

## Regionalism and Regional Integration in Southern Africa

By

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### Abstract

Regional integration has manifested itself historically in Africa as institutional anchors of economic and political development. In Southern Africa, attempts to achieve regional integration using the Southern African Development Community (SADC) and the Southern African Customs Union (SACU) are riddled with contradictions. Highlighting these contradictions, the paper shall indicate that while regional integration presupposes complementary economic policies and productive structures in Southern African, economic nationalism, mono-cultural production of raw materials, widespread poverty, low productivity, belligerent conflicts, unjust international economic structures; chronic debt; lack of infrastructure, uneven distribution of the benefits of integration, multiple membership to regional organizations among others militate against regional integration resulting in so much inertia but little progress. Compounding these challenges are the failure to adequately address certain conceptual, strategic and practical issues by the SADC, which has led to lack of commitment and political will among member states, as well as the dynamics of globalization which provides the context within which the SADC operates. The paper equally indicates that the role of South Africa in the integration process is ambiguous, with limited inclination to come to terms with the rest of the region. Development cooperation can contribute to deep integration in the region only if member countries have the political resolve to transfer substantial sovereign powers to the regional institutions. Secondly, there is need for a fundamental change in the SADC's strategies of economic development from being mere producers of raw materials and passive consumers of manufactured goods to dynamic and industrially diversified economies.

**Keywords:** Regionalism, Regional Integration, Southern African Development Community, Southern African Customs Union, Economic Political development

### Introduction

African leaders have long recognized the significant opportunities presented by a regional approach to development and have supported regional efforts for many years to sustain advances made in economic policy reform and democratic governance. With the current challenges of debt crisis, regional integration in Africa is no longer a subject of academic debate or mere political expression; it is an imperative if the goals of integrated economic development and a debt-free continent are to be realized.

The 1980 Final Act of Lagos was the first continent-wide effort by the African governments towards regional integration through forging a comprehensive, unified approach to economic development. The drive towards regional integration was given a further boost in 1991 with the adoption, by the OAU summit, of the Abuja Treaty establishing the African



Economic Community (AEC), which stipulated a stage by stage modus operandi at must be put in place to achieve this goal. First, is the strengthening of existing sub-regional economic groupings and establishing new ones where deemed desirable. Second is the consolidation of tariff and non-tariff barriers as well as the strengthening of sectoral integration at the continental level. And, this is the promotion of the coordination and harmonization among the existing and future economic groupings for a gradual establishment of an African Common Market. To this end, it authorized the drafting of the treaty for the establishment of the African Economic Community whose aims is to promote collective and accelerated self-reliant and self-sustaining development cooperation among the states and their integration in the economic, social and cultural fields. That treaty was subsequently signed in Abuja in June 1991.

In the Southern African Region, the African Economic Community (AEC) has been dealing with the Southern African Development Community (SADC) and the East Africa with the East Africa Community (EAC) as well as Common Market for East and Southern Africa (COMESA). In North Africa, there is the Arab Maghreb Union (UMA) that has no direct contact with the AEC, so far. Apart from these Regional Economic Communities (RECs), there are other groupings like the Economic and Monetary Union of West Africa (UEMOA) and the Customs and Economic Union of Central Africa (UDEAC), all of which are engaged in the promotion of integration. All these organizations were already in existence and operating when the AEC Treaty was signed in Abuja in June 1991.

An overall assessment of Africa's experience with regional integration reveals, however, that regional integration and cooperation groupings have achieved limited success (African Development Report 2000). While the existence of informal border trade between countries is acknowledged, the consensus is that there has been no significant increase in inter-regional trade as a percentage of total exports of member countries between 1970 and 1990s, intra-regional trade as a percentage of total exports of members has actually declined in all major regional groupings with the exception of Arab Maghreb Union (AMU), ECOWAS and WAEMU's predecessor, the West African Economic Community (CEAO). In these three cases, intra-regional trade has increased marginally by a range of between 1.4 and 4.9 percentage points. While intra-regional trade remained stagnant, the continent also experienced increased marginalization in international trade. This is visible in its shares of exports and output in the world and in the developing community. Africa's share in global exports fell from 4.5 percent in 1977 to 2 percent in 1997 (in current dollar terms), in contrast with the fact that developing countries as a whole increased their presence in world trade. Similarly, the share of exports in total developing regions export dropped from 15.5 percent in 1981 to 10 percent in 1997 (World Development indicators, 1999).

