenue. Just as its predecessors, the 2002 SACU Agreement built contractual links between intra-regional trade liberalisation on the one hand and the transfer of funds from South Africa to the BLNS governments on the other. In fact, for Lesotho and Swaziland, the funds received from the Common Revenue Pool (CRP) often amounted to more than half of the government's annual revenue. The dependence of the governments of Botswana and Namibia on CRP funds was slightly smaller but customs transfers remained a significant source of revenue – a source that was contractually conditional on implementation of the SACU Agreement.

For South Africa's part the strongest linkages were between integration on the one hand and security and international standing on the other, both of which were ideational. Before the abolition of apartheid, the South African government sought to maintain SACU as a way of showing the international community it had 'normal' relations with its African neighbours; after 1994, the ANC government sought to maintain SACU as a way of showing the international community that it was re-engaging with Africa as an *African* country. The "integration – security" linkage constituted the 'flipside' of the CRP transfers to the BLNS governments. By supporting the governments of its northern neighbours financially, SACU contributed to the South African government's sense of security by stabilising the region and stemming potentially destabilising labour immigration to an already unemployment-plagued South African market. While access for South African business, particularly manufacturers, to the BLNS markets has brought large benefits to important portions of the South African private sector and therefore arguably contributed to a stronger tax base, this "integration – revenue" linkage is surprisingly unimportant for explaining SACU's survival in the three highlighted episodes. I return to this under 'Alternative Explanations' later in the chapter.

The perception of the existence of these linkages among the five southern African governments convinced them that the implementation of the customs union was conducive to widening their policy space and this, I argue, was a necessary condition for the success of SACU.

Table 7.3: Policy Space linkages in SACU

	Integration-security	Integration-revenue	Integration-international standing
Institutional	No institutional links	**BLNS regimes receive substantial transfers in exchange for SACU membership**	Post-1994: SACU as a means to joint negotiations with third parties
Ideational	**Financial support to BLNS regimes boosts SA security**	BLNS offer captive markets for SA producers	**Pre-1994: SACU as a means to 'normal' African relations** **Post-1994: SACU as a means to re-engage with Africa**

Bold highlights linkages which convinced participating regimes that integration furthered policy space.

2.1 Institutional linkages

While the High Commission Territories (Basutoland, Bechuanaland and Swaziland) had been made members of the 1910 SACU Agreement without an opportunity to influence events, they had the option – at least in theory – of leaving the customs union once they acquired independence in the late 1960s[50]. Yet, as we know, instead of terminating customs cooperation with South Africa, the newly independent states negotiated a new agreement in 1969. In many ways this was remarkable since 'both the 1910 and the 1969 Agreements institutionalised and legitimised a political structure characterised by its democratic deficit. Botswana, Lesotho, Namibia [from 1990] and Swaziland never had the ability, de facto or de

[50] Maasdorp (1988: 35) makes a similar point.

jure, to determine or even seriously influence their own (or even SACU's) tariff and excise policies'[51]. The reasoning behind the BLNS governments' choice to remain in customs union with South Africa in 1969 despite the obvious downsides to the agreement in terms of control over their trade regimes and detrimental industrial polarisation was the same as the reasoning explaining the BLNS governments' interest in continued SACU membership today: revenue generation.

Building on similar arrangements in the 1910 SACU Agreement, the 1969 Agreement called for the establishment of a Common Revenue Pool (CRP) financed out of regional customs and excise receipts[52]. The reasoning behind this was that since the five states made up a unified customs territory without internal tariff and quota barriers, funds from customs and excise on goods imported from third-party states should be collected at the point of entry into SACU regardless of its final destination. The funds in the CRP were then distributed among the SACU member governments according to a revenue-sharing formula discussed in the context of the benefits distribution condition.

The disbursement of funds was explicitly conditional on the implementation of the customs union: Articles 2-5 of the Agreement prohibited any member state to impose quotas and/or tariffs on goods within the union; Article 13 stated that 'any customs, excise, sales and additional duties collected in the common customs area shall be paid quarterly into the Consolidated Revenue Fund of South Africa', and Article 14 stipulated that '[t]here shall be paid from the Consolidated Revenue Fund of South Africa to the Governments of Botswana,

[51] Gibb, 2006: 594-595

[52] Republic of South Africa, 1969

Lesotho and Swaziland [and from 1990, Namibia], in respect of their share of the common revenue pool, amounts calculated on the [agreed] basis[53]. If the BLNS states left SACU or violated the customs union agreement by introducing illegal tariffs on South African goods or negotiated their own third-party tariffs, their claim on the CRP were invalidated. In Sidaway and Gibb's words: '[f]or the BLSN [sic] states, the revenue-sharing formula offers a trade-off between relative fiscal autonomy and an income to state coffers'[54]. That is, the 1969 SACU Agreement established an institutional link between integration on the one hand and revenue on the other.

CRP as a source of revenue had been crucial for the fiscal stability of the High Commission Territories and their independent successor states since the beginning of the 20th century[55]; after an amendment to the formula in the second half of the 1970s the dependence increased further[56]. CRP dependence among the BLNS at the eve of the democratic transition in South Africa was high and growing (Table 7.4).

Table 7.4: Growing reliance on the Common Revenue Pool in the late 1980s

	Financial year 1988		Financial year 1992	
	% GDP	% of government revenue	% GDP	% of government revenue
Botswana	5.4	11.5	11.2	21.6
Lesotho	9.8	41.5	15.6	47.2
Swaziland	10.3	37.2	14.0	40.3
Namibia	12.3	31.9	20.5	32.1

Source: Author's adaption of Table 10.2 in Sidaway and Gibb (1998: 175)

53 Republic of South Africa, 1969
54 Sidaway and Gibb, 1998: 174-175
55 McCarthy, 1992; Sidaway and Gibb, 1998: 173
56 For a brief account of this amendment, see Stoneham (1994: 4). See also Sidaway and Gibb (1998: 174) and Maasdorp (1988: 40).

SACU's longevity and success cannot be understood without reference to this linkage. When the apartheid government tied the 'independent' Homelands (Transkei, Bophutatswana, Venda and Ciskei) created out of South African territory at the end of the 1970s and the early 1980s to SACU through 'bilateral' agreements without the consent of the other members, Botswana, Lesotho and Swaziland expressed serious disagreement yet did not leave SACU since they 'were unwilling to renounce to [sic] the substantial revenues they derived from the new [post-1977] formula'[57]. Moreover, a comprehensive study of the effects of the 1969 SACU Agreement on Lesotho presented in 1991 argued that SACU membership had been a mixed blessing where Lesotho, like Swaziland and Botswana, had become inextricably dependent on South Africa both economically and politically but, in return, had been able to lessen their dependence on the donor community[58]. Put differently, by lessening their dependence on the donor community SACU membership offered the 'least bad' way of securing critical revenue which the governments of Botswana, Lesotho and Swaziland were unable to generate internally[59]. A report prepared by the Namibian Economic Policy Research Unit for the Namibian Minister for Trade and Industry in connection with Namibian independence and *de jure* membership of SACU in 1990 reached a similar conclusion[60]. The BLNS states could not stand on their own fiscal feet; the BLNS

[57] Bach, 2006: 145. Blumenfield argues that the benefits derived by the weaker neighbour state governments from the SACU arrangements puts the 'dependence school' describing the southern African economies as unilaterally dependent on South Africa into question (1991: 151).
[58] Lundahl and Petersson, 1991
[59] Kumar argues that the BLNS governments also feared that were they to leave SACU not only would they lose the CRP funds but there was a risk that South Africa would retaliate by preventing the flow of remittances and supplies from South Africa – both of which would have been fiscally crippling for the governments (Kumar, 1991: 107).
[60] Isaksen, 1992. Prior to its independence from South Africa, Namibia had been treated as a *de facto* member of SACU.

governments needed the CRP transfers to cover costs[61]. The link connecting the customs union with government revenue was firmly established. Naturally, this link was acknowledged in South Africa too. At an ANC-sponsored SACU Workshop in March 1994, future South African minister for Trade and Industry, Rob Davies, noted that '[f]or the BLNS countries, the main benefit of the SACU has been the very significant contribution to state revenue it has provided'[62].

The institutional "integration – revenue" link does not only explain why the BLNS governments perceived SACU membership and implementation conducive to their policy space in the early 1990s which ensured their participation in SACU after apartheid; it also explains the BLNS governments' interest in avoiding the erosion of SACU into theatre under the strains of the interim EPA negations in the years after the Agreement was signed in 2002. For reasons discussed in the context of the supply side, the 2002 SACU Agreement involved significant changes to the revenue-sharing formula – changes designed to prevent South Africa's share of the CRP from decreasing as it had done in the 1980s. Yet even taking these changes into account, the contributions to the CRP transfers to the BLNS governments remained substantial (Table 7.5). And – importantly – even though parts of these funds were characterised as 'development funds', the BLNS governments were – just as before – free to

[61] Hentz (2005) goes so far as to argue that the BLNS governments not only needed the transfers to cover state expenses but, in addition, used the funds to finance their patronage networks. While this is not implausible, I have not been able find further evidence.
[62] Davies, 1994: 33

spend the funds as they pleased[63]. Similarly, just as before, the CRP funds were contractually linked within the Agreement to the implementation of the SACU trade regime[64].

Table 7.5: BLNS reliance on the CRP under the 2002 Agreement

South African Rand, millions	2005/06	2006/07	2007/08	2008/09	2009/10
Botswana	**4008**	**5549**	**8330**	**9473**	**9167**
Lesotho	**1984**	**2784**	**3822**	**4901**	**4918**
Namibia	**3228**	**5394**	**6015**	**8502**	**8585**
Swaziland	**2795**	**3654**	**4591**	**6009**	**5189**

Source: SACU, 2011: Table 2

It was fear of losing this source of revenue that ensured that Botswana, Lesotho and Swaziland in 2010 promised to refrain from implementing the EPA they had signed until a solution involving Namibia and South African had been found. When the divide between Botswana, Lesotho and Swaziland on the one hand and Namibia and South African on the other over the interim EPA crystallised in December 2007, observers were pointing to the economic risk to the BLNS should the EPA negotiations split SACU[65]. On the 25th of February 2008, *Business Day* wrote that 'it is feared that SA might [...] break up the [customs] union. This would have grave economic implications, especially for Lesotho and Swaziland, which rely heavily on revenues from the customs pool'[66]. In an interview in the South African newspaper *Mail and Guardian*, South African Trade and Industry minister Rob Davies highlighted the explicitly contractual nature of the "integration – revenue" linkage for BLNS by conceding that 'the deal for 100 years with Sacu was that we [South

[63] McCarthy, 2004: 169; *Mail and Guardian* (Johannesburg), 16 July 2007
[64] SACU, 2002
[65] E.g. *Business Day* (Johannesburg), 10 December 2007
[66] *Business Day* (Johannesburg), 25 February 2008

Africa] got access; they [BLNS] got tariff revenue. It was a relationship of convenience'[67]. In other words: no access, no revenue.

