Self-Interest in African Regional Economic Organizations and Lessons from the European Union and the Association of Southeast Asian Nations

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Although regional integration is not likely to become a panacea for Africa's difficulties, many scholars and public officials acknowledge that it will solve many of the continent's problems. Economists and investors argue that a bigger market not only will attract more private investment capital but also will likely create economies of scale. Historians and political scientists remind us that many of Africa's current troubles stem from the artificial territories and states produced by the Berlin Conference of 1884.[1] Geographers have also pointed to artificial boundaries as a cause for much of the underdevelopment in the region. Such boundaries, coupled with a lack of natural transportation routes to connect the continent, have limited the growth of commerce and large metropolitan communities essential to economic progress.[2] One hears repeatedly that minimizing the effects of these boundaries through regional integration will open up avenues for social and economic advancement.

However, identifying a form or course of integration most likely to lead to consistent expansion and deepening of regional integration among African states remains a point of contention. This article maintains that a regional organization's prospects for both expanding and deepening largely depend upon its principal interests. For instance, the European Coal and

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Steel Community (predecessor of the European Union [EU]) was created by the European political elite with the goal of reducing or preventing war on the continent. As the interests of Europeans evolved from the need to prevent conflict to economic development, the regional organization has followed suit to accommodate both political and economic interests. Meanwhile, the North American Free Trade Association emerged to represent the economic interests of big corporations in America, Canada, and Mexico, and its structure reflects those concerns. Consequently, the success of any regional organization depends upon the compatibility of the interests represented and the goals of the organization.

Colonial Rule and Regional Integration

Regional organizations in Africa have performed poorly because the primary interests represented are not compatible with the goals of these organizations. Decisions to create such entities, like most other decisions in Africa, are primarily based on the interests and wishes of political leaders in the countries concerned.[3] Many scholars have observed that regional organizations in Africa were created to serve the needs of the state and not those of individuals or society.[4] To acquire a better understanding of the interests or goals of regional organizations in Africa, one must examine the structures that inspired these institutions.

Formal cooperation among African states began during the colonial era. The colonizing powers, particularly Britain and France, established regional organizations mainly for administrative convenience.[5] African economies were primarily subsistence, involving minimal exports from one community to another. The regional bodies that arose during the colonial period, therefore, largely served administrative rather than economic functions. The colonial powers did not have enough manpower to administer each colony separately. At independence, the new leaders inherited the regional organizations, together with their modes of operation, even though they claimed that the institutions were intended to promote economic growth and efficiency.

The East African Community (EAC) offers a good example of regional organizations developed to expedite colonial rule in Africa. Now composed of Kenya, Tanzania, Uganda, Burundi, and Rwanda, the EAC initially included Kenya, Tanzania, and Uganda—countries administered by Great Britain, which sought to minimize its administrative expenses while maximizing its benefits by coordinating the administration of the three colonies. For instance, Britain constructed a railway line (the first in the region) from Kenya's coastal town of Mombasa to Kisumu, its border town with Uganda. The Kenya-Uganda Railway, completed in 1902, transported cash crops and other resources from the interior (Uganda and Kenya) to the coast for shipment to Britain. Eventually, the railway became the nucleus of the East African Railway Services, one of the core services of the East African Common Services Organization, which, together with the EA Common Market, preceded the EAC.[6]

Another example of colonial influence—lobbying for regional cooperation by the white settlers in Kenya—contributed to integration of the East African colonies. Intending to achieve quicker and greater economic development than other regions on the continent, these individuals petitioned for the integration of the three colonies. For the most part, colonial governors, particularly those of Kenya, conducted the lobbying. Allen Springer reports that governors Sir Robert Coryndon and Sir Edward Grigg, both of Kenya, insisted on regional cooperation—and even federation. They preferred regional integration in spite of skepticism expressed by representatives from other areas of the colonies.[7]

Colonial administrators were primarily concerned about institutions that would facilitate efficient extraction of resources and direction of the three large colonies, but African leaders who assumed the reins of power at independence took more interest in national development. A brief examination of the mechanics of colonial rule reveals the reasons for African leaders' obsession with the development of nationalism immediately after independence.

European powers commonly used what came to be known as the divide-and-conquer technique to dominate a continent many times larger than theirs. These colonizing powers pitted one nation or tribe against another, both to weaken resistance and to employ armies from one country to fight another. In Uganda, ethnic groups from the northern part of the country (Nilotics) were manipulated to become archenemies of the ethnic groups in the southern region (Bantu); in Nigeria, the Hausa-Fulani from the north became enemies of the Igbo and Yoruba in the south; in Rwanda and Burundi, the Tutsi and Hutu became lifelong enemies even though they had intermarried and shared the same language and culture.[8] All of this meant that peoples in most African countries did not feel like nations at independence and that governments formed at that time did not have internal legitimacy. Given such a political environment, African leaders sought to gain political legitimacy and foster a spirit of nationalism among all citizens of their countries, adopting the strategy of economic development through economic integration to do so.