The Southern African Development Co-ordinating Conference (SADCC) was established in 1980, by the front line states with the specific aim of reducing economic dependence on apartheid South Africa, which was still excluded from the African integration plan. However, in anticipation of South Africa's democratic transition in the early 1990s, SADCC became the Southern African Development Community (SADC) in 1992 and South Africa joined SADC in 1994. SADCC was not a market integration arrangement; the front line states constituting the arrangement adopted a broad development mandate. SADCC engaged in cross-border, sector-specific projects such as regional development corridors and the Southern African Power Pool. SADC, however, adopted an explicit market integration



agenda and is a good example of the linear model of integration in Africa. Although the SADC Treaty (and subsequently the SADC Trade Protocol) does not articulate a detailed plan for integration, the detail was provided in the Regional Indicative Strategic Development Plan (RISDP) of 2003. This strategic plan articulates the roadmap for SADC's integration and provides for the establishment of a free trade area by 2008, a customs union in 2010, a common market in 2015, monetary union in 2016 and the introduction of a single currency in 2018. Although the RISDP is not a legally binding instrument, it enjoys significant political legitimacy and is recognized as the strategic plan for SADC's integration. The linear approach was also adopted by the East African Community (EAC), established in 1997 and also by ECOWAS in West Africa.

The SADC roadmap and the EAC integration plan are good examples of Africa's integration history, reflecting the adoption of the linear integration model with ambitious targets. Of 14 regional economic communities that existed in 2001, nine aim to become a full economic union. COMESA aims to become a common market; SACU is an established customs union, with no plans to move beyond this, while the remaining three aim for intra-regional free trade or regional cooperation. These agendas find synergy with the aim to transform the African economic landscape and to establish over a period of just more than three decades 'a strong united bloc of nations' (Economic Commission for Africa, 2004). This objective is to be achieved in a step-wise process through the strengthening of the constituent sub-regional blocs. This involves an evolutionary process from the free trade areas and customs unions to a common market covering the continent (Economic Commission for Africa, 2004). Recent commitment by the member states of the COMESA, SADC and the EAC to establish a Tripartite Free Trade Area consisting of the 26 member states of these RECs is seen as an important step in addressing the problem of overlapping membership that is a key feature of these RIAs. It is noteworthy that no RIA has yet established a full-fledged customs union. While the political commitment is persuasive, it does not translate into effective implementation.

### **Theoretical Framework**

In most cases of regional economic integration among Third World countries, research in this field is dominated by the theory based on European experience. The European Economic Community (EEC), now European Union (the EU), has become "a living laboratory for the integration theory" (Asante 2002:5). Not surprisingly, the literature on economic integration and development has pointed out that developing countries do not satisfy the criteria of neo-classical customs union theory and that they will not reap the traditional welfare gains from integration. Hence, economist such as Viner and Lipsey, deny that integration schemes will benefit developing countries (Viner: 1950 and Lipsey: 1960:496-513). Their argument is based on the concepts of trade creation and trade diversion.

Viner defines trade creation as a shift in trade from high cost to a low-cost source of supply within the integration area, and trade diversion as shift from a low-cost source of supply outside the integration area to a high cost producer within it. In Viner's view, if there is more trade diversion than trade creation within a customs union, then the net effect on world welfare and the welfare of members will be negative. Since trade diversion (at least in short run) will obviously prevail over trade creation in Third World customs union argues

Asante, as the members shift from low cost producers in the developed world to high cost producers among their neighbors, Viner and Lipsey are opposed to the creation of customs union among developing countries.

However, there has been a growing criticism about applying Viner's criteria and Lipsey's general conclusions to the possible effects of customs union among developing countries. Therefore, on a synoptic conception of several authors (Atsain: 1983; Robson: 1968; Nowzad: 1969), economic integration connotes a process of economic development which involves the elimination of discriminatory barriers among economic units of nation-state. For easy operational community arrangements, such economic units are expected notably to be units within a regional/sub-regional setting e.g., African, European, West African, East African and Central African settings. Put simply, economic integration in an economic region involves pure economic and political unification, economic/political cooperation and free trade areas (Nwabuzor: 1982).