As the negotiations between the EU and the BLNS, the EU and South Africa and South Africa and the BLNS continued over the next two years, the "integration – revenue" link was consistently raised as the reason for why the BLNS sought to accommodate South Africa and SACU and not abandon it in favour of European market access. On the 28th of October 2008, anonymous sources close to the South Africa-BLNS talks told *Business Day* that the ANC delegates increasingly were looking at the CRP transfers as an expense that South Africa no longer could afford and that the funds instead should be used to 'alleviate the plight of the poor here [in South Africa]'. Allegedly, the customs transfers meant that 'there [was South African] political will to kill the union'. This had caused considerable anxiety among the BLNS delegations – in particular Lesotho's and Swaziland's – as they were 'obviously very stressed because there is pressure on their budgets'[68].

While it relied on CRP revenue less than any of the BLNS, even the Botswana government was aware of the implications that the breakup of SACU would have on its revenue. In September 2009, Botswana Institute for Development Policy Analysis produced a briefing

[67] Quoted in *Mail and Guardian* (Johannesburg), 19 October 2009
[68] Quoted in *Business Day* (Johannesburg), 28 October 2008. On the 7th of July 2009, trade economist Matthew Stern at the Development Network Africa was reported as saying that Lesotho and Swaziland would lose as much as 25% and 20% of their GDP respectively, 'overnight' should South Africa 'decide to pull the plug on Sacu, since both rely heavily on its revenue-sharing formula and would struggle to replace even a fraction of this income regardless of how favourable the terms of their agreement with the EU' (*Business Day* (Johannesburg), 7 July 2009).

outlining the serious consequences[69]. Acting Permanent Secretary of the Ministry of Trade and Industry, B. G. Mphetlhe, responded to this briefing in *Mmegi* on the 7th of January 2010 seeing that the briefing 'gives the impression that if SACU were to collapse, Botswana would face unprecedented challenges that would threaten her current and future economic stability'. The objective of the response was threefold: (1) reassure the citizenry, (2) strengthen the bargaining position against South Africa, and (3) smooth over differences between the two countries. It is interesting to note, however, that Mphetlhe was unable to clarify how Botswana would replace the CRP revenue were SACU to break up. Rather, the conclusion was that 'Botswana needs SACU and stands to benefit more from being a member of SACU than being outside [but] that South Africa [...] equally needs SACU. As such, the relationship is symbiotic'[70]. Speaking for a government which relied on SACU transfers for 27% of its revenue at the time[71], this symbiosis was, at best, extremely asymmetrical. As I will return to below, the South African government *did* need SACU but for reasons other than economic benefits.

The effects of the global financial crisis made the dependence of the BLNS governments on SACU revenue even clearer. At the SACU Council of Ministers meeting on the 4th of December 2009 in Windhoek, the delegates had acknowledged that the crisis and its aftermath which had led to falling South African consumer demand for imports from third-party states 'inevitably affect the SACU Revenue Pool in the short term to medium term and

[69] BIDPA, 2009
[70] *Mmegi* (Gabarone), 7 January 2010
[71] BIDPA, 2009: 4

consequently affect the fiscal budgets of the Member States'[72]. At the beginning of 2010, the BLNS governments' CRP revenue was anticipated to fall by approximately 30% relative to the 2009 figure – even with a maintained BLNS share in the Pool. In her 2009-10 Budget, Namibian finance minister Saara Kuugongelwa-Amadhila had initially planned for N$8.6 billion, or 40% of government revenue, from SACU revenue but the figure had to be revised down to N$7.3 billion, or 34% of government revenue. To counter the impending fiscal crisis, the Namibian government had, together with the other BLNS governments, asked South Africa for increased shares of the CRP at the Windhoek meeting. In the words of Botswana's Minister of Finance and Development Planning, Kenneth Matambo: 'increased government expenditure and huge national deficits were the reason why member states were calling for increment of their revenue shares'[73]. This was the state of BLNS governments' dependence on SACU funds running up to the SACU Summit in July 2010; the strong institutional "integration – revenue" explains why the BLNS chose not to risk the integrity of customs union and instead postpone the implementation of the interim EPA until a consensus had been reached with South Africa.

2.2 Ideational linkages

Considering that the CRP transfers came out of the South African treasury, it may at first seem difficult to explain the South African governments' interest in maintaining SACU. Yet ideational linkages which, in the eyes of Pretoria, linked SACU integration with international standing safeguarded the customs union around the time of the democratic transition in South Africa; and linkages between integration and security dissuaded the South African

[72] SACU, 2009

[73] *The Namibian* (Windhoek), 6 January 2010

government from abandoning SACU in the context of the EPA crisis. As discussed later in the chapter, while important sections of the South African private sector benefitted considerably from access to the BLNS markets this did ultimately not translate into a strong "integration – revenue" linkage for the South African government. I will argue that this is the explanation why market access is unable to explain Pretoria's policies towards SACU.

Linking implementation of the customs union with international standing

According to Sidaway and Gibb 'the single most important advantage of the SACU was the (geo)political dividend of [apartheid] South Africa having established and formal links with independent African states'[74]. For the South African government, SACU was a bridge builder; it conferred badly needed legitimacy and normalcy on a government facing an otherwise solidly hostile world[75]. By doing so, it provided the apartheid government with a wider array of policy options; if South Africa succeeded in portraying itself as a responsible regional citizen 'it may rebound to its political advantage, generally'[76]. Indeed, Bach argues that 'in South Africa, whenever doubts were cast on the economic benefits of SACU, they were obfuscated by political considerations – the agreement, it was argued kept the BLS [Botswana, Lesotho and Swaziland] closely tied economically and demonstrated South Africa's readiness to 'cooperate' with its 'black' neighbours'[77].

Somewhat paradoxically, the importance of this linkage to the apartheid government's stance towards SACU was most clearly demonstrated when the linkage broke down in the early

[74] Sidaway and Gibb: 1998: 177
[75] Lee, 2003: 79-80; Maasdorp, 1988: 48
[76] Kumar, 1991: 106
[77] Bach, 2006: 146

1990s. In 1990, South African president F. W. de Klerk released Nelson Mandela, re-legalised the ANC and opened up negotiations which were to lead to a post-apartheid South Africa. As a consequence, pressure and sanctions imposed by the international community on South Africa eased. Leaving the pariah status behind significantly weakened the "integration – international standing" linkage for the government in Pretoria. This coincided with widening South African budget deficits and a shrinking South African share of the revenues from the CRP[78]. In June 1991, at the Customs Union Commission's meeting in Swaziland, the South African delegation declared that it had 'come to the conclusion that: (1) the Customs Union, even in its present form, is becoming financially unaffordable; and (2) it [must] aspire to greater freedom in respect of industrial development'[79]. An economic assessment at the surface, the delegations conclusion was primarily driven by the changing politics. Now that the BLNS had become 'politically dispensable'[80] to the government in Pretoria, it saw the CRP transfers to the BLNS in a different light.

Yet, as we know, the proposal to leave SACU came to nothing. The threat to withdraw from SACU which had been drafted by the South African Treasury did not receive the required support by de Klerk's Cabinet after an intervention by the Department of Foreign Affairs intervened[81]. Termination of the 1969 SACU agreement was avoided on the basis that it still

[78] I discuss the issue of the CRP in great detail in the next section.
[79] Stoneham, 1994: 6
[80] Lee, 2003: 79
[81] Hentz observes that disagreements between the Department of Finance and the Department of Foreign Affairs over SACU had been common even during the height of apartheid. Whereas the Department of Finance saw SACU as a drain on the Treasury, Foreign Affairs saw it as 'valuable for improving South Africa's international image because it created the appearance of "very cordial" economic relations' between South Africa and its neighbours (Hentz, 2005: 51).

had the potential to damage to South Africa's political interests in the region[82]. The first of these had to do with de Klerk's own perception of the "integration – international standing" linkage. On the 11th of July 1993, president de Klerk stated that '[w]e live in a shrinking and competitive world where countries on all continents are forming economic blocs and associations to improve their chance of economic survival and prosperity'[83]. Even though the apartheid logic behind SACU was being phased out, it was being supplanted by a logic based on globalisation. Arguably more important for staying in SACU, however, was the "integration – international standing" linkage perceived by the incoming ANC regime. By 1993, the ruling National Party had agreed to consult with the ANC when designing strategic policies considering that ANC's electoral victory in the following year looked all but guaranteed[84]. Indeed, at the Customs Union Commission meeting that year it was agreed to defer the issue of the future of SACU until after the democratic elections in South Africa in 1994[85]. And even though the ideational linkages were looking fragile from the point of view of the outgoing National Party government, the incoming ANC took a different view.

The first democratic elections in South Africa in April 1994 brought down the apartheid regime. Watched by hopefuls at home and abroad, Nelson Mandela was sworn in as president in Pretoria on the 7th of May heading a government with a completely different idea of core interests. Two months earlier, the South African National Institute for Economic Policy

[82] *Sunday Times,* 7 February 1993, cited in Davies, 1993: 36

[83] De Klerk quoted in *Sowetan* (Johannesburg), 11 July 1993, cited in Hentz (2005: 125)

[84] One of many examples of the National Party's inviting of the ANC to contribute to policies before the 1994 election was the formation of the Transitional Executive Council (TEC) which, in early 1994, set up a working committee on regional integration questions consisting of two members of the ANC, two representatives of the Development Bank of Southern Africa (DBSA), the former Director General of the Department of Trade and Industry and an economics professor from the University of Stellenbosch (Hentz, 2005: 44).

