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# Regional Integration in Southern Africa: The Prospects for SADC after the Mauritius Summit


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## 1) Introduction

Regional integration in southern Africa, although frequently regarded as a useful and necessary project, seems to have come to a standstill since 1998. After South Africa had joined SADC in 1994, many observers had hoped that the integration project in southern Africa would be seeing rapid progress. When, in August 1996, SADC agreed on the establishment of a free trade area, many observers regarded this as an important step forward (cf. for example Gibb 1998, p. 303). However, the developments since 1996 are characterised by too few steps forward and too many back. We are witnessing a combination of economic decline and lack of responsible leadership in the region.

In this paper, I will look at the issues that seem to influence the integration process in Southern Africa most decisively, namely

- the chances and risks of the integration process in SADC,
- the special role of South Africa, which acts both as a threat as well as an engine to SADC,
- the perspectives of the integration process in SADC after the 1998 SADC Summit in Mauritius. In particular, the prospect for the implementation of the SADC Trade protocol will be discussed.

## 2) Chances and risks of regional integration in southern Africa

In the age of globalisation, countries in southern Africa followed a trend towards regionalisation that has been evident world wide since the early 1990s. As elsewhere, the motives for regionalism in southern Africa are both political and economic.[1] Policy makers tried to improve the conditions for economic development in the region as well as regain some autonomy that was lost due to the process of globalisation.[2] The support for regional integration in southern Africa, whichever form it should eventually have, was based on the assumption that regionalism could be a sensible and practical contribution to economic development in the region (cf. Gibb 1998, p. 289).

Integration in Southern Africa suffered, from the day South Africa joined SADC, from an imbalance between the economic and political weight of South Africa compared with the other members of SADC. A brief analysis of the data in tables 1 and 2 will permit a better understanding of the underlying conditions for regional integration in southern Africa, and the barriers to successful integration.[3]

1) Of course, the original SADCC started with somewhat different motives.
2) For a discussion of the motives for regionalisation see Dieter 1998a.
3 ) However, when examining developing countries, it must be remembered that such economies are characterised by large informal sectors. The reliability of data is therefore limited. Also figures for trade flows only reflect formal trade. Informal cross-border trade may show a different picture.

Table 1: Selected socioeconomic data on SADC countries

| | Population (million) 1997 | Area (thousands of square kilometres) | Adult illiteracy rate % (1995) | GNP per capita in US-Dollars (1997) | Real GDP per capita in PPP $ (1997) | GNP per capita, avg. annual growth (%) 1985-95 | GNP annual growth (%) 1996-97 | Avg. annual inflation in % 1985-95 |
|---|---|---|---|---|---|---|---|---|
| Mozambique | 19 | 784 | 60 | 90 | 520 | 3.6 | 8.6 | 52.2 |
| Zaire/Congo | 47 | 2,267 | n.a. | 110 | 790 | n.a. | n.a. | n.a. |
| Tanzania | 31 | 884 | 32 | 210 | 640[a] | 1.0 | n.a. | 32.3 |
| Malawi | 10 | 94 | 44 | 220 | 700 | -0.7 | 3.1 | 22.1 |
| Angola | 11 | 1,247 | n.a. | 340 | 940 | -6.1 | 15.4 | 169.5 |
| Zambia | 9 | 743 | 22 | 380 | 890 | -0.8 | 7.9 | 91.5 |
| Lesotho | 2 | 30 | 29 | 670 | 2,480 | 1.2 | 5.2 | 13.4 |
| Zimbabwe | 11 | 387 | 15 | 750 | 2,280 | -0.6 | 2.1 | 20.9 |
| Swaziland | 1 | 17 | 23 | 1,440 | 3,393 | -1.4 | 2.6 | n.a. |
| Namibia | 2 | 823 | n.a. | 2,220 | 5,440 | 2.9 | 3.8 | 10.4 |
| Botswana | 1.5 | 566 | 30 | 3,260 | 8,220 | 6.1 | 7.8 | 11.5 |
| South Africa | 38 | 1,221 | 18 | 3,400 | 7,490 | -1.1 | 1.3 | 13.9 |
| Mauritius | 1 | 2 | 17 | 3,800 | 9,360 | 5.4 | 5.2 | 8.8 |
| Seychelles | 0.08 | 0.45 | 21 | 6,880 | n.a. | n.a. | 0.6 | n.a. |

Source: World Development Report 1997, pp. 214-248; Weltentwicklungsbericht 1998/99, pp. 234-276. n.a. = data not available. a) 1995.

The population data in column 1 of table 1 demonstrate the outstanding position South Africa had before Zaire/Congo joined SADC. Now Zaire/Congo is, in terms of population, the largest SADC country.