Theoretically and empirically too, the main concern of the theory of economic integration is the gains from changes from the isolationist approach in development efforts to the collective and cooperative regional arrangements (Robson, 1970: 145). However, the relevant aspect of that theory which informs the establishment of African, European and American economic communities, also as earlier noted, is the "Customs Union Theory" which proposes trade creation among member states based on comparative cost advantages (Viner: 1950; Robson: 1980).

Integration in the Southern African sub-region has largely been informed by integration process in Western Europe, Latin America, Asia and elsewhere in Africa. The main objectives of integration in these areas have generally been both economic and political. It has been economic where the immediate preoccupation has been the promotion of better economic welfare or economic development. Where it has been political, the ultimate concern is the political unity of the component states.

## **Literature Review**

### **Regional Integration in Africa**

Africa is a continent that is blessed with vast natural, material and human resources that could have transformed it to one of the largest regions in terms of sustainable growth and development. However, the situation of affairs in the continent has been contrary to the point that Africa has been labelled the least developed continent of the world, harbouring most of the poorest and underdeveloped countries.

Integration is a very important concept in international relations as it has to do with sub-regional cooperation and the formation of political and economic union between neighbouring countries. Nomvete: (1992) stipulates that the narrowness of different countries' individual market condemns them to join forces if they are to develop their industries and reap the benefits of economies of scale, attract foreign investors by organizing a frontier free market with a critical mass of potential consumers and create the jobs that their constantly expanding populations demand. Haas provides that integration is a strengthening of ties reflected through a process in which national political actors shift their expectations, loyalties and political activities from the nation state level to a large centre with institutions possessing or demanding authority over the nation state.





For Deutsch: (1957) and others who share his views on this subject, integration is a condition. It is a situation which a people have attained within a territory. It is manifested by a sense of community and the growth of institutions and practices strong enough and widespread enough among the people involved to assure for a long-time dependable expectation of peaceful change. By this definition, integration is a matter of fact and not of time: that is what it is, rather than what it would be. Looking at the position taken by Deutsch, Adeniran: (1983) states that his approach tends to watch and measure integration by the flow of international transactions, the movement of people, the movement of trade, etc, among the people trying to be integrated. For scholars such as Haas and Lindberg, they are concerned with the formal institutions that are established for the purpose of integration. It is through these institutions that they determine the extent to which certain functions are carried out so as to determine the extent of integration.

Nomvete, (1992) asserts that post-colonial Africa was and still is a disintegrated continent with fragmented national markets, more so, than any other region in the world. Post-colonial African leaders were thus, faced with the task of generating sustainable economic development in restricted uneconomic development domestic markets of several mini-states that were desperately short of capital and skills, and which before independence had survived through direct links with, and financial and technical assistance from the metropolitan countries. These countries had no alternative but to forge inter-African economic links to replace links with ex-colonial powers.

### **Regional Integration in Southern Africa**

South Africa is the political-economic powerhouse in Southern Africa, implying the paradoxical situation that for many, initiatives led by South Africa are to be treated with caution due to its ulterior motives and strength in promoting its own interests, while economic reliance in the region on South Africa and its businesses remains high and growing. The creation of the predecessor to SADC in 1980, the Southern African Development Coordination Conference (SADCC), was a clear response to the economic, infrastructural and security vulnerabilities of South Africa's neighbours in a period of growing apartheid military and economic destabilisation and hegemony. The dramatic changes in the politics of Mozambique (peace accords and democratic elections in 1992) and South Africa (1994) need to be seen against the background of these structural and historic relations and help explain the relative success of soft and hard infrastructure development between South Africa and Mozambique.