[85] Davies, 1994: 36

(NIEP) and the ANC's Department of Economics had organised a workshop on SACU's future attended by – among others – Thabo Mbeki (incoming deputy president and future president of South Africa), Festus Mogae (future president of Botswana) and Mose Tjintedero (speaker of the Namibian Parliament). At the workshop, it 'was generally agreed that the Customs Union was a very important institution – albeit one that was sorely in need of reform and restructuring – and that it should be kept alive and functioning in the interests of all'[86]. Mbeki, 'speaking on behalf of the incoming government in South Africa [...] did not foresee a fundamental conflict between domestic restructuring and restructuring South Africa's relations with the region. In fact, the ANC's Restructuring and Development Programme [...] called upon a democratic government to negotiate with neighbouring countries to increase cooperation, coordination and integration'[87]. This sentiment was mirrored by Mandela half a year later in an address in the UN General Assembly where he declared that '[w]e are part of the region of Southern Africa and of the continent of Africa. [...] we will play our role in the struggle of these organisations [African RIOs] to build a continent and a region that will help to create for themselves and all humanity a common world of peace and prosperity'[88].

While it can be debated whether African 'peace and prosperity' could be considered a core interest of the new ANC regime, the Mandela's government certainly did perceive there to be a causal link between regional integration and its prestige abroad. This was the reason for its continued support of SACU even though, in the ranks of the ANC, the organisation was

[86] NIEP, 1994: vii
[87] Thabo Mbeki cited in NIEP, 1994: viii
[88] Quoted in Mills, 1998: 80-81

tainted as a ‘colonial’ and/or ‘apartheid’ relic supported by the white South African Afrikaans bureaucracy[89]. For decades prior to the 1994 election, South Africa’s neighbours – SACU members and others – had offered ANC political and financial support as well as hosted bases from which the ANC had conducted its struggle in South Africa[90]. On assuming power, the ANC was under pressure from its erstwhile hosts to repay its ‘debt’[91]; it was also under pressure from the international community to take responsibility for the region in its capacity as regional powerhouse after years of the apartheid regime’s policy of destabilising its neighbours[92]. As Simon argued at the time: ‘President Mandela and his cabinet ministers are acutely aware of the need for peaceful cooperation *for mutual benefit* if the region’s future is to be secure. This implies that relations will have to be pursued on a very different basis from in the past, with unilateral chauvinism in the name of nationalism replaced by multilateral consultation, accommodation and collaboration. Conversely, the smaller countries, in particular, are anxious for a “peace dividend” and investment and technical assistance from South Africa to help redress the legacy of destabilisation, to repay support for the ANC in exile and to promote economic development and trade.’[93] Indeed, the ANC was ‘determined to underscore its regional credentials by backing SACU’s democratisation and doing away with the “colonial” tag associated with previous SACU arrangements’[94]. This perception among the ANC leadership – and particularly Nelson Mandela[95] – was

[89] Hentz (2005: Chapter 3) provides a detailed account of the Afrikaans bureaucracy support for SACU in the first half of the 1990s. Key ANC constituents supported integration through SADC rather than SACU in the early years of the new government.
[90] See Elllis (1991) and Lodge (1987).
[91] Hentz, 2005: 2; Mulaudzi, 2006: 17-18
[92] For a short account of the apartheid regime’s policy of regional destabilisation, see Booth and Vale (1995).
[93] Simon, 1998: 4-5; italics in original
[94] Soko, 2007: 14-15
[95] See Mills (1998: 80), Gibb (2006: 603) and Hentz (2005: 48).

critical to South Africa's participation and promotion of the negotiations which, starting on the 11th of November 1994, would lead to the 2002 SACU Agreement[96].

Linking implementation of the customs union with security

Over the 1990s, as ANC's collective memory of its years in exile faded[97], the importance of the "integration – international standing" linkage for the South African government's interest in SACU was increasingly replaced by a perception that linked SACU integration with security. At the 1994 SACU Workshop, Professor Zarenda of Witwatersrand University argued that '[i]f SACU revenue were to cease flowing to the BLNS countries, there would be massive migration of people to SA [South Africa], exacerbating the unemployment situation, placing a burden on government to resolve the problem and leading to conflict. It is not in South Africa's interest to place its neighbours in a state of crisis'[98]. This was the flipside of the institutional "integration – revenue" link maintained by the BLNS governments. Abolishing SACU and, consequently, discontinuing the transfers would risk massive labour migration and political unrest at its borders[99]. This argument would come dominate the South African debate on SACU membership over the next twenty years[100].

In 1998, towards the end of Nelson Mandela's presidency, South Africa intervened with 600 troops in an uprising in Lesotho under the auspices of SADC to restore order. According to a presidential spokesperson at the time, Mandela justified the intervention on the basis that it

[96] Kirk and Stern, 2003: 2-3
[97] Simon, 1998: 4-6
[98] Statement by professor Harry Zarenda of the University of the Witwatersrand (South Africa) at the NIEP SACU Workshop, 6-8th March 1994 in Gaborone (NIEP, 1994: 82)
[99] Mayer and Zarenda, 1994; Mills, 1998: 76
[100] See Draper and Khumalo (2009), Mulaudzi (2006: 18) and Lee (2003: 80).

‘could boil over into South Africa’[101]. During Mbeki’s presidency, the focus on creating stability in its wider regional neighbourhood became doctrine. This seemingly altruistic objective sought to achieve two South African interests: create stable investment markets abroad for South African firms which had fanned out over the continent after the end of apartheid; and create a stable labour market for South African workers at home by ensuring economic opportunities in other states in the region, thereby preventing migration to South Africa[102]. Both big business, as represented by the South African Chamber of Business (SACOB), and labour, as represented by the Confederation of South African Trade Unions (COSATU), were important constituencies for the Mbeki government[103]. But in addition to needing their political support, Mbeki was particularly aware of the potential for unemployment to stir unrest. Addressing the National Assembly on the 25th of May 2005, on the topic of urban unrests sweeping through a number of South African towns, Mbeki said that while ‘there is nothing to suggest South Africa is threatened by the "centrifugal tensions" that have caused the collapse of other African states [...] demonstrations we have seen in some of our municipalities, apparently driven by feelings among some of the poor that so far, the democratic order has failed them’ were generating conflict ‘the country does not need’[104]. Similarly, on succeeding Mbeki in 2008, Zuma was keenly aware of the unrest potential

[101] *Christian Science Monitor,* 23 September 1998
[102] For a discussion on South African foreign policy between 1994 and 2007, see Sidiropoulos (2008).
[103] See Hentz (2005) for an account of ANC’s interaction with COSATU and SACOB in the context of regional integration. See also Mensah (2002: 134) for a discussion on how ANC sought to limit migration to come to terms with domestic unemployment.
[104] Mbeki quoted in *Mail and Guardian* (Johannesburg), 25 May 2005

posed by high unemployment[105]. Contributing to regional stability therefore seemed to provide a solution to both the external and the internal security problem[106].

Even though the South African government was unwilling to admit it at first, the transfers through SACU's Common Revenue Pool played a pivotal role in this context. McCarthy notes, for instance, that South Africa insisted on referring to tariffs as instruments for industrial development policy and not source of revenue in the preamble to the 2002 SACU Agreement[107]. However, three weeks before the 2010 SACU Summit which avoided the breakup of the customs union, Peter Draper, head of the development through trade programme at the South African Institute of International Affairs, noted that the reason South Africa was working on a solution to keep SACU intact, was because disintegration would lead to the 'economic collapse' of the BLNS countries – 'leading to more refugees streaming into SA [South Africa]'. In effect, he pointed out succinctly, '[w]e buy social peace in our neighbours, especially in Lesotho and Swaziland, as they would not be able to survive without the revenue they were receiving through the customs union'[108]. While government spokespeople at the time avoided justifying South Africa's support of SACU in those terms – preferring instead to emphasise the importance of trade and development in the region[109] – the "integration – security" linkage was conceded a year later. In the National Assembly on

[105] *New York* Times, 10 June 2009. This sensibility was further heightened during the miner unrests in the summer of 2012.

[106] McCarthy points out that COSATU was in a conundrum about the effects of SACU on unemployment. On the one hand it strengthened the neighbour economies which prevented immigration; on the other hand, it increased the risk of South African firms moving to the BLNS where labour costs were lower (McCarthy, 2004: 172).

[107] McCarthy, 2004: 160

[108] Draper quoted in *Business Day* (Johannesburg), 25 June 2010

[109] See, for instance, SACU (2002).

the 16th of August 2011, the finance minister was asked 'whether contributing to the political and financial stability of neighbouring countries is part of government policy' by an MP from the Cope party; he answered: 'The South African Government has committed to a deepened contribution to regional and continental security and stability and sustainable development. Within this context, strengthening regional integration in SACU [...] remains a major priority'[110].

3. THE BENEFITS DISTRIBUTION CONDITION

In the previous section I presented evidence showing that the governments of Botswana, Lesotho, Namibia, South Africa and Swaziland perceived SACU membership and implementation to be conducive to the attainment of government policy space. These perceptions were based on strong institutional and ideational issue linkages between integration on the one hand and revenue, security and international standing on the other. This explains why, at critical junctures, the five governments pursued policies safeguarding the customs union. Yet despite these linkages, SACU's survival at the end of apartheid was by no means certain; the maintenance of the customs union depended on the ability of the five regimes to agree on the distribution of benefits. Indeed, the fact that none of the parties were satisfied with existing arrangements explains why the parties decided to negotiate a new SACU agreement in the wake of ANC's rise to power instead of keeping the 1969 Agreement.

[110] National Assembly, Question For Oral Reply, Question Number 138 [No2464e]

Ever since the SACU Agreement of 1910, distribution of the funds in the CRP had been contentious[111]. The CRP receives the tariff revenue from goods being imported into the customs union from outside the common external tariff barrier as well as excise on goods consumed inside the external tariff. In the 1910 Agreement, South Africa had retained 98.69% of the CRP – the share corresponding to its share of the region's third-party imports[112]. In the 1969 Agreement – further revised in 1977[113] – the revenue-sharing formula was revised to include measures that compensated Botswana, Lesotho and Swaziland for the loss of fiscal autonomy and for industrial-polarisation, trade-diversion effects of the customs union[114]. Botswana's annual receipts from the CRP increased by 368%, Lesotho's by 230% and Swaziland's by 377%. As a question of arithmetic, South Africa's share shrunk since it was calculated as the residual[115] – that is, the share that was left after the BLNS shares had been subtracted. On the eve of the new 2002 Agreement, South Africa which represented more than 90% of the region's GDP only received 42% of the CRP funds[116]. The extreme reliance on the CRP as a source of government revenue among the BLNS and the dubious economic benefits to South Africa from SACU membership made the question of the distribution of CRP revenue extremely sensitive. Yet neither the BLNS governments nor the South Africa government were satisfied with the 1969/1977 arrangements[117].