African Leaders and Regional Integration

Many African leaders and policy advocates at the international level have proposed or tried to follow the trail blazed by the European states. The European model of regional cooperation and integration is based on two theories—the customs union (CU) theory and the Balassa model.[9] Jacob Viner's CU theory deals with efficiency in production and trade as well as other economic benefits that come with the unification of two or more markets. It draws from the concept of trade creation and diversion, the former involving increases in trade among a group of countries after they remove customs barriers. Theoretically, eliminating tariffs between economies leads to a more efficient allocation of resources, followed by lower commodity prices and more trade. Trade diversion occurs when consumers abandon cheaper commodities available in countries outside their region and settle for expensive goods produced within their area. In short, integration is beneficial if it leads to trade creation and harmful if it leads to trade diversion.

The economic theory of integration concerns the process by which countries increasingly ignore their territorial boundaries to pursue greater economic benefits. Progressive elimination of trade barriers between nations involved in integration arrangements lies at the core of this theory. Béla Balassa best conceptualizes the process as one consisting of five stages: creation of a free trade area, a CU, a common market, an economic union, and total economic integration. When countries initiate a course of economic cooperation, they probably will become more integrated, starting with a free trade area, until they attain total economic integration. Because of the economic benefits that come with cooperation, one assumes that countries continue to extend or intensify their level of cooperation until they reap all benefits.

Despite the anticipated benefits, many Africanists have written about the irrelevance of the CU theory to free trade and integration in Africa.[10] Most criticisms have focused on technical aspects, primarily the mismatch between CU integration and the continent's economic realities. For instance, most African countries export similar products, and their economic structures lack flexibility. In other words, most of them cannot easily adopt new commodities to produce or export. Thus, once markets merge and a free trade area arises, the integrated economies cannot easily adjust to produce commodities in which they have a comparative advantage. In technical terms, such economies do not complement each other. Integration of them does not result in more trade. Furthermore, African countries have tried to use the bigger markets created by regional integration to develop their economies by way of import-substitute industrialization, which has not worked well either. Instead of creating more trade between countries, it has produced trade diversion. Even more frustrating, despite the realization of some economic benefits, problems regarding their equal distribution have undermined the efforts of cooperation.[11]

A second set of problems with regional integration in Africa involves issues related to politics on the continent, which is plagued by nepotism, corruption, and tendencies for personal rule—all of which undermine the institutional capabilities of regional organizations.[12] Many of the latter have not performed well because of the appointment of unqualified political cronies. Given the underdeveloped nature of African economies, most people look to the government for employment instead of the private sector. In fact, the government is the leading employer in most African countries. The most debilitating political reality, however, remains the tendency for personal rule. Many African leaders, even the ones democratically elected, are unwilling to follow or abide by the law. David Lamb succinctly captures the essence of personal rule in Africa in an account of his experience and observations in different parts of the continent: "Nowhere in the world do individual countries mirror the character of their presidents as much as in Africa. What a country is often depends solely on who the president is. A new man takes over and the country may move in an entirely different direction."[13]

This type of politics is not conducive to efficient functioning of a regional organization, as demonstrated by the experience of the EAC. Although the original EAC weathered several economic problems, the incompatible personalities and ideological persuasions of the member countries' heads of state (Kenya, Uganda, and Tanzania) precipitated its demise.[14] Gen Idi Amin, president of Uganda, could not work with President Julius Nyerere of Tanzania because of the suspicion and contempt the two leaders had for each other. For instance, Nyerere blocked Amin's appointments to top EAC positions and, even more seriously, refused to convene the East African Authority (the supreme organ of the EAC, composed of the heads of state) with Amin in power. Indeed, the East African Authority did not meet for six years because of the relationship between Amin and Nyerere.[15]

One limitation of regional organizations in Africa has not received sufficient attention—the incompatibility of the principal interests of African leaders with the goals of those organizations, which they created. Although they established organizations with an institutional design similar to that of the European Economic Community, their interests did not resemble those of the Europeans.

Self- (or National) Interest and Regional Integration

Many scholars have discussed political and technical issues associated with integration in Africa, and several leaders have implemented reforms; however, congruence between interests and objectives remains largely unexplored. This article addresses that issue by examining two models of integration—the European and Southeast Asian. Of all models of regional and economic integration, the European one has proved the most popular thus far. The success it has enjoyed, measured in terms of both the number of states involved and the amount of sovereignty relinquished, is phenomenal. Because of that success, leaders in Africa and elsewhere have chosen to adapt the European model. However, its performance in Europe has not transferred to other regions, as discussed above. Many countries have experienced technical and political problems when they attempt to implement this model. However, these are not the only difficulties.