South Africa's dominance has undergone profound political transformations, which has resulted in new forms of cooperation in areas such as peace and security, policing, cooperation among central banks and public finance management, etc. It was accompanied by the rhetoric of "promoting deeper regional integration in southern Africa that builds on regional synergies" (South Africa's National Planning Commission 2012:241). But it also transpired that South Africa's interest and approaches to trade, infrastructure development, security and deepening regional integration were not always in line with the ideas and preferences of its neighbours, many of which openly complain about the hegemonic features of the New South Africa. In fact, South Africa's National Development Plan 2030 echoes this sentiment by admitting that its neighbours see the country as a "bully" (NDP, 2012). As such, according to (Gathii:2011), regional groupings might be better seen as "forums for a variety



of initiatives” and “frameworks for development cooperation” building as they do on “a preference not to build supranational bureaucracies”.

With regards to multiple memberships, Gathii: (2011) argues that “there is an element of forum or regime shifting between different RTAs of which an individual country is a member that these countries regard as tactically defensible”. This kind of interpretation has important implications for how regional integration progress is perceived and therefore how support programmes are designed and their success measured. It probably also reflects the limited degree to which the various Preferential Trade Agreements (PTAs) are taken seriously or are seen to be useful and relevant in achieving national objectives.

### **Southern African Development Community (SADC)**

The demise of apartheid in South Africa created conditions conducive to regional political and economic co-operation. This culminated in the transformation of the Southern African Development Coordination Conference (SADCC) to SADC in 1992, and subsequently in South Africa’s accession to the latter in 1994. From its inception, SADC was essentially political in character. Its predecessor, SADCC, was established in 1980 with the objective of reducing the economic dependence of the region on South Africa, promoting equitable regional integration, generating resources for implementing national and inter-state policies, and garnering international support for the economic liberation strategy Mulaudzi: (2006) which represented a collective response on the part of the Frontline States to the ravages of the apartheid state’s regional destabilisation activities.

The SADC was established through the SADC Treaty and the Windhoek Declaration of 1992, which affirmed the organisation’s intention to establish a framework for co-operation (Meysn, 1997). As its involvement in crisis-prone countries such as Lesotho, Malawi, Zimbabwe and the Democratic Republic of Congo has highlighted, the SADC has also concerned itself with matters of political development and regional security. SADC integration process has evolved against a backdrop of gross economic inequalities and imbalances among member states. Essentially, the region’s economy is located within South Africa. South Africa makes up about 60% of SADC’s overall trade and about 70% of SADC’s gross domestic product (GDP) (Draper, Kalaba and Alves, 2007). It also has the most developed and diversified industrial base.

A striking feature of post-apartheid South Africa’s political economy over the past decade has been the country’s rapidly growing economic role across the African continent, and its emergence as the largest foreign investor in Southern Africa (see Table 1). Exploiting their relative competitive advantages, abundant investible capital, marketing and technological know-how, advanced public infrastructure, and human resources, South African companies have used the global push for economic liberalisation and deregulation to exploit business opportunities in Africa. South African direct investment in the SADC countries exceeded US\$5.4 billion by 2000.

**Table 1 -- South African investment in other SADC countries: 1994-2003**

COUNTRY	SA FDI AS % OF TOTAL FDI	SA RANKING AS INVESTOR
ANGOLA	1%	6
BOTSWANA	58%	1



DRC	71%	1
LESOTHO	86%	1
MALAWI	80%	1
MOZAMBIQUE	31%	1
NAMIBIA	21%	3
SWAZILAND	71%	1
TANZANIA	35%	2
ZAMBIA	29%	1
ZIMBABWE	24%	3

**Source: Businessmap Foundation 2004**

A good example of South Africa's deepening economic engagement in the region is its relationship with Mozambique. Over the past decade, Mozambique emerged as the leading destination for South African investment. According to the Mozambican Investment Promotion Centre, more than 262 South African investment projects have been registered since 1985 with an accumulated investment value of US\$1,330 billion by the end of 2003 (Games: 2003). Although the bulk of South African investment in Mozambique has been in the industrial sector, there has also been sizeable investment in resources and minerals, construction, finance, agriculture and tourism (see Table 2).