[111] For a brief overview of distributional tensions under the 1910 SACUA, see Kumar (1991: 91-92).
[112] McCarthy, 2003: 611
[113] For a brief account of this amendment, see Stoneham (1994: 4).
[114] McCarthy, 2003: 615-616
[115] Kumar, 1991: 102
[116] McCarthy, 2003: 614
[117] Kumar, 1991: 103

Two reports of the costs and benefits accruing to South Africa from SACU – the McCarthy Report (1985) and the Margo Report (1987) – held that South Africa was a net loser[118]. The Margo Report stated that 'SACU is a comprehensive programme of unconditional assistance by South Africa' and that 'continued membership on the present basis holds little or no economic advantage for South Africa'[119]. The governments of Botswana, Lesotho and Swaziland unanimously rejected the conclusions and recommendations of the reports, arguing instead that they were insufficiently compensated for the trade-diversion and industrial polarisation effects of SACU membership. In addition, they demanded that South Africa pay them interest for what amounted to two-year interest-free loans given by the BLNS (Namibia joined the ranks of Botswana, Lesotho and Swaziland after independence in 1990) to South Africa as a consequence of a payment lag built into the 1969 Agreement[120]. In April 1991, South Africa responded to these proposals by unilaterally suspending the terms of reference of the Study Group set up to find a solution to the distributions issue. The governments of BLNS and South Africa were at an impasse that despite the previously discussed deep-rooted interests in the continuation of SACU threatened the customs union's existence[121]. Indeed, the threat by the South African Department of Finance to terminate the 1969 SACU Agreement in 1992 as the "integration – international standing" linkage was waning was directly prompted by the inability of the parties to come to a solution to the distribution issue satisfactory to South Africa. It suggested to de Klerk that South Africa

[118] McCarthy, 1985; Margo Commission, 1987
[119] Margo Commission, 1987: 361,362
[120] Davies, 1994: 35; Lundahl and Petersson, 1991: 4. The CRP was managed by the South African Reserve Bank (SARB) which distributed funds to the BLNS with a two year lag. While this amounted to an interest-free loan by the BLNS governments to the government of South Africa, it had been justified on the grounds that payments should be made based on actual, as opposed to estimated, trade data. Since such data only became available with a lag, so did the CRP payments (Sidaway and Gibb, 1998: 176).
[121] McCarthy, 2004: 161

withdraw 'unless other SACU member agreed to a substantial cut in revenue disbursements'[122].

While, as we saw, nothing came of this threat, the impasse remained. A 1994 working paper published by the Development Bank of Southern Africa, the authors remarked that '[w]hile South Africa attributes its declining share of SACU revenue to what it regards as overgenerous revenue transfers to BLNS from the common revenue pool [CRP], the BLNS countries hold that SACU revenue does not compensate them for the adverse effects of being parties to a customs union agreement with a larger and more economically developed country like South Africa.'[123] Overcoming this impasse was critical for continued cooperation[124]. The speaker of the Namibian National Assembly, Mose Tjitendero, made it clear that going into the negotiations in 1994, SACU's continued existence was 'predicated not only upon each country's perceiving that it benefits absolutely from each significant step taken, but that measure which ensure a bias in favour of the development of the less advanced members [...] be built consciously into the regional development process'[125]. That is, both the Benefits Existence Condition and the Benefits Distribution Condition needed to be satisfied. Festus Mogae, then vice president and future president of Botswana, put it diplomatically: 'While the SACU has served us [Botswana] reasonably well, some aspects of the [1969] Agreement

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[122] Mayer and Zarenda (1994: 2). Mayer and Zarenda (1994) in turn, draw on Davies *et al.* (1993: 59).
[123] Mayer and Zarenda, 1994: 32
[124] This claim is supported by Sidaway and Gibb who while the negotiations were still ongoing argued that 'the principal difficulty concerns renegotiating the revenue-sharing formula' (1998: 177).
[125] Tjitendero, 1994: 22

have become increasingly outdated from our point of view, and we are looking forward to the opportunity to contribute to refashioning the arrangement'[126].

The election of Nelson Mandela – a leader with an interest in engaging with his neighbours on an equitable basis – presented that opportunity[127]. Though there were several large issues on the agenda for the Customs Union Task Team (CUTT) established in November 1994[128], the revision of the revenue distribution formula was the most important[129]. Two years after the start of the negotiations – negotiations that initially were expected to take no more than six months – South African Trade and Industry Minister, Alex Erwin reported that '[o]n SACU we have now essentially reached agreement. We just have to tie the bows and ring the bells on the revenue sharing formula. The basis of that agreement is that South Africa does not seek to gain further revenue from the formula but it is prepared to give stability to the SACU partners on their revenue share'[130]. Those bows and bells turned out to be formidably difficult to tie and ring. Two years later, Sidaway and Gibb once again noted how '[t]he revenue-sharing formula is the single most important source of dissatisfaction'[131].

One important reason for this difficulty was the ANC government's launching of its Growth, Employment And Redistribution (GEAR) Programme in 1996. With GEAR, the South African government sought to shift from a growth model based on import substitution in favour of one based on increased exports. Trade liberalisation was a central component of the

[126] See Stoneham (1994: 7-8).
[127] See also Kirk and Stern (2003: 1).
[128] Lee, 2003: 79
[129] Sidaway and Gibb, 1998: 174; Mayer and Zarenda, 1994: 1
[130] Erwin quoted in *Mail and Guardian* (Johannesburg), 8 November 1996
[131] Sidaway and Gibb, 1998: 174. See also *Mail and Guardian* (Johannesburg) (10 January 1997).

programme[132]. While the liberal policies were well anchored in the top ANC leadership, particularly with Thabo Mbeki who was soon to succeed Nelson Mandela, GEAR also conformed to the outcomes of the Uruguay trade round and the 1994 multilateral Marrakesh Agreement which pushed for the reduction of trade barriers worldwide and established the WTO[133]. Paradoxically, however, Pretoria's pro-trade liberalisation stance made the conclusion of the new customs union Agreement more difficult[134]. This was because general trade liberalisation meant lowering the CET. Under the 1969 Agreement, South Africa determined the CET alone, albeit 'in consultation' with the other members. As a consequence, SACU's unweighted mean tariff rate declined from 27.5% in 1990, to 9.5% in 1996 and 7.1% in 1999[135]. A lower CET, in turn, meant less revenue to the BLNS governments – even if their shares of the pool were held constant. For the South African government, this posed a dilemma: on the one hand, it perceived its interests furthered by boosting South African companies' prominence in international trade; on the other it had, as we saw, every interest in securing the fiscal stability of its neighbours.

A further difficulty regarded the rhetoric surrounding the objectives of the revenue-sharing formula. While all parties acknowledge the BLNS dependence on the CRP transfers, the BLNS refused to consider the transfers as South African aid/support; rather, it was phrased in terms of rightfully owed compensation. This imposed further constraints on the design of the compensation mechanism. 'Any form of explicit compensation, such as the establishment of a development fund, was rejected by the smaller member states. Instead, negotiators

[132] Republic of South Africa, 1996; Söderbaum, 2004b: 84-85; 103. See also Lee (2003: 78) and Mills (1998).
[133] Davies, 1994: 37; Ajulu, 2001; Landsberg, 2000
[134] *Mail and Guardian* (Johannesburg), 26 July 1996
[135] Bach, 2006: 158

attempted to build in sufficient implicit compensation into the new formula to deal with polarization and cost-raising effects.'[136]

Ultimately, however, the parties were able to reach an agreement by splitting the CRP revenue streams into three separate components: customs, excise and development support. It was agreed that each member's share in the *customs* pool in any given year would be equal to the member's value of goods imported from all other SACU members as a percentage of total intra-SACU imports during that year[137]. Given that the BLNS countries import incomparably much more from South Africa than South Africa imports from the BLNS, the BLNS shares of the customs component was high compared to that of South Africa's. At the time of signing the Agreement, existing trade flows implied that only 20% of the customs-related CRP transfers would accrue to South Africa. This was the first of two concession granted by Pretoria to maintain SACU's role as a revenue guarantee for the BLNS governments[138].

In contrast, the *excise* component of the CRP would accrue almost entirely – at the time, 92% – to South Africa. This was important to the South African negotiators since excise, in contrast to customs duties, was considered an important source of revenue for the South

[136] Kirk and Stern, 2003: 14. Calle Schlettwein, Namibian Deputy Finance Minister, made the following remark a few years later: 'An unfortunate perception is being created insinuating that South Africa is 'donating' funds to the BLNS. The reality is that all member states contribute to the SACU Pool, which is then shared among the members according to an agreed formula, that is according to the 2002 SACU Agreement, which is a binding treaty for all member states. It is also important to underscore the principles that underpin the revenue sharing formula, with the main principle being that "no SACU member should be worse off and that development in one should not be harmful to development in another".' (Schlettwein, 2010: 6)

[137] SACU, 2002: Article 34(3)

[138] McCarthy, 2003: 625; Kirk and Stern, 2003: 9

African Treasury[139]. However, to mitigate the expected reduction in customs duties under pressure from multilateral agreements, the South African government made a second concession to safeguard the SACU ability to perform the "integration – revenue" and "integration – security" functions for the BLNS and South Africa, respectively: the excise component of the CRP was to fund a development component of the SACU revenue to the smaller members. 15% of the excise pool was earmarked to go as unconditional budget contributions to the governments of Lesotho, Namibia and Swaziland (but not Botswana), the governments most dependent on SACU revenue for their fiscal positions[140]. The unconditionality of the development component made it acceptable to the weaker members. The five states were also able to agree on distributing the CRP revenue on the basis of sanctioned trade forecasts rather than actual statistics, thereby avoiding the two-year lag period previously criticised. However, South Africa only agreed this after a provision had been put in allowing for revisions to the distributed revenue as the statistic became available[141].

As indicated by South Africa's then Trade and Industry Minister Erwin, the five governments had reached agreements on most outstanding issues by the autumn of 1996[142]. However despite deep-rooted government interest in continued customs co-operation, it took another

[139] McCarthy, 2003: 626
[140] SACU, 2002: Article 34(5); McCarthy, 2003: 626
[141] Kirk and Stern, 2003: 10-11
[142] Another indication the distribution of benefits was the springing point for the SACU members to carry on their customs cooperation, is offered by the observation that many of the other points agreed on – most notably the institutional setup – still had not been realised years after the Agreement came to force in 2004. As late as January 2010, none of the BLNS states had established the Tariff Boards necessary to participate in the tariff setting according to the 2002 SACU Agreement (*Mmegi* (Gabarone), 7 January 2010. See also McCarthy, 2004: 174). The new customs formula, however, was put into practice on day one.

six years until the revenue formula determining the distribution of benefits was settled[143]. In 2002, finally, the new SACU Agreement was signed; the bows were tied and the bells rang in the next phase of the oldest customs union in the world.