In his paper "Sequencing and Depth of Regional Economic Integration: Lessons for the Americas from Europe," Richard Baldwin argues that "the world has relatively little to learn from the European Union as far as the deepening of economic integration is concerned" and that "the EU's supranationality is the key to its deepening and this degree of supranationality would be unacceptable to most nations in today's world."[16] He contends that most states would not be willing to give up their sovereignty, as did European nations. A unique set of circumstances made European integration possible. Commenting on these circumstances and the impact they had on integration, Baldwin writes that "this shared misery was critical to the adoption of institutional elements that continue to make the EU's extraordinarily deep integration an irreproducible experiment even today."[17] European leaders wished to create and maintain a regional organization because it would help them attain their goal of peaceful coexistence. Collectively, they wanted to contain Germany, a state held responsible for starting both world wars, and to guard against the ideologically opposed Soviet Union.

In addition to security concerns, the nature of politics in Europe led political leaders to pass on the responsibilities of managing the regional institution to supranational organizations. In the early stages of European integration, a high demand for good governance, particularly democracy and rule of law, existed on one side and a desire for economic integration on the other. Because of these circumstances, European leaders found themselves in an unenviable situation whereby they had to make policies for two sets of constituencies—their national and regional citizens—whose needs did not always coincide. Consequently, those leaders were more willing to delegate authority to the EU to extract themselves from a tight spot, which in turn promoted further economic integration.[18]

This article argues that the circumstances and interests bolstering integration of the Southeast Asian nations, unlike integration in Europe, provide some lessons and hope for African states. Circumstances in Southeast Asia are similar to those in Africa in that both regions are creating and developing their regional organizations at a time when rapid economic development depends upon an open economy. European countries were lucky enough to develop at a time when their economies occupied the forefront of the industrialization curve; accordingly, their domestic markets absorbed commodities from industries in their region. In other words, those nations did not have to choose between export-oriented or import-substitute-oriented industrialization. Most countries that have tried to create regional economic organizations after European integration have had to contend with developing industries that compete with relatively inexpensive commodities from manufacturers in North America, Europe, and Japan.

Most states that have established regional organizations wish to develop their economies. Using the European Economic Community, together with the CU theory of integration, countries in other regions of the world have sought to create bigger markets that will shape a suitable environment for rapid industrialization and economic development. However, late developers (countries whose economies have or are developing in the late twentieth or twenty-first century) that want to keep abreast of the competition must either carve out a niche for themselves in the international market or concentrate on import-substitute industries in the domestic market. Jochen Legewie contends that Southeast Asian countries adopted both strategies of industrialization.[19] Japanese corporations took advantage of the cheap but highly productive workforce in Southeast Asian countries to produce and export labor-intensive commodities. Meanwhile, governments in these nations pursued a policy of import-substitute industrialization. As a result, Southeast Asian countries could industrialize and develop their economies without exploiting the bigger market brought about by regional integration. According to Legewie,

> The main reason for this low degree of intra-regional trade in Southeast Asia, albeit the strong economic and export growth, is the simultaneous implementation of two different economic policy strategies. Starting in the 1970s, all governments began to follow an export-promotion strategy with a liberal trade and investment policy for selected industries, especially in labor-intensive sectors of the textile industry and in consumer electronics. On the other hand, they continued (with the exception of Singapore) to pursue the policy of import-substitution in other areas to protect domestic industries by high tariff barriers and other impediments.[20]

Legewie's analysis can help us understand important differences and similarities between regional organizations in Southeast Asia and Africa. On the one hand, leaders in both regions are primarily concerned about the development of their countries as opposed to the regions and are highly tempted to develop import-substitute industries and implement beggar-the-neighbor policies. That is, political considerations play a more substantial role in decision making than economic rationale—usually one of the barriers to successful regional organizations. On the other hand, regional organizations in Southeast Asia are more politically stable, and their infrastructure is fairly well developed. These attributes, together with the proximity of Southeast Asian countries to an industrial giant (Japan), have made them a magnet for private foreign capital. Meanwhile, African countries remain politically unstable, and most of their infrastructure is either undeveloped or falling apart, thereby discouraging many investors from engaging in business with them.

Because of limited amounts of investment capital, attempts to use regional organizations as vehicles of industrialization and development have prompted disagreements between members due to unequal distribution of benefits.[21] When establishing regional organizations, all African leaders seek immediate gains for their countries, particularly in the industrial sector. However, the economic laws of efficient production lead to the concentration of industries in a few countries. Some of them, usually one in a region, become industrialized and others do not.[22] The more industrialized country enjoys greater benefits from the enlarged and protected market, but the less industrialized countries pay higher prices for manufactured products and lose income in the form of import taxes.[23] Of even greater political importance, however, the less industrialized countries will experience further disadvantages in terms of employment opportunities, development of technology and infrastructure, and the prestige that comes with industrial development. All of these problems undermine the commitment of African leaders to the sustenance and enhancement of regional organizations.