The data on per capita GDP are informative for the analysis of the prospects of an integration project. Although it must be remembered that the statistics on economic performance take no account of informal sectors, the data do provide insight into the economic heterogeneity of the region. If one considers per capita output (in dollars), two categories emerge. First the nine poorer SADC countries with an annual per capita GDP of between $ 90 and $ 750; second, the five more developed economies, with a per capita GDP of between $ 1,440 and $ 3,800.[4]

These data invite several conclusions. First, from an economic point of view there are few reasons for regional integration including the nine poorer countries. Their level of development is so low that no useful economic exchanges can be expected. With such poorly developed countries foreign trade is not likely to increase competition nor does regional integration contribute to the development of a substantially enlarged internal market. One of the important goals of regional integration, the rise in opportunities for trade, cannot be achieved if the range of exportable products is limited to a few agricultural products or raw materials. Only the existence of a producing industry worthy of the name, and, under certain circumstances, of cross-border services, can make the expansion of the internal market a useful undertaking. Only in these cases is synergy (development of ancillary industries) or increased competition likely.

Second, given the heterogeneity of the region at the beginning of an integration attempt the gains from integration can be expected to be distributed very unevenly. The more advanced economies, South Africa in particular, are so far ahead of the poorer ones that no mutual augmentation of welfare can be expected. It is more likely that South Africa's strength, in particular, will lead to an extremely unequal distribution of welfare gains from the integration process. The already apparent imbalance in trade (see below) would grow further as integration proceeds.

4) The island economy of the Seychelles is, both in terms of its tiny population (74,000 inhabitants) and its per capita GDP, an exceptional case.

Table 2: Selected macroeconomic data on SADC countries[a]

| | GDP (million US-Dollar) 1980 | GDP (million US-Dollar) 1997 | Current account balance (million $) 1996 | Exports (million US-Dollar) 1996 | Imports (million US-Dollar) 1996 | Total external debt (million $) 1995 | External debt as a percentage of exports 1995 | Aid as a percentage of GDP 1994 |
|---|---|---|---|---|---|---|---|---|
| Mozambique | 2,028 | 1,944 | *-445* | *411* | *1,055* | 5,781 | 1,192.5 | 101.0 |
| Tanzania | *5,702* | 6,707 | -413 | 1,372 | 2,167 | 7,333 | 585.2 | 29.9 |
| Malawi | 1,238 | 2,424 | *-450* | *385* | *873* | 2,140 | 499.6 | 38.0 |
| Zambia | 3,884 | 4,051 | n.a. | 1,296 | *1,258* | 6,853 | 528.7 | 20.7 |
| Angola | n.a. | 7,396 | *-340* | *3,167* | *3,017* | 11,482 | 314.3 | 11.0 |
| Zimbabwe | 5,355 | *8,512* | *-425* | *2,344* | *2,515* | 4,885 | n.a. | 10.2 |
| Lesotho | 368 | 950 | *108* | *181* | *874* | 659 | 108.8 | 8.9 |
| Namibia | 2,190 | 3,453 | 84 | 1,591 | 1,868 | n.a. | n.a. | 4.7 |
| Botswana | 971 | 4,922 | *342* | *2,130* | *1,907* | 699 | 24.0 | 2.2 |
| South Africa | 78,744 | 129,094 | -2,033 | 33,309 | 32,716 | n.a. | n.a. | 0.2 |
| Mauritius | 1,132 | 4,151 | 17 | 2,701 | 2,767 | 1,801 | 9.0 | 0.4 |

a) Data for Zaire/Congo and Seychelles not available. Figures in italics are for years other than those specified. Source: World Development Report 1997, pp. 218–247; Weltentwicklungsbericht 1998/99, pp. 256-276.

Just how much the SADC is marked by the economic predominance of South Africa is also shown in table 2. South Africa’s output, about $ 130 billion in 1997, far exceeds that of its neighbours. Even when taking estimate figures for Zaire/Congo, Swaziland and the Seychelles into account, the combined GDP of the 14 other countries in 1997 was only US-Dollar 51,2 billion or 39.6 per cent of South Africa’s GDP. [5] The GDP of the second largest economy, Zimbabwe, represents only 6.6 per cent of the South African GDP.

The macroeconomic data in table 1 also reveal the greatly differing economic policies and their differing success. Whereas most SADC countries recorded negative or very modest economic growth between 1985 and 1995, Botswana and Mauritius show that small African economies, too, have potential for successful development. A comparison of the countries' GDP in 1980 and in 1997 (table 2) underlines this assessment. Botswana and Mauritius occupy an exceptional position, having increased output within 17 years almost fivefold in the case of Botswana and more than threefold in the case of Mauritius. Also Lesotho was able, for specific reasons, to almost triple its GDP. Other countries recorded either moderately favourable development (Namibia and South Africa), stagnation, or depression. The comparison of inflation rates displays the same picture. Only Mauritius had a single-figure annual inflation rate between 1985 and 1995. Angola, Mozambique and Zambia recorded very high inflation rates.