4. ALTERNATIVE EXPLANATIONS

The RPS framework explains the policies and decisions by the five southern African governments to safeguard SACU at critical moments by pointing to institutional and ideational linkages between integration and core government interests such as security, revenue and international standing. I claimed that the existence of these linkages was a necessary condition for the implementation of SACU's CET and intra-union free trade area but it was not sufficient; the five governments also had to agree on a distribution of benefits. The evidence provided, I argue, allows us to reject the null hypothesis: issue linkages *did* matter and, subject to this, agreeing on a distribution of benefits *was* crucial. This does, however, still not render impossible two potential alternative explanations: (1) that South Africa's decision to maintain SACU primarily was driven by business interests in trade; and (2) that regardless of issue linkages, the SACU states maintained their customs cooperation because of external pressure to do so. While both of these alternative explanations are *prima facie* plausible, they fall short in light of empirical evidence.

[143] Sidaway and Gibb quote a representative of the South African SACU negotiation team who claimed that dominant rentier-seeking elites in the other SACU countries 'are dragging their feet because the old [revenue-sharing] formula is advantageous to them' (1998: 178).

While conceding that the BLNS governments were driven by revenue considerations, an explanation based on the interests of business first alternative explanation would argue that in South Africa's case, the interest in SACU did primarily arise out of a desire to promote trade. That is, while the "integration – international standing" and "integration – security" linkages might have played a role, the reason the South African government opted to continue its support for SACU boiled down to trade for trade's sake. This would negate the RPS hypothesis.

South African business interests did indeed benefit from SACU. In 1992, of South Africa's total trade with Africa, 66.6% were with SACU and a full 91.5% with the wider SADC-region[144]. While African exports only accounted for 7% of South Africa's total exports it was disproportionately important to its manufacturing industry: Africa was the destination of more than 40% of its total exports in plastics, fashion and machinery and 33% of its total exports of chemicals, vehicles and parts and other manufactures[145]. The surprisingly large reliance on the small BLNS markets for South African manufacturers was predominantly a result of a combination of apartheid-era import-substitution policies and economic sanctions which had rendered South African products uncompetitive internationally. They were, however, more competitive than the virtually non-existent manufactures of the rest of Southern Africa[146]. Securing tariff and quota-free exports to its neighbours behind the protective wall of a Pretoria-dictated CET therefore played a crucial role in South African

[144] SADC consists of the five SACU members plus Mozambique, Zambia, Zimbabwe, Angola, the DRC, Malawi and Tanzania.
[145] Hentz, 2005: 104
[146] Lee, 2003: 78; Söderbaum, 2004b: 76, 84; Gibb, 2006: 590

trade policy. In Hentz's words: '[b]y the 1980s, the primacy of manufactured exports as a policy objective was firmly established in Pretoria'[147].

It is important to note, however, that the apartheid government had reasons to promote its manufacturing industry that went beyond the typical political economy of accommodating domestic constituents. Pretoria promoted capital-intensive manufacturing as a means to lessening the South African economy's dependence on black African labour. In 1993, a GATT *Trade Policy Review* found that the capital-to-labour ratio in South Africa was approximately twice as high as that of developing countries at comparable levels of development[148]. Finding a market for the South African manufacturing industry was therefore vital from a point of view of the wider apartheid project and not merely limited to satisfying export lobbies.

Nonetheless, the BLNS markets were intrinsically important to the private sector and they continued to be so also after 1994[149]. In 2010, South African intra-SACU exports amounted to R89.7 billion, or 13.2% total exports[150]. Mandela's launch of the GEAR programme in 1996 which involved shifting from an import-substitution to an export-based growth model

[147] Hentz, 2005: 91. See also Hentz (2005: 87-93) and Bach (2006: 160). Naturally, this brought the South African government and the big export industries close together. In particularly after 1979, South Africa's ruling National Party aligned itself with large South African transnational companies with significant activity in the region in an attempt to increase its political leverage by strengthening the economic dependence of the smaller neighbour states (Libby, 1987: 63-88).
[148] GATT *Trade Policy Review: The Republic of South Africa 1993* cited in Hentz, 2005: 95-96
[149] See, for instance, Mills (1998: 80).
[150] SACU, 2012: 17

made the pursuit of market access for South African business even more important and led to close cooperation between the South African government and industry[151].

Yet close cooperation between government and private industry and the importance of access to African markets notwithstanding, considerations of trade mattered only at the margin of the South African government's decisions to keep SACU in 1994 and 2010. Consider first that the Finance Ministry's threat to terminate the customs union in 1992 was explicitly motivated by the fact the political 'value' of SACU to South Africa had been reduced. It did not refer to any loss in benefits from trade. This goes hand in hand with my argument above and also with the conclusion of the 1985 McCarthy Commission which states that 'one of the primary reasons for the continuous existence of SACU, from South Africa's perspective, is political'[152]. Once that reason was undermined so were the prospects of SACU. Moreover, as we saw, the subsequent cabinet decision *not* to withdraw from the customs union was chiefly due to the deal between the National Party and the ANC to leave strategic decisions until after the 1994 election. It was not a consequence of big business intervention[153]. Indeed, as discussed in Chapter 3, the RPS framework predicts this: 'dramatic' changes to government bring about changes in the likelihood of customs union implementation. SACU mattered to South African business but it did not determine the government's course of action. Rather, the importance for SACU of the ANC's rise and the concomitant desire to be seen as a

[151] Republic of South Africa, 1996; Söderbaum, 2004b: 84-85; 103. See also Lee (2003: 78) and Mills (1998).
[152] McCarty (1985) quoted in Mayer and Zarenda (1994: 3). See also Margo Commission Report (1987).
[153] Hentz, 2005: 51-62

benign regional power point to the importance of *government* interests in understanding regional interaction rather than public-goods-inspired interests in trade[154].

Moreover, even as SACU remained an important export market for South African business after transition[155], the customs arrangement was viewed as too expensive (because of the CRP transfers) and too limited a platform for gaining access to African markets. In an interview in 2009, South African Trade and Industry Minister Rob Davies declared that '[t]he priority now should not be Sacu, but to make the SADC Free Trade Agreement work, and widen free trade agreements with Comesa [Common Market for Eastern and Southern Africa] and the East African community, while interrogating rigorously the timetable to move SADC to a customs union'[156]. Since the fall of apartheid opened up the rest of Africa to the South African private sector, South African businesses had expanded rapidly on the continent[157]. They were no longer confined to the immediate neighbourhood. SACOB had made its preference for trade agreements with larger memberships clear in the immediate aftermath of the democratic transition[158] and had since continued to promote this view[159]. Keeping SACU alive which made the development of other, to businesses more interesting,

[154] McCarthy argues that '[h]aving a democratic South Africa in the customs union has totally changed the perceptions of and expectations for the role of the largest economy in the operation and management of SACU' (2004: 158. See also Gibb (2006: 603)).
[155] See Hentz (2005: 6) and Söderbaum (2004b: 72).
[156] *Mail and Guardian* (Johannesburg) 19 October 2009
[157] Söderbaum, 2004b: 78-79; Mulaudzi, 2006: 18
[158] Hentz, 2006: Chapter 5
[159] Hentz, 2005: 45. This does of course not mean that SACOB was not simultaneously lobbying for its preferred trade regimes under existing (SACU) arrangements. In 2011, the World Bank remarked that '[t]he current SACU tariff structure largely reflects the relative strengths of previous sector lobbying efforts, and is riddled with inconsistencies that have inadvertent effects. For example, in 2004 the SACU rates on salmon, trout and smoked fish were 25% while tuna, sole, halibut, lobster and crab were duty free. Rates were 35% for mangoes, 20% for strawberries, 10% for dried apricots, 5% for bananas, oranges, grapes, pears and kiwi while nuts were duty free. Tea attracted lower duty if it was imported in smaller packages' (World Bank, 2011b: 39).

regional trade arrangements more difficult[160] was therefore hardly justified in reference to business interests. If anything, we saw, it was in deference to the plight of labour as a source of unrest.

A second alternative explanation could argue that despite the existence of linkages as pointed out by the RPS framework they were not decisive. Rather, both in 1994 and 2010, the five Southern African states were under pressure from international actors to sustain their customs arrangements. The International Financial Institutions (IFIs), GATT and the EU are among the most likely external influences[161] – all of which could seek to benefit either ideologically or financially from the success of formal economic integration in Southern Africa.

Just as business interests had been, external actors influenced the exact shape of SACU's trade regime[162]. In the spring of 1994, leading up to the negotiations of a new SACU Agreement, the speaker of the Namibian National Assembly, Mose Tjitendero, made clear that the impending GATT deal would 'strongly influence the nature of any future trade regime which the SACU might develop'[163]. However, just like business interests, the influence of external actors alone cannot explain the five governments' willingness and ability to renew SACU in 1994-2002, nor can they explain the outcome of the 2010 Summit.

First, on the BLNS side, we have seen comprehensive evidence showing that the both in 1994 and 2010 the springing point for the BLNS governments was the capacity of SACU

[160] Lee, 2003: 85
[161] Hentz 2006: 124
[162] Söderbaum, 2004b: 91
[163] Tjitendoro, 1994: 21. See also NIEP (1994: viii).

membership to generate revenue. Their belief that SACU indeed could and would do this was not predicated on ideological conviction sponsored by, say, the IFIs but on the institutional design of the customs union agreement – a setup which, through the CRP, had distributed revenue more or less favourably among the BLNS since 1910. To make the most out of this institutional arrangement, some of the BLNS hired European negotiation consultants during the 1994-2002 negotiations[164]. This is likely to have influenced the content of the 2002 Agreement but it did ultimately not determine whether the BLNS wanted to be members of SACU or not. Similarly, while SACU crisis in the context of the EPA negotiations originated outside the customs union, the BLNS decided to stay members of SACU *despite* internationally induced pressure to leave it.

