

THE GLOBAL INTEGRATION OF AFRICA: The EU-SA Free Trade Agreement and German MNEs in South Africa

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4.1 INTRODUCTION⁴

According to the United Nation's Human Development Index (HDI), 18 of the 20 least developed countries in the world are in Africa. Africa's unsatisfactory economic development experience has in recent years come increasingly under scrutiny. The so-called African development "tragedy" is reflected in persistent poverty, low growth and high inequality. During the 1980s, the average growth in GDP per capita in Sub-Saharan Africa (SSA) was -1.3%. Current estimates put per capita income in Africa (in PPP terms) at roughly US\$ 1045 - more than 10 times lower than that in the average OECD country. The result of low growth and low per capita incomes is that more than 40% of the African population may be living below the accepted poverty line of US\$ 1 per day. Taking into account measurement methods, Africa also has the most unequal distribution of income in the world - exceeding that of Latin America.

On a political level, calls have increasingly been made for Africa to reverse this process of economic underdevelopment through "*African unity*". Calls for and discussions about an "*African Century*", "*The African Renaissance*", a "*United States of Africa*" has all been prominent in recent times. Of course, calls for African unity is nothing new - the Abuja Treaty of 1948 having already called for an African Economic Union by the year 2000.

This chapter critically assesses, from an economic point of view, the potential of regional economic integration amongst African countries for promoting

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economic development in Africa. It does so by considering the recent explanations for Africa's poor economic development and by assessing the African experience with regional integration. The insights from these analyses are then combined with recent theoretical advances in understanding the extent to which economic integration schemes leads to divergence or convergence of per capita incomes amongst members states. The chapter concludes, with reference to the recent Free Trade Agreement between South Africa and the EU, that integration amongst African states may be sub-optimal to integration between African states and a higher income region (e.g. the EU) and that regional cooperation in terms of economic policy and political stability may be vital in the face of significant neighbourhood effects on economic growth.

Seen in this way, the contribution of this chapter is to call on African states to focus on economic integration with countries outside of Africa for expansion of trade and for obtaining technology and investment. In this, the paper sounds a positive note on the advantages of globalisation for African economic development. African countries should furthermore not expect of economic integration agreements amongst themselves to lead necessarily to greater trade. The advantage of regional integration amongst African countries lies rather in its potential to enhance economic policy co-ordination and the adoption of sound macro-economic policies and governance practices. The economic development case for regional integration between Euroland and Southern Africa can thus be made.

The chapter is structured as follows. In section two it is showed that there is a great consensus that a major cause of Africa's disappointing economic performance is that fact that African economies are amongst the most closed economies in the world to international trade. It is argued that regional integration is called for as a way to ensure trade liberalisation but on a limited scale. In section three Africa's experience with regional integration in the past is seen not had been successful, and that it had contributed little to intra-regional trade in Africa. In fact the argument that regional integration can assist to enlarge the markets for African products is shown to be false, as most African countries have similar revealed comparative advantages and trade in the same basic commodities. In section four some new contributions to the theory of regional integration are set out. These contributions can be applied to the African situation to argue that regional integration may present Africa with a lose-lose situation and that integration between African economies and a higher-income economy may be preferential. Section five concludes.

4.2 AFRICA'S ECONOMIC CRISIS

The economic crisis in Africa has led scientist and policy makers to use a number of approaches to gather evidence as to the causes of the crisis. These ap-