The preceding discussion shows that even though political leaders in Southeast Asia and Africa have created regional organizations, the national interests championed by those individuals conflict with the collective interests of the organizations. Specifically, each head of state wants his nation to industrialize and develop faster than neighboring countries; meanwhile, the regional organization wants the entire area to industrialize and develop in the most efficient way possible. This conflict of interest—coupled with political differences, particularly in Africa—has diminished the enthusiasm for furthering or even maintaining regional organizations in Africa. After they have formed regional organizations, African leaders spend more time trying to improve the economies of their own countries vis-à-vis their neighbors' than trying to refine the economic relationship of all countries involved.

Hidetaka Yoshimatsu points to a way out this quandary, contending that the interests and goals of regional organizations will coincide if multinational corporations (MNC) or investors of private capital become important players in those bodies.[24] Using the Association of Southeast Asian Nations (ASEAN) as a case study, Yoshimatsu examines how Japanese

MNCs' need for a larger market, coupled with the government's interest in economic development, has translated into the expansion and enhancement of the organization. He observes that "in 1996, Japanese auto MNCs, which hoped to increase production volume of plants located in the small market, successfully encouraged the ASEAN states to introduce the AICO [ASEAN Industrial Cooperation] arrangement that granted tariff reductions and local content accreditation."[25]

Yoshimatsu's study demonstrates that although states created ASEAN, the interests of Japanese MNCs should receive credit for strengthening this organization. Member states were more interested in their own economic development by protecting domestic markets for local industries and less concerned with encouraging a free-trade area. Limited by the scarcity of capital, most firms in developing countries tend to cultivate small-scale industries and to seek protection from their governments.

Many such countries have launched regional organizations, hoping that if they complemented them with industrialization, the combination would lead to economic development. For the most part, particularly in Africa, these policies have not worked. Some explanations blame undue interference by governments while others condemn organizational weaknesses of the regional bodies. A number of these criticisms, though true, do not address the reason why regional integration has not proved successful in most regions other than Europe. Although industrialization or business interests remain a central factor in the equation, one must also pay attention to the type of firm or industry. According to Yoshimatsu,

> Firms are likely to support the formation of a regional trade arrangement if the formation would enable them to enjoy benefits from preferential access to the regional market where they are heavily dependent, or to procure intermediate parts and components from countries in the region with reduced tariffs. In contrast, firms tend to oppose a regional trade arrangement if they have plants manufacturing products with a high degree of national integration and in markets protected against international competition.[26]

This suggests that states serious about integration should have guidelines of the type of economic activities likely to encourage integration. The political and economic elite in Africa should encourage or provide incentives to MNCs that would probably operate at a regional level—including those whose industries consist of several sectors, with the goal of having different sectors located in different countries. Once these MNCs take root in a region, they will become the engine for deepening integration.

The proposition that African leaders would advocate policies which encourage MNCs to operate in their countries might not sound practical, but alterations in the international political economy together with the evolution of development strategies will likely change or have already changed the attitudes of these leaders.[27] Just as the dynamics of the international economy have changed to accommodate the forces of globalization, so have (or must) the development strategies that third world countries need to adopt. Globalization of the international economy has altered the process of—and the way entrepreneurs think about—production. The development of faster and more efficient technologies for communication and transportation makes physical location of industries less important than it once was. Investors are now moving their capital to countries or regions where they can maximize profit—usually in places with cheap labor and favorable regulations. Such reworkings in production have produced changes in attitudes toward land or the way geography influences economics and politics.

Until the second half of the twentieth century, territory remained the prized possession of any state, just as land was a very important resource in production. In 1648, when the Treaty of Westphalia created the current international system, territory represented one of the defining characteristics of a state. However, as the international political economy evolves, many people question the importance of territory and state sovereignty over that territory. MNCs have moved their capital to countries or regions where they would earn better returns. Although efficient production of a commodity involved minimizing the costs of transportation by making most of its components in close proximity, faster and cheaper transportation methods have reduced the importance of that factor. Consequently, many MNCs are moving their operations to developing countries, which investors no longer see as mere sources of raw materials but as places where cheaper and efficient production can take place. Thus, such nations with economic policies and a political environment favorable to foreign investors have attracted and benefited from foreign direct investment (FDI).

These modifications in the international political economy have changed African leaders' perception of MNCs and foreign investment. A quick review of the economic ideologies of the presidents of three East African countries illustrates this point. At independence, two of the three

East African leaders preferred socialist economic policies or, at best, had doubts about liberal economic policies. Most remembered for his socialist policies of Ujamaa, Julius Nyerere—the first president of Tanzania—subscribed to dependency theory and adopted policies that would shield his country from the exploitative policies of capitalism. With time, however, bureaucrats in Tanzania's government realized that Nyerere's policies were inhibiting rather than enhancing the country's economic development. Citing a study by Matthew Costello, which points to the bureaucracy as the cause of economic liberalization in Tanzania, Robert Pinkney contends that initiatives by bureaucrats were energized by the election of Hassan Mwinyi, a former bureaucrat himself who immediately signed an International Monetary Fund agreement.[28]