Second, on the South African side, it is clear that external constraints imposed by anti-apartheid sanctions dictated Pretoria's desire to maintain relations with its northern neighbours. Yet, these relations were hardly the result of international encouragement. Further, while there was strong international support for South Africa's re-engagement with the region after 1994, almost all of this was directed at South Africa's involvement in SADC of which it became a member on the 29th of August 1994. Both the EU and the IFIs spent considerable efforts lobbying South Africa to take responsibility for the region by leveraging its economic and infrastructure for the good of the SADC members[165]. On the topic of SACU, the international community was silent, treating the customs union more as a relic of the past than an organisation of the future. And, just as we saw, similar to the behaviour of the BLNS governments during the EPA crisis, Pretoria decided to remain a SACU member

[164] Lee, 2003: 84

[165] See Hentz (2005: 133-142) for an account of EU's and the IFIs' influence on South Africa's regional policies.

in 2010 despite an external environment which pushed it *away* from the customs union[166]. As argued earlier in this thesis, the contribution of external actors to our ability to understand the conditions for formal economic integration in Africa is not by rendering the linkages irrelevant but by influencing the kind of linkages that are made.

5. CONCLUSION

In their 1991 study on the effects of SACU on Lesotho, Lundahl and Petersson wrote that '[t]he political aims have been completely different for the small, weak nations on the one hand and South Africa on the other'[167]. As we have seen in this chapter this observation has held true to this day. I have presented evidence for how an institutional linkage between integration and revenue explained the BLNS governments' desire to ensure SACU's success after 1994 and to honour the integrity of the customs union despite intense pressure from EPA negations 2007-2010. For South African governments, however, the "integration – revenue" has been weak. Instead, Pretoria's commitment to SACU is explained in terms of ideational linkages between integration and international standing on both sides of the democratic transition, and by integration and security in the context of the EPA crisis. However, evidence of strong linkages between implementation of the customs union and government policy space was not enough to explain the ability of SACU to survive the fall of apartheid; even as the five governments had strong reasons to support continued customs

[166] It should, however, be noted that the EU later agreed to amend the EPA on offer to facilitate the inclusion of South Africa (*Business Day* (Johannesburg), 8 October 2010).

[167] Lundahl and Petersson, 1991: 154

cooperation, the inability to settle on a distribution of benefits could have made the 2002 Agreement impossible.

Overall, this last case study has provided further evidence supporting the explanatory power of the RPS framework. Before we turn to the last chapter and draw cross-case conclusions and consider the wider implications of the RPS framework, it is important to note that SACU, like any RIO, is a continuous work in progress. Since the 2010 SACU Summit, the five governments have once again embarked upon revising the revenue-sharing formula. In June 2011, newspapers in Gaborone reported of another ‘near-death experience’ as it looked like South Africa and the BLNS would be unable to reach an agreement on the distribution of benefits[168]. This once again underscores the importance of the Benefits Distribution Condition in the presence of strong cross-issue linkages.

[168] *Mail and Guardian* (Johannesburg), 29 July 2011

Chapter 8: Conclusion

The Regionalism as Policy Space framework offers a parsimonious approach for comparative analysis of the conditions for implementation of formal agreements on regional economic integration in Africa. As such it cannot hope to capture the full range of conceptual and contextual complexities which invariably characterises each individual regional project. Nonetheless, in this thesis, I have argued that it allows us to make predictions about why and when African regional agreements are likely to be implemented based on a limited set of transparent factors applicable across both time and space.

The RPS framework is based on two claims derived from the third worldist literature: (1) that in order to understand variations in the extent to which formal regional economic agreements are implemented we need to look at variations in payoffs to participating governments since government interests – not state interests – are the foundation for African regionalism; and (2) that those payoffs to governments may have very little directly to do with the official objectives of the regional agreement in question. Rather, drawing on the issue linkage literature, the RPS hypothesis highlights the importance of investigating payoffs to African governments from regionalism in the context of those governments' pursuit of policy space. Treating governmental decisions on the implementation of regional agreements in isolation from policy space considerations seriously curtails our ability to understand the stakes at play.

In this conclusion, I first revisit the four case studies to look at the importance of structural linkages and the role of hegemons before examining ways in which we can understand how and why issue linkages appear. This is followed by a discussion of the policy implications of the RPS framework before I conclude the chapter by looking at potential avenues for refinements of the RPS framework and further research.

1. REVISITING THE CASE STUDIES

The RPS hypothesis states that it is only in the presence of linkages between integration and policy space perceived by at least one participating government that regional agreements will be implemented. The concepts of structural linkages and policy space are central to this approach. The four African customs union case studies offer an empirical platform on which to examine these concepts further. They also allow us to investigate the role played by hegemons for overcoming the coordination problem within the RPS – an issue raised a number of times earlier in this thesis but not previously unpacked.

1.1 The importance of structural linkages with policy space

The main problem for *de facto* formal regional integration in Africa is that the only actors in a position to implement regional agreements, governments, typically stand to lose from doing so. Not only are the institutional links which in most developed countries ensure that governments internalise the interests of society at large atypically weak in Africa but, moreover, because they are operating under relatively harsher economic and political constraints than most other governments, African governments are particularly reluctant to accept losses incurred as a result of *de facto* integration such as surrendering sovereignty over particular policy areas and lowering of trade taxes. This is why, I have argued, regionalism in Africa is so often characterised by theatre – a situation where governments sign regional agreements for the sake of, for instance, good neighbourliness and international prestige but resist their implementation. Chapter 1 discussed how, as a consequence, over the last six decades African economies have suffered from slower economic development, reduced innovation and, arguably, greater security and health problems compared to an 'integration benchmark'.

There have, however, been a few rare instances where formal agreements on regional economic integration have moved beyond theatre. In the four customs union cases, the presence of strong issue linkages was a necessary condition for overcoming theatre. Both of the customs unions that had been implemented, the EAC customs union of 2005 and the SACU Agreement of 2002, were characterised by a number of ideational and institutional linkages which, in the eyes of participating governments, connected customs union implementation with the widening of their policy space. Policy space, defined here 'as the freedom, scope, and mechanisms that governments have to choose, design, and implement public policies to fulfil their aims'[1], was proxied by government revenue, security and international standing for the purpose of this thesis. By contrast, the two customs unions characterised by theatre – the EAC customs union of the 1960s and 70s and the ECOWAS Treaties of 1975 and 1993 – were marked by the absence, or gradual weakening, of such linkages.

[1] Koivusalo *et al.*, 2009: 105

These observations are consistent with the predictions of the existing literature on issue linkages in relation to regional cooperation. However, they come at it from a different direction: rather than making cooperation possible by mitigating the collective-action problem of defection through retaliation in other areas, it makes cooperation possible by ensuring that governments perceive there to be gains to start with. While it cannot be excluded that tactical issue linkages mattered too, structural linkages – linkages which regardless of how negotiations were packaged created a *causal link* between implementation and policy space in the eyes of relevant governments – were decisive. The South African governments both before and after 1994 implemented and honoured their SACU obligations because they perceived there to exist structural links between integration on the one hand and security and international standing on the other. The East African government implemented the EAC Customs Union Protocol of 2004 because it was seen to strengthen their finances and therefore reduce donor interference in internal affairs. Conversely, the absence of structural links between implementation and policy space in the EAC in the 1960s and 70s and in ECOWAS up until the early 2000s explains why governments either resisted implementation (in West Africa) or actively undermined existing arrangements inherited from the British colonial authorities (in East Africa). In both cases, the fear of revenue loss was particularly important an obstacle to implementation but also security concerns played in. As the ECOWAS case showed, it was only once at least on government's perception of the link between implementing the customs union and government revenue changed from negative to positive in the early 2000s that any progress was made at all on the customs union even if the implementation of the CET ultimately was thwarted by the inability to reach a regional agreement on the distribution of benefits.

As the RPS framework predicted: in none of the four case studies was the behaviour of governments concerning the implementation of customs union agreements decisively determined by considerations of trade promotion. This undermines the power of the strongest alternative explanation which refutes the importance of linkages with policy space and instead explains variations in customs union implementation in reference to variations in the existence of advantages to trade. As argued in Chapter 3, we should in that case have expected to see strong private sector involvement and/or correlation between government policy and the potential for public goods to the economies concerned. However, the case studies did not provide evidence to support this. Private sector involvement in determining the fate of the customs union agreements was either marginal as in the case of SACU and ECOWAS or overridden as in the case of Uganda in the EAC of the 2000s. In the case of Tanzania and Uganda in the East African customs union of the 1960s and 70s, private sector involvement was made impossible on the back of nationalisation campaigns. Similarly, even though the potential for regional public goods provision through regional trade in the EAC can be expected to have been the same in 1964 as it was in 1965, Nyerere started his dismantling of the customs union in the latter year and not the former – a decision that can only be understood against wider policy space considerations including Nyerere's aspirations to turn the EAC into a Federation in line with his Pan-African ambitions.

Moreover, an explanation for the implementation of customs unions based on market actors would find it difficult to explain changes in the policies *of* governments as a result of changes *in* government. Yet the four case studies provide several such examples. It is unlikely that SACU would have survived under the apartheid National Party once its political role as a normaliser of African relations had ceased to be important in the early 1990s. Yet it survived because the ANC saw it as a way to show its regional and continental ambitions after the 1994 election. Similarly, we saw how coups in both Nigeria and Uganda impacted on the prospects for the ECOWAS and EAC customs unions, respectively. They had that impact, I argue, because they impacted the strength of issue linkages between implementation and policy space perceived by the governments in their respective regions. Though the 'objective' gains from trade remained, the Idi Amin government of Uganda needed external enemies to divert domestic challengers and the new Nigerian government under Buhari ceased to promote Nigerian regional dominance since he perceived it to affect government finances negatively. In all these cases, even though only one government changed in each respective region that change either affected the only government which perceived implementation of the customs union to be causally linked to widening policy space or impacted on the ability of all governments of the region to agree on a distribution of benefits by changing the perception of costs and benefits.

Overall, the alternative explanations discussed in the four case studies fail to be convincing since they fail to provide predictions that are consistent across both time and space. In some cases, e.g. in South Africa and Kenya, the interest of private actors in implementing the customs union aligns with observed integration outcomes; in other cases, e.g. in Uganda and

Ghana, it does not. Similarly, in some cases, e.g. the EAC in 2000s, the support of international development partners seems to explain the implementation outcome; in other cases, e.g. ECOWAS, it does not. In all of these cases, however, we saw how the presence of perceived structural linkages between implementation and policy space constituted a necessary condition.

1.2 The role of hegemons

But the presence of linkages between implementation and policy space is not a sufficient condition; it constitutes the first of two stages in the RPS framework's characterisation of African integration. Subject to at least one participating government perceiving that such linkages exist, at the second stage, the interest in implementing the regional agreement by that government/those governments needs to be accommodated regionally through intergovernmental negotiations on the distribution of benefits. That is, once participating governments perceive that there are benefits to be had from regional integration, they are faced with the collection-action problem of coordination. Instances of implemented regional agreements are a subset of instances in which cross-issue linkages are perceived.