The significance of these differences should not be underestimated. Basically, these differing economic developments are the results of very different economic policies. Although they may also reflect difficulties in the development of some of the countries' terms of trade, there is no doubt that economic policies in SADC are based on very different grounds. That is not a good precondition for economic integration in southern Africa. Although a very strict co-ordination of macroeconomic policies is not required for a free trade area, empirical evidence supports the argument that a minimum convergence of economic policies as well as a minimum of economic stability is required even for a free trade area.

Most SADC countries are confronted with serious external deficits. Again, Botswana is an exception with a surplus of the current account of almost 8 per cent of GDP. But the poorer SADC countries ran extraordinarily high current account deficits, in particular Mozambique, Malawi and Tanzania. Taking the data on foreign debt in table 2 into consideration, it is clear that the poorer SADC countries are not in a position to bear marked trade or current account deficits for even a short period. The poorer countries of SADC are very heavily indebted. The high debt means, unless debt is forgiven, that those countries should try to achieve a trade surplus in order to be able to service their debt. Apart from Angola, none of the poorer countries was able to achieve that in 1995.

These figures underline that in particular the weaker SADC countries cannot accommodate a further deterioration of the external accounts. In particular when the unbalanced trade flows in the region are taken into consideration, the need for a rapid revision of the current trade policies in the region are obvious (see part 3).

To sum up these findings: The risks of regional integration in southern Africa are very

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5) Zaire/Congo's GDP is estimated at $ 5.4 billion, that of Swaziland at $ 0.8 billion and the Seychelles are estimated to have a GDP of $ 0.5 billion.

high indeed. The existing external imbalances are already alarming. South Africa is, by all measures, the economic giant in the region: South Africa has no economic and, as we have seen during the crises of 1997 and 1998, no political counterweight in the region.[6] Zaire/Congo, which could theoretically be a balancing power, is still in such great internal turmoil that both its economic and political weight are insignificant.

Previous integration projects in other parts of the world as well as in Africa have shown that very great imbalances as well as great differences in the level of development are structural obstacles to successful regional integration. In contrast to the assumptions of neoclassical economic theory, the weaker economies will not benefit most from integration, but rather the already stronger economies will gain most. The poles have to gain more than the economies at the fringe. This general trend is strengthened further because in the poorer SADC countries there is virtually no industry that could simply be upgraded to compete with South African companies. It can therefore be expected that South Africa will be by far the greatest beneficiary of improved trade and investment opportunities in southern Africa.

The immediate consequence of this analysis would be to demand substantial measures to strengthen the weaker economies in SADC. The form of those transfers is another matter: There could be direct financial support as well as some other form of assistance, e.g. in the form of increased direct investment from South Africa. At this stage, the simplest and most elegant form of transfers seems to be a customs union, in which customs revenue would be distributed according to a per capita formula (see conclusions).

## 3) South Africa’s role in SADC

The current South African government has been aware of the difficulties facing southern Africa long before taking office. Nelson Mandela in 1993 described all major problems of southern Africa in an article published in *Foreign Affairs*. He emphasised both the special priority of southern Africa in South Africa’s foreign policy as well as the link between South Africa’s and southern Africa’s future (Mandela 1993, p. 89f). In particular the clear description of the region’s economic structures is interesting:

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6) During the last weeks of the Mobuto regime in Zaire as well as during the civil unrest in Lesotho in 1998 South Africa dominated the foreign policy responses in the region. However, South Africa’s strategies were, in particular with regard to developments in Zaire, ambiguous. It was unclear what exactly the South African leadership was trying to achieve (cf. Vale/Maseko 1998, p. 272).

> *„The regional economy that emerged under colonialism entrenched the domination of one country (South Africa) and incorporated other countries in subsidiary and dependent roles as labor reserves, markets for South African commodities, suppliers of certain services (such as transport) or providers of cheap and convenient resources (like water, electricity and some raw materials). South Africa's visible exports to the rest of the region exceed imports by more than five to one. This is a reflection of not just the stronger productive base of the South African economy, but of barriers of various kinds that have kept goods produced in regional states out of the South African market"* (Mandela 1993, p. 90).

Unfortunately, Nelson Mandela's analysis is not only a description of the past, but also of the present situation. A look at the trade flows proves this.