**Table 2 Number of South African companies per sector**

SECTOR	1998	1999	2000	2001	2002	TOTAL
AGRICULTURE & AGRO-INDUSTRY	7	13	8	5	3	36
AQUACULTURE & FISHERIES	1	1	1		1	4
INDUSTRY	13	11	6	8	5	43
RESOURCES & MINERALS	1	1		1	1	4
TRANSPORT & COMMUNICATION	1	2	4	3	1	11
BANKING, INSURANCE & LEASING		1		1	1	3
CONSTRUCTION		9	10	7	6	32
TOURISM & HOTEL INDUSTRY	9	5	6	3	2	25
OTHERS	5	3	4	6	6	24
<b>TOTAL</b>	<b>37</b>	<b>46</b>	<b>39</b>	<b>34</b>	<b>26</b>	<b>182</b>

**Source: Investment Promotion Centre Mozambique, 2004**

In Southern Africa, the two processes of economic globalisation and political regionalisation have proceeded simultaneously. The SADC integration project has evolved along two parallel tracks: namely a trade integration track (a strictly market-driven economic project that emphasises trade and investment) and a development integration track (a politically-driven process that stresses political and security issues) (Oden:1999). The proponents of trade integration – including large international and South African firms, private sector interests in the other SADC countries, donor agencies and mainstream





economists – have pushed strongly for open regionalism and unrestricted movements of trade, investment and capital flows. Their influence has been evidenced by the significant neo-liberal market reforms that have been undertaken in the region and the relative rise in regional trade flows. Extensive liberalisation of trade and investment policies in the 1990s, most of which has taken place outside the formal trade integration scheme has increased exponentially in recent years. Moreover, the region’s fledgling stock markets have become increasingly enmeshed in the global financial markets. This deep transformation in the region’s macroeconomics has demonstrated a growing, albeit still limited, incorporation of the region’s economies into the global economic system.

The development integration track, on the other hand, has focused more on regionally based activities in areas such as regional politics and security. A large part of the work of the SADC Organ for Politics, Defence and Security has fallen within this purview. Based on the original SADC documents, the notion of development integration is primarily concerned with “creating a territorial identity and regional coherence.” Development integration includes trade integration, but advocates less openness than what open regionalism demands. Instead, it calls for market integration that is based on the principles of “flexibility of multi-speed” and “variable geometry.” This means that integration is viewed as providing “an important framework within which to reverse gross social and economic imbalances within and between the countries of the region and, and above all, between South Africa and the surrounding countries. The main social forces supporting developmental integration in the SADC region have been some labour unions, non-governmental organisations and representatives of sensitive industries such as textiles and clothing.

Although the SADC founding treaty and related policy documents embrace the integration approach of developmental regionalism, this position has gradually changed over the past few years. Partly, this can be ascribed to the reality that the SADC member states stepped up the liberalisation of their economies in accordance with the strictures of structural adjustment policies and the World Trade Organisation (WTO). But the change also reflects concessions made by the countries to accommodate the demands of private sector interests, who have vigorously lobbied for a more open and liberal regime for goods, investments and capital flows. This is confirmed by the SADC documents which put a greater emphasis on the importance of open regionalism and the central role of the private sector in creating growth and development.

The rising support for the classical model of economic integration in SADC’s rhetoric in recent years’ points to the increasing dominance of private sector interests in the regionalisation discourse. This raises questions about how SADC intends to reconcile its support for open regionalism with the positions enunciated in previous SADC documents, which endorse development integration and state intervention as a means of redressing regional imbalances. How will SADC deal with the social contradictions thrown up by the parallel processes of economic globalisation and political regionalisation? Given the deep regional imbalances, how will SADC ensure that the strident push by economic agents for classical market integration does not aggravate the marginalisation of the weaker countries? These contradictions ought to be addressed if SADC is to reverse the polarisation of the



regional landscape, and to realise its original ideal of balanced, equitable and mutually beneficial regional co-operation and integration.