As in Tanzania, Milton Obote, Uganda's first prime minister at independence, preferred economic socialism to liberalism. Obote was removed from power by Idi Amin in a coup d'état, an action well received by many democratic governments in Europe because they thought he would implement liberal policies. However, Amin continued Obote's policies—particularly when he expelled Ugandan Indians, referring to them as imperialists or representatives of the exploitative machine of capitalism. Negative perception of economic liberalism by Uganda's leaders started to change during the presidency of Yoweri Museveni, whose economic policies initially emphasized self-reliance and a state-directed economy.[29] In his election manifesto of 1996, though, Museveni asserted that his support (or change of heart, for that matter) of a free market economy was based on a realization that only liberal economic policies could aid Uganda's pursuit of modernization.[30] He has reversed most of the economic policies implemented by his predecessors, inviting Ugandan-Indians to return and help the country develop as well as reclaim their businesses and property.

Support for liberal economic policies and foreign investment in African economies is based not only on the changing perceptions of African leaders but also on outcomes. Research conducted by Todd Moss and Vijaya Ramachandran in Kenya, Tanzania, and Uganda dispels the myths of African skepticism toward foreign investment.[31] The authors contend that African governments oftentimes created barriers to FDI, believing that such investors "might control key strategic sectors of the economy or their access to foreign exchange . . ., crowd out local firms that cannot compete because of size, financing, marketing power, or some other unfair advantage . . ., exploit local labor and make no contribution to the wider economy . . ., [and become a net] drain on foreign exchange."[32] They argue that the regulations against and misgivings toward FDI are unwarranted because African countries benefit in almost all accounts:

> In sum, many of the objections to foreign investment in Africa are exaggerated or false. Foreign firms in the three-country sample invest more in local infrastructure, are more likely to train their workers, and are larger and more capital-intensive than local enterprises. Econometric analysis of the data also shows that market power is not a direct factor driving greater profits for foreign firms and that FDI is not a drain on foreign exchange. Instead, the results indicate that foreign firms may be more profitable because they are more productive as well.[33]

This research provides tangible evidence that the instincts of African leaders who have decided to liberalize their economies and open them up to FDI are probably correct. It also shows that although some African leaders and political observers may retain a cynical mind-set with regard to the intention of foreign investors, outcomes of FDI in African countries are generally in line with what African leaders want.

Prospective investors should seek out research similar to Moss and Ramachandran's, together with reports about the role of FDI in Asia that inform African leaders of the benefits of liberalizing their economies—take for example, a publication issued in 1999 by the United Nations Conference on Trade and Development (UNCTAD).[34] This report provides evidence of FDI's contribution to the development of Africa's economy and its integration into the world economy. Even more interesting, it offers data showing a tendency of more FDI in Africa going to the services and manufacturing sectors, a revelation that dispels a common perception of FDI exploiting Africa's natural resources (investment in the primary sector). The UNCTAD publication cites not only specific examples such as Nigeria, Egypt, and Mauritius to support that assertion but also statistics comparing foreign investment in the primary sector to investment in the services and manufacturing sectors. Foreign investors can use examples like these to convince African leaders that FDI is good for their countries.

Primarily, the UNCTAD report sought to advertise Africa as a region where investments can yield good profits. Just as some African leaders have doubted the benefits of FDI in the past, so have foreign investors doubted the profitability of investing in Africa. It is, therefore, imperative that African leaders persuade foreign investors that their countries are good places to put their money. The UNCTAD report makes the following observation:

> While the problems many African countries face are widely known and dominate the perceptions of the continent as a whole, there are a number of positive aspects that, although highly relevant for foreign investors, are little known. . . . Direct investors need therefore to differentiate. They need to look at Africa country by country, sector by sector, and opportunity by opportunity. As in other continents, there are profitable investment opportunities to be found.[35]

African leaders should be vigilant in detailing economic, political, and social reforms they have implemented to provide a suitable environment for business. For instance, they should publicize reforms such as privatization of state-owned enterprises, devaluation of overvalued currencies, reduction of inflation rates and budget deficits, and relaxation of regulations dealing with repatriation of profits, most of which aim to increase the role of private foreign investors. Those leaders should also announce international agreements they have signed that deal with FDI issues and should try to woo investors by informing them of treaties that deal with double taxation, bilateral investment, and protection of FDI that their country has signed. Such revelations would instill a sense of security among foreign investors and demonstrate African leaders' goodwill toward them.

Collective Interest and Regional Integration in East Africa

Using the EAC as an example, African leaders can develop an industry within this region with different components of a product manufactured in different countries and can use the comparative advantages of member states as a guide for the location of different sectors. Specifically, Uganda has the most arable land, Kenya has the most well developed infrastructure, Tanzania has considerable unused land, Rwanda and Burundi are densely populated, and Lake Victoria connects the countries. Because politics is usually an important consideration, projects that bind the member states in the long run must have priority.[36] Economic efficiency has to be evaluated in tandem with the political goals of member states.