Table 3: South Africa's trade with SADC countries (1994, in US-$ million)

| | Exports | Imports | Balance |
|---|---|---|---|
| Botswana | 1,149.2 | 156.1 | 993.1 |
| Namibia | 1,117.8 | 389.6 | 728.2 |
| Swaziland | 775.9 | 316.2 | 459.7 |
| Lesotho | 755.4 | 59.0 | 696.4 |
| SACU-subtotal | **3,798.3** | **920.9** | **2,877.4** |
| Angola | 85.9 | 4.7 | 81.2 |
| Malawi | 171.6 | 51.0 | 120.6 |
| Mauritius | 149.1 | 4.2 | 144.9 |
| Mozambique | 387.5 | 25.3 | 362.2 |
| Tanzania | 50.5 | 4.4 | 46.1 |
| Zambia | 319.2 | 53.4 | 265.8 |
| Zimbabwe | 677.5 | 281.4 | 396.1 |
| SADC total | **5,639.6** | **1,345.3** | **4,294.3** |

Source: South African Department of Trade and Industry, quoted in Gibb 1998, p. 291.

The availability of data on trade flows in southern Africa is limited, but sufficient to analyse the current situation.[7] The data for trade flows in 1994 show the disturbing trend Mandela described. South Africa exported goods worth more than $ 5,600 million to the other eleven SADC countries, but only imported a fraction of that amount from the region. In 1996 and 1997 this structure continues unchanged. The trade surplus of South Africa with the Non-SACU SADC countries widened dramatically from $ 1,416 million (1994) to $ 2,800 million in 1997 (see tables 3 and 4).

7) IMF data on trade within SACU are not available in the Directions of Trade Statistics.

Table 4: South Africa's trade in 1996 and 1997 (in US-$ million)

| | Exports 1996 | Imports 1996 | Balance | Exports 1997 | Imports 1997 | Balance |
|---|---|---|---|---|---|---|
| Angola | 345 | 57 | 288 | 301 | 67 | 234 |
| Congo | 218 | 115 | 103 | 174 | 108 | 66 |
| Malawi | 220 | 68 | 152 | 255 | 86 | 169 |
| Mauritius | 213 | 4 | 209 | 237 | 5 | 232 |
| Mozambique | 554 | 18 | 536 | 581 | 30 | 551 |
| Zambia | 414 | 40 | 374 | 493 | 34 | 459 |
| Zimbabwe | 1,239 | 275 | 969 | 1,379 | 290 | 1,089 |
| Non-SACU SADC-countries | 3,203 | 577 | 2,626 | 3,420 | 620 | 2,800 |
| Memorandum item: Africa | 3,999 | 721 | 3,278 | 4,516 | 884 | 3,632 |

Source: IMF, Directions of Trade Statistics, March 1998, p. 189 and June 1998, p. 214; own calculations.

Taken this evidence into account, it seems fair to say that the mercantilist trade policy of South Africa continues unchanged after the end of apartheid. The new South African government continues to benefit from structures that were very clearly understood by the ANC prior to its rise to power. The trade policy of South Africa is the single most important reason for the imbalances in trade flows. Even if the lack of competitiveness of industries may have played a role in some of the region's economies and their trade performances, this cannot be said about Mauritius. Yet even from that country, a successful exporter to world markets, in 1997 only goods worth $ 5 million found their way into the South African market.[8]

South Africa not only continues to protect its own market, but also benefits from the changes in trade policy that the neighbouring countries were forced to adopt. Whereas the weaker countries in the region had no alternatives but to accept the neo-liberal medicine prescribed by the doctors from the IMF and the World Bank, South Africa has so far been able to avoid that doubtful help. However, today the neighbours in the region have lost the tools to protect themselves against the powerful competitors from South Africa.

Although the South African government has not liberalised the country's trade regime so far, the country will be forced to liberalise due to the results of the Uruguay Round. South Africa will have to simplify its tariff structure from 10,000 to 6,000 categories and increase the number of tariffs included in the WTO negotiations from 58 to 98 per cent of all tariffs. Also, South Africa will have to reduce the maximum tariff levy from 100 to 30 per cent, with the exception of motor vehicles and textiles. Export subsidies under the general export incentive scheme (GEIS) will also have to be phased out (cf. Gibb 1998, p. 296f; see also Hirsch 1995, p. 51f). These changes will also have consequences for intra-regional trade, although a dramatic rise of imports can only be expected where companies in the neighbouring countries are sufficiently competitive. The change of trade policy will have dramatic effects on SACU, however.