### **Southern African Customs Union (SACU)**

The erstwhile experience of the SACU shows that the region has not always been treated with respect by South Africa Gibb R.: (1997). However, the arrival of democracy in South Africa in 1994 laid the basis for the revision of the SACU agreement and for deeper engagement between South Africa and its SACU counterparts. The impetus for transforming the SACU arrangement did not emanate exclusively from Botswana, Lesotho, Namibia and Swaziland (BLSN) states. South Africa was also keen to introduce changes to the existing agreement: the incoming African National Congress government was determined to underscore its regional credentials by backing SACU's democratisation and doing away with the 'colonial' tag associated with previous SACU arrangements (Davies, 1996)

The unveiling of the new Southern African Customs Union (SACU) Agreement in 2002, which came into force in July 2004, has been touted as a victory for regional democracy and balanced development Erasmus: (2004) it inaugurated far-reaching changes and established new democratic institutional structures for SACU. And it represented a culmination of economic reforms that have been undertaken by SACU countries since their trade policies were reviewed individually in 1998 (WTO Trade Policy, 2003). Central to these reforms has been trade and investment liberalisation, which has been spurred by the SACU countries' commitments in the WTO and their participation in bilateral and regional trade agreements. The reforms are designed to strengthen coherence in policy formulation, expand regional trade, and fulfil SACU's desire for deeper integration into the global economy.

In the wake of a protracted negotiation process, the five member states of SACU concluded in October 2002 a comprehensive, revised SACU Agreement. The new SACU Agreement which came into force in July 2004 brought far-reaching changes. It established new democratic institutional structures for SACU. The unveiling of the new SACU institutions has been touted as a victory for regional democracy and balanced development. One of the guiding precepts of the 2002 SACU Agreement is a 'desire for common and democratic institutions' within the customs union (Erasmus, 2004).

The Council of Ministers is the central decision-making authority, charged with responsibility for overall policy direction and the functioning of SACU institutions, including the formulation of policy mandates, procedures and guidelines for the SACU institutions. The Council is required to make its decisions on a consensual basis. This represents a radical departure from the past, when key decisions resided exclusively with South Africa. It remains unclear, however, how consensus-based decision-making in the Council can be sustained, especially within the context of South Africa's dominance within the customs union. Past experience has shown that forging consensus within SACU on sensitive trade policy matters is difficult. Nonetheless, the key test facing the smaller SACU states is whether they can use their prerogatives within the Council to promote their interests.

Concerns have already arisen about South Africa's commitment to the principle of SACU collective decision-making Erasmus, (2006) This follows the country's decision late in 2006 to impose quotas on certain categories of Chinese clothing imports entering the South African market. It is a matter of conjecture whether the BLNS states, whose active support is



needed to fully implement these quotas, were consulted about this decision. And it is not clear what impact the quotas would have, for example, on the CET and the common revenue pool. Similarly, questions have been raised about the possible ramifications of South Africa's national industrial policy framework on the broader SACU region.

Apart from the Council of Ministers, the new accord created another pivotal SACU institution: the Secretariat. The Secretariat is entrusted with a range of responsibilities, including the day-to-day administration of SACU, coordination and monitoring of the implementation of all decisions of the Council and Customs Union Commission, harmonisation of national policies and strategies of member states, and coordination of the negotiation of trade agreements with third parties. Carrying out these obligations effectively, however, will require a high degree of pro-active coordination and capacity-building as well as the ability to institute corrective measures in cases where fragmentation within member states undermines integration within SACU.

The new SACU Agreement exhorts SACU countries to conduct future trade relations and negotiations with third parties as a single entity. It states that no SACU member state is authorised to undertake negotiations with or enter into new preferential trade agreements with third parties or alter existing agreements without the approval of other member states. This is of historic significance in that it commits South Africa to ceding sovereignty over trade policy formulation and implementation to new inter-governmental institutions. In effect, all the five SACU countries will be fully involved in all current and future negotiations, a clear break from historical practice whereby South Africa decided all tariff matters unilaterally.

Significantly, the new agreement considerably revises the revenue-sharing formula among the SACU nations: the new formula consists of a customs component, an excise component, and a development component. In terms of the renegotiated accord, customs revenues will be distributed according to intra-SACU imports, which imply that South Africa will provide compensation to its SACU partners for the trade benefits, the so-called polarisation effects that flow to South Africa as a consequence of the customs union.