We now turn to a detailed five-year evaluation of the EAC CU by Evarist Mugisa, Chris Onyango, and Patrick Mugoya, using it to estimate the viability of the suggestions offered here.[37] Regional cooperation between East African states has a long history, going back as far as 1902 when the

Kenya-Uganda Railway was constructed. Several institutions that bound the countries together developed over time until Kenya, Tanzania, and Uganda established the EAC in 1967. The community lasted until 1977, when it collapsed due to technical and political differences. The current EAC, officially launched in 2001, consists of Uganda, Kenya, Tanzania, Rwanda, and Burundi, the latter two countries joining in 2007.

According to Mugisa, Onyango, and Mugoya, "The revived EAC goes beyond the earlier attempts at regional integration by aiming at closer and deeper integration among the Partner States."[38] The partner states established a CU as the entry point to integration, to be implemented between 2005 and 2010 and followed by a common market, monetary union, and, finally, political federation. As an evaluation of the first stage of the EAC's development, the authors' study pronounces the implementation of the CU a success. Based on the statistics reviewed and summarized, they conclude that the CU has already generated benefits for the economies of the partner states. The records examined show that the CU has inspired an increase in the level of trade and revenue in all three partner states over the four years. A closer look at the report, however, suggests that some aspects of the community need fine tuning.

For instance, Mugisa, Onyango, and Mugoya note that despite a general increase in exports among all three countries, "a big percentage of the exports [from Kenya to Uganda and Tanzania] . . . constitute re-exports." Those reexports have consisted of "petroleum products, chemicals, machinery, transport equipment, and manufactured goods."[39] Similarly, Uganda and Tanzania have also reexported manufactured goods to Kenya, though in significantly lower quantities. This is a manifestation of the age-old problem of incompatible trade partners, whereby all three countries export and import similar products. The authors note that

> the data seems to indicate no clear signals of consistency in exports of any product. This may be attributed partly to the fact that the products are similar to what is produced in each or most of the countries in the EAC region. As a result Uganda's exports to the region (especially agricultural exports) increased where domestic production in each of the Partner States fell short or was disrupted by local conditions.[40]

A more extensive development of the CU, particularly along the lines of each of the partner states specializing in commodities that they can produce most efficiently, would go a long way toward mitigating this problem. However, specialization with regard to comparative advantage depends in turn on the level of stakeholders' awareness of the CU.

Indeed, stakeholders have only limited awareness of the CU. According to Mugisa, Onyango, and Mugoya, most public officers responsible for implementing and enforcing CU regulations either have inadequate training for their jobs or lack the resources necessary to perform the tasks. For instance, some customs officials did not have sufficient copies of documents to facilitate trade at border crossings. In addition, some police officers and health officials do not know enough about CU regulations, so instead of enforcing regional standards or regulations, they resort to national standards. Failure to apply regionwide standards invites corruption and other types of inefficiencies within the regional organization.

Another group of stakeholders includes investors and traders. Private foreign investment has increased in all countries. Most investment capital originates in Kenya and outside the region. In spite of the bigger market, however, specialization in production has not yet taken hold. Producers in the region manufacture similar commodities, though most are for a national market. Awareness of the CU among informal traders may represent the key to changing that dynamic. A high percentage of informal traders has little awareness of the commercial opportunities afforded by the CU. Consequently, the natural/comparative advantages of partner states, upon which private investors would base the development of industrial manufacturing, are not well developed. Unlike Kenya, which has taken advantage of its location as a coastal country to provide transportation and other types of services to the other partner states, Uganda and Tanzania have not leveraged their advantage in the area of food production. The important point here is not only to inform public officials, traders, and investors about the benefits and opportunities of the CU but also to cultivate their interest in its success. The interest of traders and investors will more likely work to the EAC's benefit than would the interest of political leaders or public officials.

A group of investors that seems to offer the most hope for integration in Africa includes African firms that have developed into transnational corporations. Data collected by the UNCTAD reveals a growing number of mergers and acquisitions between firms from South Africa and those from other African countries, leading to the emergence of new transnational corporations. Major companies of this type currently include the Anglo American

Industrial Corporation, Barlow Rand, and Eskom, all located in South Africa; Conserveries Cherifiennes, a Moroccan firm in the food business; and Zambia Consolidated Copper Mines.

Ernest Harsch observes that although African transnational corporations are still relatively small and few in number, they have nevertheless become important regional and subregional players.[41] Stephen Thomsen goes even further by discussing specific attributes that these corporations bring to regional communities, contending that they supply capital, technology, expertise, and prospects of greater diversification of the industrial base of exports.[42] More specifically, he asserts that transnational corporations will help African countries become more economically efficient, integrated, and prosperous:

> Foreign investors can help to bring about greater integration not only with markets elsewhere but also within Africa. Pan-African ownership structures are more likely to foster pan-African solutions. In power generation, for example, Eskom of South Africa has presence in 28 different countries on the continent. In the long run, regional investors such as Eskom might serve to encourage the rationalization of power infrastructure on the continent.[43]

Thomsen's observation suggests that infrastructural and industrial projects developed by African corporations stand a better chance of creating useful outcomes that have long-term benefits to Africans than those developed by foreign corporations.