The current trade regime in southern Africa still gives the Southern African Customs Union (SACU) a prominent role.[9] SACU, comprised of South Africa and Botswana, Lesotho, Namibia and Swaziland, is the type of customs union that, in the author's opinion, suits the structure of the region better than a free trade area. SACU, however, has been assessed increasingly critical by the South African government because South Africa's share of the customs revenue has fallen dramatically. Whereas in 1969/70 South Africa received 97,4 per cent of customs revenue, that share has fallen to 66 per cent by 1992/93. At the same time, customs revenue has become more important for the government budgets in the other countries. In 1995/96, the proportion of central government revenue coming from customs duties was above 50 per cent in Lesotho and Swaziland and still quite high 30.1 per cent in Namibia and 16.3 per cent in Botswana (cf. Gibb 1998, p. 301). It seems realistic to expect difficulties for those countries budgets once tariffs in SACU will be reduced, unless the South African government will provide some form of compensation, which seems highly unlikely in today's political environment.

If regional co-operation and integration in southern Africa are to have a future, it will depend on the policies of South Africa. Again it seems useful to look at the blueprint for South Africa's foreign policy Nelson Mandela suggested in 1993:

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8) The development of exports from Mauritius shows the success of that country. Between 1980 and 1993, the share of manufactures in Mauritius' exports rose from 27 to 67%, whilst total exports rose from $ 431 million to $ 1,537 million (World Development Report 1997, p. 243).

9) SACU, founded in 1910, is certainly the oldest and most successful integration project on the African continent (cf. Mills 1995, p. 216).

> „*We are sensitive to the fact that any program that promotes greater cooperation and integration in southern Africa must be sensitive to the acute imbalances in existing regional economic relations. …It is essential therefore that a program to restructure regional economic relations after apartheid be carefully calibrated to avoid exacerbating inequities*“ (Mandela 1993, p. 93f).[10]

The regional policy of South Africa is not only controversial because of its self-seeking economic strategies, however. The activities of South Africa with regard to the developments in Lesotho also have highlighted the reservations of policy makers in region. What had happened?

In Mai 1998 the governing party in Lesotho had achieved victory in the elections and had claimed to have won 79 out of 80 seats. The opposition parties questioned these results and demanded that King Letsie III should nullify the elections. In August, South Africa’s Vice-President Thabo Mbeki managed to convince the parties in Lesotho that a SADC Troika, comprised of Botswana, South Africa and Zimbabwe, should review the May elections. After a further deterioration of the political stability in Lesotho, expressed by a mutiny in the armed forces, South Africa intervened militarily on 22 September 1998. Nelson Mandela tried to justify the intervention. Despite the intervention, the situation in Lesotho continues to be unstable.

By all standards, this activity seems to have violated international law. Neither had the King of Lesotho approved the operation nor had there been any involvement of the United Nations. Also within the SADC there was no consultation of other governments, obviously not even within the SADC Troika.

It goes without saying that this military intervention will further weaken the SADC process. Not only does it further increase the uncertainty in the region because of internal instability in Lesotho,  but it will result in a deterioration of South Africa’s credibility as a peaceful power, both in the region and further afield. Although it is quite early for final judgements, it seems that South Africa’s premature military intervention has both fuelled tension within Lesotho as well as caused a revival of South Africa’s negative image in the region.

Instability, however, not only characterises the situation in Lesotho but also in other parts of SADC. The democratic Republic of the Congo today is torn by a civil war, which may well continue for a few years. The outcome cannot be predicted at this stage.

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10) Leistner underlines that there is a consensus in South Africa on the need for a balanced regional

It is quite obvious that it was a mistake to admit Congo to SADC before Kabila's power was internally consolidated. As everywhere, regional integration is not a tool for the solution of internal problems of member states. Although this is a commonplace, it is too often ignored in Africa.

Beyond Congo also other other member countries of SADC appear significantly less stable in 1999 than in the past. In Angola the more than 40 year old conflict continues, whereas both Zimbabwe and Namibia seem to depend on their leaders, which makes their political future after Mugabe's and Nujoma's departure potentially unstable. And South Africa itself can no longer be regarded as a stable country: The increasing violence as well as the rising extremist tendencies of the white South Africans contribute to an increasingly volatile situation. Neither the erection of an autonomous white state ("Volksstaat") nor a further erosion of the power of state can be excluded from today's point of view. Some authors have already warned that South Africa might follow the example of Columbia, i.e. that a collapse of government authority is not impossible (cf. von der Ropp 1999).