As we saw in Chapter 2, in the mainstream IR literature, the presence of hegemons is often assumed not only to promote regionalism in general by increasing the likelihood of an actor with an interest in regional public goods but, moreover, to promote regionalism in particular because it is seen to mitigate coordination problems by offering a natural policy focal point[2]. Indeed, South Africa's role in SACU provides a classic example. However, looking across

[2] Mattli's strong supply condition is a good example of this reasoning (Mattli, 1999).

the four case studies, the effects of hegemons on customs union implementation was highly diverse.

In East Africa, Kenyan dominance was a contributing factor to the *breakdown* of the customs union in the 1960s and 70s since it made it increasingly difficult to find solutions to the coordination problem of distributing benefits in a manner satisfactory to all three participating governments. Indeed, Kapstein argues that Kenya's decline relative to Tanzania and Uganda was a critical factor for the re-emergence of the EAC in the 1990s[3]. In West Africa, Nigerian hegemony initially catalysed the formation of ECOWAS in the 1970s and its capabilities and interests were critical to ECOWAS's security initiatives but, simultaneously, in terms of customs union implementation it posed the greatest obstacle. In addition, in West Africa, French influence has at various times served both to further integration in the form of the various Francophone organisations, and obstruct integration in the form of encouraging Anglophobe posturing by its former colonies.

Insights from customs-union theory and the third worldist literature discussed in Chapter 3 can explain part of the ambiguous influence of hegemons on customs union implementation in Africa. Anywhere in the world, a customs union runs the risk of diverting trade from cheaper third-party exporters to more expensive intra-union exporters as a result of the establishment of the CET. In these instances, the customs union, in effect, creates a series of transfers from member A in which consumers now pay more for their goods to member B in which those goods are produced. In addition, in Africa, where members of the same customs

[3] Kapstein, 2010

union often are at different stages of economic development, the creation of an intra-union free trade is likely to lead industrial polarisation effects since firms can move to the most developed member where they enjoy the most advanced physical and financial infrastructure while still catering to the entire regional market. Hegemons are not always also the most advanced countries but in our four customs unions this was the case at least in both the EAC (Kenya) and SACU (South Africa); as we saw, in both these regions, fears of trade diversion and industrial polarisation were important factors. That is, even though the members of SACU and the EAC of the 1990s and 2000s were able to overcome the coordination problem – at least in part because of transfers and asymmetrical-obligations arrangements at the hegemons expense – it was to a large extent the very presence of the hegemon that created the problem to start with as demonstrated by the EAC in the 1960s and 70s.

These observations serve to illustrate how mere hegemonic presence is a poor predictor of the extent to which customs union agreements are implemented in Africa. In some cases it facilitates implementation; in other cases it obstructs it. Rather than looking at the mere presence or absence of hegemons, therefore, scholars seeking to understand why and when African customs unions are implemented should focus on studying how hegemonic presence influences the perceived existence of issue linkages between implementation and policy space and the ability of participating governments to arrive at a regional distribution of benefits. As we have seen, this varies from case to case. In light of this it once again needs to be emphasised that hegemonic presence on its own is not a condition for overcoming theatre regionalism but it typically does affect the RPS conditions which, in turn, are necessary for implementation of formal agreements on regional economic integration.

2. UNDERSTANDING HOW AND WHY CROSS-ISSUE LINKAGES APPEAR

An analysis of the existence of structural cross-issue linkages is critical for the RPS framework's predictions on when we should expect African regional agreements to be implemented. So far, however, we have only tentatively scratched the surface of the reasons and mechanisms that explain their existence. In a comparative study on the successes and failures of UNHCR's refugee conferences, Betts introduces the concept of cross-issue persuasion[4]. Arguing that the support of Northern donors for international burden sharing only has been forthcoming in the context of cross-issue linkages between the refugee regime and wider interests of Northern states, Betts points to the importance of agency in *persuading* governments of the existence and relevance of necessary linkages. In the refugee context, UNHCR has played the critical part by conscientiously using institutional design, drawing on epistemic communities, engaging in argumentation and spreading information to promote institutional and ideational links[5].

Without a global agency responsible for regional integration, we are unlikely to see one actor playing an equivalently dominant role in the context of customs unions. Rather, agency is shared by a host of different actors. Indeed, this is tentatively brought out in the case studies. Both the drafters of customs union agreements and the drafters of development assistance agreements played roles in establishing institutional links. In Southern Africa, institutional links were the result of the SACU Agreement whereas in East Africa links established in the 1999 EAC Treaty and the 2004 Customs Union Protocol were complemented by links

[4] Betts, 2009. See also Woods (2006: Chapter 3) on the role of persuasion in world politics.
[5] Betts, 2009: 179-183

resulting from conditionalities imposed by the development partners through the EAC Partnership Fund. An 'epistemic community' refers to 'a network of professionals with recognised expertise and competence in a particular domain and an authoritative claim to policy relevant knowledge within that domain or issue-area'[6]. Epistemic communities have the potential to establish ideational links through research and academic debate[7]. While not making it explicit, the case studies suggested that the fall of the Soviet Union and the successful integration experiences in North America and Europe at the beginning of the 1990s created a diffuse global epistemic community of trade liberalisers which influenced ideational links perceived by governments in both East and West Africa – in particular between integration and government revenue[8]. Closely related to the epistemic origin of cross-issue linkages, is the mechanism of creating issue linkages through argumentation and the spreading of information. As we saw, in both East and West Africa, the World Bank and the EU played important roles in this regard through the commissioning, sponsoring and disseminating reports on the benefits of implementing the respective customs unions.

In Southern Africa, the role of international actors was more muted in terms of creating the ideational security and international-standing linkages necessary for the SACU Agreement to be implemented. Rather, these linkages were the result of internal South African intelligence analysis. Indeed, despite the diffuse set of actors influencing the establishment of perceived issue linkages the case studies do suggest a general rule of thumb: international development partners have typically played the primary role in promoting "integration-revenue" linkages

[6] Haas, 1992: 3.
[7] See Drake and Nicolaidis (1992) on the role of epistemic communities in the context of the Uruguay Round.
[8] See Woods (2006) on the epistemic role played by the World Bank and the IMF for the promotion of globalisation.

whereas domestic and or regional agency has been more pronounced in terms of emphasising "integration-security" and "integration-international standing" connections. In addition to the mentioned security and international standing linkages in SACU, linkages connecting implementation of the present-day EAC customs union with policy space through international standing were also 'generated' in the region – both the sense that implementation would lead to greater bargaining power in multilateral negotiations and the sense that implementation would promote Museveni's chances of becoming the first East African president. As we will see in the next section, the question of agency as an expansion of the RPS framework's focus on structure in connection with cross-issue linkages assumes significance in the context of the RPS framework's implications for policy.

3. IMPLICATIONS FOR POLICY

This thesis started off by pointing to two deficiencies. The first was a deficiency of policy: surveying the literature on the consequences of political and economic fractionalisation on the African continent, I concluded that most African economies would stand to benefit from regional integration. Yet despite these potential gains, it was found that much of African regionalism could be characterised as theatre: governments signed regional agreements that they then did not follow up. However, it was also noted that there were isolated instances which defied this general theatre observation. The second was a deficiency of theory: the current IR literature had not yet developed a simple, comparative framework capable of explaining this variation. Why did some African governments implement the regional agreements that they had signed but not others? By combining aspects of mainstream IR literature and third worldism, the RPS framework sought to mitigate the theoretical deficiency. The improved understanding of why and when African governments implement regional economic integration agreements thus attained puts us in a position to tease out some tentative implications for key actors involved and thereby mitigate the policy deficiency.

3.1 Implications for international development partners

Given the developmental advantages to Africa from regional economic integration, international development partners ought to have an interest in promoting the implementation of regional economic agreements. The application of the RPS framework in the four case studies makes it very clear that the ability of development partners to do so requires an awareness of the importance of perceived issue linkages among African governments. The ECOWAS case study showed that customs union agreements expected to be implemented for the sake of establishing a customs union are unlikely to be successful.

As we saw in the previous section, international development partners already play an important role in establishing both institutional and ideational cross-issue linkages. Yet the potentially detrimental influence of EPA conditionalities on the ECOWAS customs union and their profoundly destabilising effect on SACU shows that more can be done. Given that development partners so far have been most effective promoting "integration – revenue" linkages, this should arguably remain their focus. There are, however, also ways in which development partners can strengthen "integration – international standing" linkages by awarding member governments of successful RIOs advantages in bilateral and multilateral negotiations. We can think of two ways in which the ability to establish and strengthen policy space linkages could be furthered.

The first regards donor coordination. A coordinated approach by development partners to establish policy space linkages with implementation of regional agreements in Africa is likely to be more successful than disparate and isolated efforts. This applies for all available means of promoting the perception of linkages: from institutional design of aid agreements to the epistemic role and role of information provider. Greater coordination can be achieved not only *across* development partners on a common platform as the ‘Friends of the EAC’ have done through the EAC Partnership Fund but greater coordination can also be achieved *within* various policies of individual donors. Some of the countries that supported the EAC Partnership Fund threatened to cause the collapse of SACU as implicit counterparties in the EPA negotiations. Similarly, France’s role in West Africa is problematic since it both supports the Francophone customs union UEMOA and, increasingly, the ECOWAS customs union even though the two are incompatible. Casual observation suggests a frequent mismatch between donor’s development policies and their trade policies. This can lead to situations in which they provide financial and other support to ensure the implementation of a customs union for the sake of development at the same time as they pursue trade policies which work in the opposite direction. The role of EPA negotiations in West Africa was an example of this.

A concerted policy across and ‘within’ development partners to make additional assistance or favourable negotiation terms available conditional on successful implementation of regional agreements is likely to enhance the perception among African governments that implementation leads to further policy space. Lack of coordination is likely to reduce the effectiveness of such conditionality. This effort, which most easily is imagined in terms of institutional design of North-South agreements, could be supported by equally concerted efforts to disseminate information about the benefits of formal economic integration to further ideational linkages. As we saw, the impact of the loss of the 'Communist epistemic community' in the early 1990s was profound for the implementation of the EAC customs union.