In response to concerns raised by Lesotho, Namibia and Swaziland about the decrease in real terms of the customs pool as a consequence of the Trade Development and Cooperation Agreement (TDCA) the growing use of duty rebates by South Africa, and additional rounds of multilateral trade liberalisation, the SACU member states agreed to include in the revised revenue-sharing formula a development component from which the smaller and fragile SACU economies would benefit most Stern & Flatters: (2005) Although the revised SACU revenue-sharing formula provides greater security and stability to the BLNS states, it has triggered concerns about the reinforcement of continued dependence of especially Lesotho and Swaziland on SACU revenues.

Of crucial importance is how SACU intends to compensate for a possible decrease of its common revenue pool as a consequence of a decline in customs and excise revenues brought about by further tariff liberalisation initiatives, both at the WTO and preferential levels, particularly by the TDCA between South Africa and the EU. This could have enormous fiscal implications for SACU and underlines the need to undertake fiscal reforms and to develop clear policies to address the anticipated negative effects of further tariff liberalisation. Reforming the CET is not the only challenge; liberalizing intra-SACU trade is important too. Non-tariff barriers, rules of origin in other trade agreements to which one or more SACU members are a party, infant industry provisions in the recently reformulated



SACU accord, and a lack of tax harmonisation distort trade, undermine the utility of the CET, and increase the costs of doing business Draper, (2006)

### Issues of Competitiveness

Looking at the various RIAs in Africa, SADC includes three of the top five most competitive countries in sub-Saharan Africa (South Africa, Mauritius and Botswana), making it the best performing regional economic community overall. In general, countries in SADC have relatively good quality institutions, efficient goods and labour markets, and well-developed financial markets. However, health and education indicators are a cause for concern, and there is generally a low level of technological capability. Some of the most problematic factors for doing business in the region include inefficient government bureaucracy, an inadequately educated workforce, and a poor work ethic in the national labour force. Poor infrastructure and lack of access to finance also feature as key hindrances (World Economic Forum, 2010).

South Africa remains the highest-ranked sub-Saharan African economy on the World Economic Forum's Global Competitiveness Index (GCI) at 54 (out of 139 economies) in 2010-11, dropping, however, from position 45 in 2008-09 and 2009-10. Other top performers on the GCI include Mauritius (ranked 55<sup>th</sup>), Namibia (74<sup>th</sup>), Botswana (76<sup>th</sup>), and Rwanda (80<sup>th</sup>). South Africa benefits from the large size of its economy (ranked 25<sup>th</sup> on the market size pillar), particularly when compared to other countries in the region. It has also done well on measures of the quality of institutions (ranked 47<sup>th</sup>), such as protection of intellectual property, strength of investor protection, and ethical behaviour of firms; macroeconomic stability (ranked 43<sup>rd</sup>); and goods market efficiency (ranked 40<sup>th</sup>). Particularly impressive, however, is the country's financial market development (ranked 9<sup>th</sup>), indicating high confidence in South Africa's financial markets during a time when trust has been eroded in many other parts of the world (Sala-I-Martin et al., 2010). South Africa also does reasonably well in terms of business sophistication (38<sup>th</sup> position) and innovation (44<sup>th</sup> position), with competitive advantage in the areas of sophistication of production processes and quality of scientific research institutions, among others Global Competitiveness Index (GCI)

COMESA includes two of the top five best performing countries in Africa (Mauritius and Rwanda), and also performs well in relation to other African regions. COMESA countries, in general, have strong institutions and well-developed financial markets, as well as efficient goods and labour markets. Again, indicators in the health and education sectors, as well as technological readiness, are poor. Factors hindering business in the region include access to financing, corruption, high tax rates, and inefficient government bureaucracy World Economic Forum, (2010).

### South Africa and the Burden of Regional Leadership

According to Nelson Mandela, the Southern African region constitutes a central priority in South Africa's post-apartheid foreign economic policy. This explains why post-apartheid South Africa has made the pursuit of regional economic rejuvenation, mainly through the instruments of regional trade integration, the keystone of its foreign policy. In this respect, the South African state has used trade policy reform as a foreign economic



policy tool not only to rebuild political and economic cooperation with African countries (damaged during the apartheid era) but also to advance its leadership ambitions, particularly in the Southern African region. Yet foreign policy has not been preoccupied only with economic issues, it has also been concerned with political and security matters. As an active champion of the African Union (AU) and the New Partnership for Africa's Development (NEPAD), South Africa has played an essential role in reshaping the security discourse on the continent. One of the crucial challenges that confronted the emerging South African democracy was the extent to which its foreign policy would reflect the ethical and democratic values that had guided the anti-apartheid struggle. Albeit with limited success, foreign policy during the Mandela presidency strove to propound the cardinal tenets of human rights, democracy, justice and international law.