## 4) The perspectives of the integration process in SADC with regard to the implementation of the SADC trade protocol

The SADC trade protocol was agreed upon in 1996. However, it does not come into effect unless three-quarters of the member states will have ratified it. During the 1998 SADC Summit, which was held from 13 to 14 September in Mauritius, the Heads of State or Government expressed concern over the lack of ratification of the SADC Trade Protocol:

> *„The Summit expressed disappointment that so far, only four countries (Botswana, Mauritius, Tanzania and Zimbabwe) have ratified the Trade Protocol, which is the key to successful regional integration and economic development in Southern Africa. The Summit cautioned that the Organisation could lose its credibility unless Member States moved with speed to decisively address problems impeding ratification of the Trade Protocol. The Summit welcomed the decision to convene a SADC Trade Negotiating Forum in October, and an extra-ordinary meeting of Ministers of Trade and Industry before the end of 1998, to finalise outstanding matters on the Trade Protocol"* (Final Communique, paragraph 31).

Without any doubt, the Trade Protocol does not make sense without South Africa and

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policy (Leistner 1995, p. 266f).

SADC doesn't make sense without the Trade Protocol. Although the South African government continues to express its willingness to sign the Trade Protocol, the absence of action on the matter proves either the South African government's lack of will or its lack of ability to do what it declares. Domestic issues might play an important role here. But there can't be any doubt that other governments in the region also have difficulties to get domestic support for the envisaged trade regime.

The difficulties the South African government is confronted with cannot be denied or overseen. Even five years after the end of apartheid the change is not yet consolidated internally, unemployment is an extremely high 40 per cent, and the expectations of broad sections of the populace that their economic situation would rapidly improve have not been met. In the last five years, 10 per cent of the white population, about half a million people, have migrated to other states, mainly Anglo-Saxon countries like Canada and Australia. Large corporations, e.g. the Anglo American Corporation, are relocating their headquarters from Johannesburg to London (cf. von der Ropp 1999).

South Africa's trade unions, whose struggle against the apartheid regime had been supported by neighbouring countries, now vehemently criticise the inflow of labour from the countries across the northern borders as well as denounce regional integration because it could have negative consequences for jobs in South Africa.[11] The South African government is forced to consolidate the situation within the country while being expected to assume the leadership role in the region.

Even though the internal difficulties cannot be disputed, it may be about time to question the regional policy of South Africa nevertheless. The brother of South Africa's Vice-President Thabo Mbeki has pointed out that an increasing number of African countries do not wish to see South Africa taking a leading role on the continent (cf. Vale/Maseko 1998, p. 279). However, this might entirely be South Africa's fault. Leadership in southern Africa cannot result in South Africa exploiting the advantages whilst paying no attention to the negative consequences of its activities. The process of regional integration in southern Africa requires that South Africa plays the role of a benign hegemon, not that of a malign regional superpower. Whereas many observers in

11) Alan Hirsch pointed out as early as 1995 that trade unions in South Africa expected the relocation of production sites to other, cheaper locations within SADC should regional integration be successful. Due to that, trade unions expected a deterioration of both wages and working conditions in South Africa (cf. Hirsch 1995, p. 53; see also Leistner 1995, p. 267). These fears, however, ignore the job creation effects of regional integration. Also, other integration processes have shown that the relocation of production facilities will only take place if the right preconditions for an investment are provided, e.g. a skilled workforce, efficient infrastructure and a stable macroeconomic environment. The ability of the other SADC countries to provide the essentials for investment there can at least be questioned.

the region had hoped that the end of apartheid would result in more harmonious relations in southern Africa, today South Africa's regional policy is questioned by its neighbours and by observers from further afield. South Africa seems to develop a hostile attitude towards people from other SADC countries, a point made by Bischoff:

> *„South Africa's preoccupation with halting the influx of illegal migrants, their treatment in detention and deportation to many is indicative of a xenophobic attitude directed at other Africans. The South African state – peopled with civil servants from the apartheid past – is a type of state in which other African states find little to recognise themselves in"* (Bischoff 1998, p. 14).

Arguments that South Africa cannot play a constructive role in the region, at this stage, are misleading. It has been proposed that the national 'Reconstruction and Development Programme' cannot be successfully implemented at the same time as a regional co-operation project (cf., for example, Leistner 1995, p. 56). However, this is to overlook the fact that consecutive implementation – first internal consolidation in South Africa then consolidation in the region – would overtax the strength of the other countries in the region. This logic would mean that the poorer countries of the region would have to continue to cope with the current exploitation by South Africa until, at some date in the future when South Africa has achieved the expected stability, they can start hoping to improve their economic position.