Closely related to some of the ideas raised above, is the second way in which international development partners could further African regional integration through the promotion of policy-space issue linkages: non-reciprocal trade arrangements. Both the SACU and the ECOWAS case study made clear how EPA negotiations requiring reciprocal trade liberalisation between the EU and African states had negative consequences for the two customs unions since it raised the fear of loss of government revenue as a consequence of giving European goods tariff-free access. This fear, in turn, split the two customs unions into two camps. At least in part, the split was exacerbated by the fact that some but not all members of SACU and ECOWAS were classified as Least Developed Countries (LDCs) – countries to whom the reciprocity clauses do not apply. By removing reciprocity from the EPAs all together conditional on successful implementation of regional economic agreements, not only would the EU facilitate the ability of African RIO members to approach

EPA negotiations on the same terms but it would most likely strengthen "integration – revenue" linkages or at the very least lessen the fear of revenue loss[9].

In addition their role in promoting policy space linkages, the RPS framework suggests that international development partners ease distributional tensions among participating governments of regional economic agreements. In ECOWAS, donors mitigated the coordination problem by assisting less developed members such as Sierra Leone by taking on the financial costs of implementing the ECOWAS CET; in SACU, donors assisted the BLNS governments with experts in negotiating the 2002 SACU Agreement to ensure a conclusion with which all member governments would be satisfied. The importance of this assistance should not be underestimated given the importance of overcoming the coordination problem for the likelihood of implementation of regional agreements. There could potentially be ways for development partners to offer African governments cohesive 'RPS packages' in which they not only establish conditionalities and disseminate information to strengthen cross-issue linkages but in which they subsequently also assume some responsibility for arriving at a regionally acceptable distribution of benefits perceived to arise from those linkages.

3.2 Implications for African governments

The RPS framework has implications for African governments, too. Once one signatory government to a regional economic agreement perceives there to be links between implementation and policy space, it is in its interest to promote such linkages among its peers. This was the situation in, for instance, the EAC in the 1960s and 70s when the Kenyan

[9] See Collier (2012).

government perceived both “integration – revenue” and “integration – international standing” linkages that the Tanzanian and the Ugandan governments did not. It was also the situation in ECOWAS in the 2000s where, for instance, the Ghanaian government perceived there to be linkages connecting implementation of the customs union with government revenue before the Nigerian government did. Distributing benefits perceived by one government to the other is one way of facilitating the implementation of regional agreements in these instances but, as the experience of the EAC in the 1960s shows, arriving at a distribution of benefits in a scenario where one or several governments perceive regional integration to run counter to their pursuit of policy space is very difficult. Distribution of benefits, therefore, should therefore be complemented by sustained efforts by the already-interested government to spread the perception of policy space linkages.

As in the case of international development partners, this can be done through any of the four channels listed by Betts: institutional design, epistemic role, argumentation and information. African governments may be particularly well placed to assess which issues are perceived the most important to their peers. Aware of the Nigerian government’s interest in regional security, a constellation of West African governments spearheaded by, for instance, the Ghanaian and the Senegalese which have pushed for the implementation of the customs union, could seek to make the financing of the regional security force, ECOMOG, contingent on the erection of the CET.

The ability of individual African governments to promote the establishment of policy-space issue linkages is admittedly likely to be small. As argued in Chapter 2, most African governments face severe political and financial constraints and only very few would have the capacity to contribute to an epistemic role advocating for the benefits stemming from *de facto* integration. Nonetheless, where and when possible, African governments have a potentially important role to play in persuading their peers of the benefits from integration.

4. FURTHER RESEARCH

The RPS framework is an attempt at developing a parsimonious approach for comparative work on the extent to which African regional agreements are implemented. While it rests on a number of well-established branches of IR literature, the RPS framework nonetheless requires and inspires more research on both an empirical and a conceptual level.

4.1 Further conceptual development

For the first time, this thesis introduces the concept of policy space as an integral part of the independent variable for comparative analysis of the implementation of regional economic agreements in Africa. Drawing on David's idea of omnibalancing, 'policy space' was defined 'as the freedom, scope, and mechanisms that governments have to choose, design, and implement public policies to fulfil their aims'[10]. Mirroring this definition, policy space was operationalised as government revenue, security and international standing. This conceptualisation takes both internal and external constraints on governments' freedom of action into account but there are several ways in which the policy space concept could be developed further.

[10] Koivusalo *et al.*, 2009: 105

A promising avenue for further research would be to distinguish between different 'kinds' of policy space in the RPS framework. We can think of distinctions along two different axes: level and area. An important explanation for why and when African governments have implemented customs union protocols has been their perception that doing so strengthens their positions relative to international donors either by boosting government revenue or by allowing them to negotiate as members of blocs at multilateral negotiations. At the same time, as we have seen, international donors have also played important parts in furthering African regionalism. As pointed out in Chapter 3, at first this might seem paradoxical for two reasons: not only does it suggest that donors undermine themselves but it also suggests that African governments seek to lessen their dependence on donor interference by implementing donor-supported policies. Neither of these tensions reduced the RPS framework's ability to predict outcomes on the basis of the Benefits Existence and Benefits Distribution Conditions but it does suggest that we can think of policy space at three different *levels* of analysis: the domestic, the regional and the international.

A further development of the RPS framework, then, would allow it to investigate whether African governments trade off 'regional policy space', say, full sovereignty over tariffs imposed on regional trade partners, in exchange for increased 'domestic' and/or 'international policy space', say the strength of the government's hold on power at home and its access to international aid. Such a development of the framework would necessitate a refinement of the current two-stage game setup to allow for one with significantly more complexity. In essence, it would transfer aspects what is now channelled through the Benefits

Existence Condition such as institutional "integration – revenue" linkages based on aid to a further game stage between African governments and international development partners.

Another distinction possible to introduce into the policy space concept regards the 'area' through which the policy space is obtained. The present framework does not consider tradeoffs between policy space enhanced through, say, increased security in the form of military control and policy space enhanced though, say, government revenue in the form of a stronger tax base. Currently, policy space is treated as a 'net concept' – it is the overall effect on policy space that is predicted to matter for the implementation of regional economic agreements. A refined RPS framework would seek to establish a hierarchy of 'policy spaces' in the three areas identified in this thesis – revenue, security and international standing – to allow even more precise predictions on when and why African governments implement regional agreements. This would, for instance, allow the framework to predict an outcome in situations in which implementing an agreement is perceived to increase international standing but reduce government revenue.

4.2 Further empirical research

In addition to conceptual developments of the RPS framework, this thesis also opens up to a large number of further empirical applications of the existing framework. Chapter 1 listed ten African customs unions. A first natural step would be to investigate the RPS framework explanatory power in the context of the six customs unions not examined in Chapters 4-7. An exhaustive application of the RPS approach would either strengthen the framework or identify outcomes that cannot be explained and therefore necessitates a revision of the approach. A second step would be to broaden the empirical analysis to include other expressions of economic regionalism in Africa. The focus on customs unions in this thesis was operational and not conceptual; by looking exclusively at one type of integration cross-case comparability was facilitated. In other words, despite the focus on customs unions in the case studies, the RPS framework claims to shed light on the conditions for implementing formal African regional economic agreements in general. In a second round of further empirical research, therefore, it would be interesting to assess the explanatory power of the RPS framework in the context of, for instance, common markets, monetary unions, and integrated finance and capital markets. For instance, to what extent can the RPS framework explain why the CFA franc monetary union has been implemented but efforts to reintroduce the East African shilling as part of an EAC monetary union have stalled?

A third expansion of the empirical research would apply the RPS framework outside of regional *economic* agreements and assess its validity in the context of regional infrastructure and energy agreements, regional agreements on the provision of common services as in the EAC in the 1960s and regional security agreements. A fascinating observation is that while ECOWAS has been relatively successful with implementing its security agenda but not with implementing its trade agenda, the EAC has been relatively successful with implementing its trade agenda but not its security agenda. On its own, this observation provides additional support for the decision to look at specific aspects of the four RIOs rather than attempting to take them as unitary projects which have either ‘succeeded’ or ‘failed’. Even without refining the policy space concept further as outlined above, the current RPS framework allows rather targeted predictions: by looking at exactly what the “integration – policy space” linkages are, we should be able to tell exactly what kind of integration is likely to be successful. Looking beyond merely economic integration, the RPS approach opens up the possibility of in-depth single-RIO, multi-objective comparative analysis. This would mean singling out two or more objectives from the treaty and protocols of the same RIO, say ECOWAS, and try to explain the variation in implementation across, for instance, its security and trade objectives.

A final round of empirical expansion regards assessing its validity outside of Africa. The research question of this thesis is explicitly interested in comparative analysis of variation in the implementation of *African* regional agreements seeing that the most promising model in the extant literature – Mattli's demand and supply approach – neither attempted, nor could hope to attempt, to be applied to Africa. While I made no claims of strict uniqueness of African states compared to states in other parts of the world, the justification of the RPS approach rests on the acknowledgement that most African states share certain characteristics relevant to their regional behaviour which, to the extent they exist elsewhere, either are less pronounced or less common. The prevalence of theatre integration in Africa was a clear indication of this. The validity of the RPS framework outside of Africa may therefore be expected to be severely reduced. However, to the extent that clusters of countries on other continents could be said to share similar traits as those discussed in Chapter 2, the RPS framework should offer a transparent means of predicting why and when regional economic agreements are likely to be implemented. As such it offers an important complement to Mattli's Europe-focused model since it provides a second tool for the comparative analysis of integration projects that are neither in Europe nor in Africa.

This thesis started out with the observation of regionalism as theatre in Africa and pointed not only to the empirical consequences of that observation but also to the absence of theoretical approaches to understand why and when to expect theatre and why and when to expect *de facto* integration. Over the last eight chapters, I have attempted to remedy this gap in the literature by developing a transparent framework for comparative analysis on the conditions for implementation of African regional economic agreements. I married aspects of the mainstream IR literature on regional integration – particularly Mattli's demand-and-supply approach and the characterisation of integration as a coordination game – with insights from the third wordlist literature to arrive at the Regionalism as Policy Space framework. The RPS framework thus arrived at modelled African integration as a two-stage game: at the first stage, individual governments assess the extent to which they perceive implementation to be conducive to the widening of their policy space (the Benefits Existence Condition); at the second stage, signatory governments of a regional agreement engage in regional negotiations to settle the distribution of benefits from actually integrating (the Benefits Distribution Condition). The RPS framework predicts that it is only when both of these conditions hold that we are likely to see an absence of theatre integration and the presence of *de facto* integration. The two RPS conditions were then operationalised, examined in the context of four African customs union case studies and compared against alternative explanations. Overall, the RPS hypothesis was found to be a good predictor of implementation performance. Armed with this conceptual tool, it is my hope that policy makers will be in a better position to devise more effective policies for a continent that has been held back for so long.

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