Conclusion

This article has maintained that congruence between the interests of the dominant actors and the goals of a regional organization is essential to the latter's development. In other words, a regional organization will more likely expand and develop if the interests of individual members (states) or their constituents are in line with its overall goals. The article examined the EU and ASEAN to illustrate this point. The former, created by the European political elite in the aftermath of World War II as way of promoting security on the continent, has expanded and developed primarily because its member states and the organization as a whole share the goal of security.[44] The political leaders of Southeast Asian countries, however, created ASEAN with the hope that it would help their countries evolve economically. However, policies that promote economic growth within individual countries sometimes tend to undermine policies that promote economic growth in the region as a whole. Fortunately for Southeast Asian countries, MNCs, particularly those from Japan, helped them adjust their interests to align more closely with those of their regional organization. MNCs nudged the member nations of ASEAN to support policies that facilitated expansion of the regional organization.

Regional organizations in Africa resemble ASEAN more than the EU, both in terms of the interests of member states and the goals of the organizations. African leaders create these organizations hoping to use them as vehicles for developing their national economies. The selfish interests of individual member states often undermine rather than enhance the goals of the regional organizations; consequently, regional integration has not enjoyed success in Africa. This article recommends that member states, together with their respective regional organizations, implement policies that attract MNCs. Once member countries begin reaping the economic benefits afforded by these corporations, they will have to create authentic free trade areas in which the MNCs can more fully tap the benefits of economies of scale.

Notes

1. Many scholars have put forth this argument; however, the studies identified in this article are more appropriate because of their comparative nature. See Cynthia H. Enloe, *Police, Military, and Ethnicity: Foundations of State Power* (New Brunswick, NJ: Transaction Books, 1980); and Paul Cammack, David Pool, and William Tordoff, *Third World Politics: A Comparative Introduction* (Baltimore: John Hopkins University Press, 1988).

2. World Bank, *World Development Report 2009: Reshaping Economic Geography* (Washington, DC: World Bank, 2009). See the following chapters: "Density," 48–70; "Distance," 73–95; and "Division," 96–121.

3. The nature of political leadership in Africa has influenced the type of regional organizations created. In *Personal Rule in Black Africa: Prince, Autocrat, Prophet, Tyrant* (Berkeley: University of California Press, 1982), Robert H. Jackson and Carl G. Rosberg describe political leadership in Africa as personal rule, whereby policies and politics are contingent upon the skills, abilities, and fortunes of the individual rulers. Meanwhile, in *Democratic Experiments in Africa: Regime Transitions in Comparative Perspective* (Cambridge, UK: Cambridge University Press, 1997), Michael Bratton and Nicolas van de Walle describe political leadership in Africa as neopatrimonial rule. They contend that African politics is a hybrid political system in which elements of patrimonialism coexist with modern rational-legal institutions.

4. Most products exported by African countries are not imported or desired by other African countries, most of which produce raw materials that are imported by Europe, the Middle East, and Asia. Thus, individual or group producers and consumers do not benefit from regional economic organizations created by political leaders to realize state objectives. See Jacob Viner, *The Customs Union Issue* (New York: Carnegie Endowment for International Peace, 1950).

5. Allen L. Springer, "Community Chronology," in *Integration and Disintegration in East Africa*, ed. Christian P. Potholm and Richard A. Fredland (Lanham, MD: University Press of America, ca. 1980), 11–35.

6. It is important to note, however, that the Kenya-Uganda Railway did not integrate the economies of the two colonies. Instead, it integrated the two economies, separately, into the British economy. One could even argue that in spite of the institutional structures of regional integration created by the colonial powers,

African societies emerged from colonialism even more disintegrated. Because of the exports, educational opportunities, and other benefits, some communities or ethnic groups were more attached to colonial power than to neighboring communities in the same country.

7. Springer, "Community Chronology," 11–15.

8. Although ethnic differences existed before colonial rule, they were of little significance (other than those in language and culture) to the indigenous peoples, but the dynamics of divide and rule politicized these differences. For instance, although the Hutu and Tutsi ethnic groups of Rwanda and Burundi lived next to each other in harmony before colonialism, by the time of independence, they opposed each other.

9. For a detailed explanation of the CU theory, see Viner, *Customs Union Issue*; for the Balassa model, see Béla Balassa, *The Theory of Economic Integration* (Homewood, IL: Richard D. Irwin, 1961).

10. S. K .B. Asante, *Regionalism and Africa's Development: Expectations, Reality, and Challenges* (New York: St. Martin's Press, 1997); and Ibrahim Gambari, *Political and Comparative Dimensions of Regional Integration: The Case of ECOWAS* (Atlantic Highlands, NJ: Humanities Press International, 1991).