Under the leadership of Thabo Mbeki, South Africa has assiduously sought to cultivate a position as a 'natural' leader of the SADC region and, indeed, of the African continent. Invoking the rhetoric of 'African renaissance,' Mbeki had set out to reaffirm South Africa's African identity and legitimise its leadership ambitions. Although it accounts for the bulk of Africa's economic output, South Africa has been careful not to throw its weight around. The South African government has actively championed NEPAD and has spent enormous financial and diplomatic capital on efforts to end conflicts in several African countries.

During Thabo Mbeki's presidency, South African foreign policy assumed a strong multilateralism thrust: the emphasis was on working with other countries to fashion common solutions to global and regional concerns. South Africa sees itself as a bridge between the developed and developing worlds. And it has used multilateral diplomacy to burnish its South credentials. Pursuing South Africa's national objectives through the multilateral setting has been seen as essential to providing the country with an avenue to "leverage its moral and political authority based on its democratic, non-racial and constitutional credentials," while also reversing the African continent's precarious position in world affairs. As such, foreign policy became more ever geared towards shoring up South Africa's international profile and towards using multilateral institutions to promote human rights and democratic global governance.

Democratic South Africa's formative experience of conflict resolution dates back to 1996, when the country tried to broker a peace deal between the president of the then Zaire (which subsequently became known as the Democratic Republic of Congo), Mobutu SeseSeko and Laurent Kabila, who marshalled the rebel forces that deposed Mobutu from power. In recent years, South Africa has actively championed a negotiated settlement to the Congolese conflict, and its mediation efforts resulted in the conclusion of the Inter-Congolese Dialogue in 2003 (which cost the South African taxpayer about US\$20m), initiated under the Lusaka Ceasefire agreement.

The emerging security doctrine was also evident when the country, backed by the United States (US), succeeded in discouraging the former Zambian president, Frederick Chiluba, from changing his country's constitution in order to seek a third term in office. Controversially, however, the policy suffered a setback when South Africa bungled a military intervention in Lesotho in 1998. This sparked questions about South Africa's true intentions in the region. Beyond its 'near abroad,' South Africa has been involved in mediating an agreement between Burundi's warring factions in that country's civil war. South Africa's





mediation efforts culminated in the conclusion of a power-sharing agreement between the rebel forces and the government of Burundi.

South Africa has also committed material and human resources to bring peace and stability in Eritrea, Ethiopia, the Comoros and Cote d' Ivoire. And it has continued to play a role in addressing the issue of "conflict diamonds" through the Kimberley process, which is designed to stamp out the use of illicit diamonds that have stoked conflict, particularly in Sierra Leone and Liberia. Central to these activities has been a determination to foster political stability, good governance and sustainable development across the African region as a prerequisite for general prosperity. To this end, Pretoria has, among other things, invested heavily in developing the AU and its constituent structures, including the Pan African Parliament. This is in recognition of the reality that South Africa's destiny is inextricably tied to that of Africa. Leading the continent into an era of stability and prosperity encapsulated in Mbeki's 'African renaissance' doctrine thus become the 'leitmotif' of South Africa's external policy.

### Conclusion

The absence of the political dimension in most of the existing theoretical formulations on regional integration in Africa has made some questions increasingly more relevant in any discourse on regional integration in Africa. What are the necessary and sufficient conditions for successful regional integration? Should regional integration be approached through the customs union model? Are preferential trade areas more preferable? Just as many as there are such questions, so are there types of regional integration schemes in Africa whose philosophical guide derive mostly from the experience of the North. It is to be noted however that each of these forms of integration arrangements has its own regularities, class contents, and mechanisms of operation.

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