There are at least two limitations to that approach. Firstly, there is the danger of a continuation of the current regional policy by the South African government. The ANC might, in contrast to its egalitarian rhetoric, continue to exploit the regional hierarchy. After all, who is going to stop them from doing so? It is hard to spot, at this stage, forces within South Africa that continue to press for a more benign regional policy (cf. also Good 1997, p. 573). In a few years, a significant number of people who still have the experience of support by the regional partners of the ANC during the fight against apartheid may have lost their influence. Therefore, relatively soon the internal support for a regional compensation mechanism might be even weaker than today. Secondly, the countries of the region might, both economically and politically, no longer be interested in a regional integration project. If South Africa is not able to prove its ambitions for leadership, based on the principle of equality, within the foreseeable future, the other countries of the region could be tempted to promote other, competing projects. Certainly today SADC cannot be called a project that can't be reversed. South Africa might quickly isolate itself with a continuation of the current policy. At this stage such a development is obviously quite unlikely. But in an age of rapid change, even South

Africa’s current (regional) invincibility should probably not be taken for granted.

Although SADC has continued to emphasise the need for an equal development in the region, on this issue there has been more rhetoric than action. The design of the envisaged free trade area pays no attention to the inequalities in the region, a point also made by Gibb:

> *„Despite calls for ‘balanced growth’, the creation of a regional market based upon trade liberalisation and free market principles does not confront the problem of size disparities and the threat of deindustrialisation in, for example, Zimbabwe and Zambia“* (Gibb 1998, p. 304).

In 1998, we have already experienced the difficulties other SADC countries are confronted with because of South Africa’s export drive into the region. The government in Zimbabwe was forced to tighten its import regime dramatically: Tariffs were raised by between 20 and 100 per cent, a measure aimed to reduce imports from South Africa.

In this context, we have to ask ourselves what the positions of the other SADC countries regarding the further integration process are. The tightening of the import regime in Zimbabwe gives a clear indication: Even if there were the political will to proceed with SADC integration, the economic fundamentals do not enable the other SADC countries to go ahead without South Africa taking the lead. Therefore, it is unlikely that other countries will sign the Trade Protocol unless South Africa does. Today, with the exception of Tanzania, only the more competitive SADC countries have signed the Trade Protocol, which gives an indication of the difficulties the weaker countries are facing not only because of economic, but also due to political considerations. The pressure to avoid the further deterioration of economic conditions is putting a limit to the ability of those governments to sign the Trade Protocol.

In general, vested interests and the fear of giving up sovereignty are substantial obstacles for integration in all SADC countries. The bureaucracies in all participating countries may fear job losses due to the delegation of tasks to the regional body. In the absence of too many alternatives, clinging to a task and the job coming with it is quite understandable, yet a problem for integration. Also, the fear to lose sovereignty is a phenomenon quite common in integration processes. However, more successful integration processes seem to have managed to emphasise the ‘pooling of sovereignty’ effect of integration and have therefore created a broad support for the integration process. In southern Africa, such an effort has not been made successfully.

The ambivalent position of the governments in smaller SADC countries is strengthened further due to South Africa's trade diplomacy. The tendency of the South African government to strengthen bilateral agreements within and beyond SADC is sending out a confusing message. The South African government fails to set priorities and make them clear to its partners in the region. The recent introduction of a new, tougher regime for the collection of value added tax for trade within SACU will further add to the reservations the smaller SADC countries have vis-à-vis South Africa.[12]

Regarding the current institutional arrangements, both a revision of the sector-based responsibilities as well as a substantial strengthening of the SADC Secretariat seems overdue. The division of labour between countries has not yielded good results and has only led to minimal integration effects (cf. Gibb 1998, p. 303; see also Mills 1995, p. 224). A centralisation of responsibilities seems to be the only available alternative. Empirical evidence has shown that without a well equiped, both in terms of resources as well as manpower, central body regional integration is likely to fail. Needless to say that a large secretariat is no guarantee for success. But in particular the Asian crisis has shown that too informal regional arrangements, such as the Asia-Pacific Economic Co-operation (APEC) and even ASEAN, have great difficulties presenting solutions in a turbulent situation and therefore have difficulties surviving a crisis.[13]

However, a rationalisation of the SADC structures fails to attract the necessary political support. During the Mauritius Summit, reform was postponed once again:

> *„The Summit reaffirmed the necessity of continuing with the system of sectoral co-ordination by Member States and the rationalisation of sectors where appropriate"* (Final Communique, paragraph 28).

Although by now we have sufficient evidence that the current system does work too well, at the political level, as opposed to the technical level, little support for rationalisation can be found. The absence of a lean, yet centralised organisation will hinder the development of policies aimed at structural reform and might foster the project-oriented approach of the past.

In this context, recent lessons from Asian countries ought to be considered. As a consequence of the crisis in Asia, a strengthening of regional bodies, as opposed to

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12) South Africa is forcing importers to pay value-added tax at the border, which results in an additional barrier for imports from SACU countries. Furthermore, past experience seems to indicate that the customs administration in South Africa is quite unwilling to honour the obligation to refund the VAT once the products have been sold to the final customers.