11. Lynn Krieger Mytelka, "The Salience of Gains in Third-World Integration Systems," *World Politics* 25, no. 2 (January 1973): 236–50; and Balassa, *Theory of Economic Integration.*

12. This type of politics is a result of attempts by African leaders to acquire legitimacy for their governments and to create some form of national unity by bribing communal leaders or representatives.

13. David Lamb, *The Africans* (New York: Vintage Books, 1987), 65.

14. The EAC came into being in 1967, collapsed in 1977, and revived in 1999.

15. Springer, "Community Chronology," 24.

16. Richard E. Baldwin, "Sequencing and Depth of Regional Economic Integration: Lessons for the Americas from Europe," *World Economy* 31, no. 1 (January 2008): 5.

17. Ibid., 7.

18. Unlike European political leaders, African leaders are less likely to relinquish power because of democratic ideals. However, developments on the continent indicate that African leaders have been somewhat open to giving up some of their powers if doing so would improve their economies. Several African states have adopted economic liberalization reforms, indicating that their leaders might be more receptive to policies suggested by foreign investors.

19. Jochen Legewie, "The Political Economy of Industrial Integration in ASEAN: The Role of Japanese Companies," *Journal of the Asia Pacific Economy* 5, no. 3 (2000): 204–33.

20. Ibid., 208.

21. Andrew Axline, "Underdevelopment, Dependence, and Integration: The Politics of Regionalism in the Third World," *International Organizations* 31 (1977): 83–105; and Mytelka, "Salience of Gains," 236–50.

22. Kenya is the most industrialized country in East Africa, as is Ivory Coast in West Africa and South Africa in the southern part of the continent. Successful regional integration and development, therefore, depend on the willingness of member countries to share the benefits of integration. Thus far the Southern Africa Customs Union seems to have done better in this regard. South Africa has been willing to compensate members in its region that have not been as successful at industrializing.

23. Viner, *Customs Union Issue*, 68–75.

24. Hidetaka Yoshimatsu, "Preferences, Interests, and Regional Integration: The Development of the ASEAN Industrial Cooperation Arrangement," *Review of International Political Economy* 9, no. 1 (March 2002): 123–49.

25. Ibid., 123.

26. Ibid., 128.

27. Because of Africa's past experience with colonial rule, some people have argued that African leaders are not likely to welcome foreign investors, particularly those from Europe and North America.

28. Matthew J. Costello, "Administration Triumphs over Politics: The Transformation of the Tanzanian State," *African Studies Review* 39, no. 1 (April 1996): 123–48; and Robert Pinkney, *The International Politics of East Africa* (New York: Palgrave, 2001).

29. Yoweri Museveni, "The Ten Point Program," in *Selected Articles on the Uganda Resistance War* (Kampala, Uganda: NRM Publications, 1985), 41–78.

30. Yoweri Museveni, *Tackling the Tasks Ahead: Election Manifesto* (Kampala, Uganda: NRM Publications, 1996).

31. Todd Moss and Vijaya Ramachandran, "Foreign Investment and Economic Development: Evidence from Private Firms in East Africa," CGD Brief (Washington, DC: Center for Global Development, December 2005), http://www.cgdev.org/files/5307_file_FDI_East_Africa_Brief_Moss.pdf.

32. Ibid., 2.

33. Ibid., 3.

34. United Nations Conference on Trade and Development, *Foreign Direct Investment in Africa: Performance and Potential* (New York: United Nations, 1999), http://unctad.org/en/docs/poiteiitm15.pdf.

35. Ibid., vii.

36. In *The World Is Flat: A Brief History of the Twenty-First Century* (New York: Farrar, Straus and Giroux, 2005), an analysis of the global economy, Thomas L. Friedman argues that countries that are part of the global supply chains for component parts of commodities produced by MNCs are unlikely to engage in war because of the instability and loss in production that such conflicts may cause. In other words, similarities in economic interests can evolve into similarities in political interests.

37. Evarist Mugisa, Chris Onyango, and Patrick Mugoya, *An Evaluation of the Implementation and Impact of the East African Community Customs Union* (Arusha, Tanzania: East African Community, March 2009).

38. Ibid., 2.

39. Ibid., 29.

40. Ibid., 31.

41. Ernest Harsch, "Africa's Untapped Investment Potential," *Africa Recovery* 13, nos. 2–3 (September 1999): 2–3.

42. Stephen Thomsen, "Foreign Direct Investment in Africa: The Private-Sector Response to Improved Governance," briefing paper, International Economics Programme (Chatham House, UK: Royal Institute of International Affairs, 2005), http://www.chathamhouse.org/sites/default/files/public/Research/International%20Economics/bpafrica-fdi.pdf.

43. Ibid., 4.

44. The concept of security has evolved from military to economic security, particularly in economically developed and democratic countries. In turn, as the possibility of war between European countries has diminished, so has the focus on military security. Instead, European states are now more concerned about economic security for their citizens.