13) For a discussion of the consequences of the Asian crisis see Dieter 1998b.

regional integration, is not unlikely in Southeast and East Asia. The first step in that direction has been the creation of an ASEAN body to monitor economic developments in Southeast Asia and supply governments with some additional early warning signals. ASEAN has tried to improve the capacity of its Jakarta-based Secretariat throughout the 1990s, but until 1998 the Secretariat was responsible only for trade, not for the supervision of financial flows. The SADC Secretariat could play that role for southern Africa, provided the allocated resources enable it to work seriously.[14]

## 5) Conclusions:

Considering the analysis of the forces for and against regional integration in southern Africa, not too many positive remarks about SADC can be made at this stage. The bottom line is that as long as South Africa's rhetoric doesn't match its actions, there will be no successful integration in southern Africa.

What could be done at this stage? If SADC shall not follow the example of other integration processes in Africa, i.e. either collapse or become irrelevant, South Africa has to ratify the Trade Protocol very soon. Even that might not be sufficient: It could be argued that the Trade Protocol is too limited in scope anyway and that the planned implementation period is too slow. The experience of successful integration projects in other parts of the world has shown that free trade areas are too difficult to administer, in particular in the developing world. The need to have certificates of origin, which are necessary to safeguard the ability of member states to continue having their own external tariff regime, is putting an undue burden on the customs administrations. Given that certificates of origin tend to be complex, they are quite likely to harm trade rather than encourage it.

In other parts of the world, customs unions generally have fared far better than free trade areas. Not only did the European Union start as a customs union, but also in our times the success of the Mercosur, an (incomplete) customs union, supports the argument that a customs union is the better concept. Although a customs union requires a greater degree of commitment to an integration process, it both is easier to administer

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14) In that context, it has to be stressed that the current Secretariat has some room for improvement. The Executive Secretary's statement during the Summit in Mauritius, where Kaire Mbuende urged SADC governments to aim for annual growth rates of 8 per cent, could just be an exercise in wishful thinking if he hadn't added that this were an achievable goal. To his credit, he didn't say when, but against the background of an average growth of 2.2 per cent in 1997 such statements don't increase the standing of a regional body.

and offers a very elegant way of redistribution within an integration project. Of course, one could argue that SADC will not be able to agree on a customs union. This may well be true, but if SADC can only agree on the lowest common denominator then the outlook for the organisation is bleak anyway. In such a scenario, it might be advisable to take other alternatives into consideration.

Western donors in general and the European Union in particular might have to reconsider their activities with regard to the support of SADC. At this stage the integration process is not very promising, mainly because of South Africa's lack of leadership for the region.

In this context, it should be noted that the recent creation of a free trade area between the EU and South Africa is counterproductive. After more than three years of negotiations, the EU and South Africa have agreed on a free trade area. This will permit South Africa to export about 99 per cent of its industrial products, but only 75 per cent of its agricultural produce duty free into the EU. In return, the EU gets duty free access to the South African markets for about 86 per cent of industrial products. The main exception are cars and textiles. The agreement has an implementation period of 12 years (cf. Financial Times, 26.3.1999, p. 3).

The agreement was reached just hours before Nelson Mandela gave his final speech to the South African parliament. Perhaps it was good news for South Africa. For the other countries of the region, however, it was not. A free trade area with the EU enables South Africa to cut itself off from the region. It is no longer necessary for South Africa to have the development of the region as a priority of economic policy. It will be much more tempting to export to the competitive, but also lucrative European market than to develop Southern Africa together with the regional partners. Considering the experience of the first years of post-apartheid regional policy, it seems more likely that South Africa will follow a two-tiered approach: Regional development would have a clear disadvantage compared to the strengthening of South Africa-EU ties.[15] At the same time, the European Union has missed the opportunity to provide a solution for the region's problems. The granting of trade preferences for South Africa should have been combined with the demand for a less self-seeking policy of South Africa in the region.

Although this does not seem to be a likely prospect, the most appropriate solution for the current inequalities in trade flows still would be a SADC customs union that would distribute the revenue on a per capita basis. The poorer countries would gain most, whilst South Africa would contribute most. However, such a scheme would have an in-built reduction of transfer payments: As South Africa (or SACU to be precise) has to lower its tariffs anyway, also the revenue from tariffs will decline quickly. A SADC customs union would, however, provide the poorer countries in the region with time to adjust to the changed circumstances, i.e. the rapid growth of imports from South Africa.

Sadly, the opportunity to create such a scheme has passed and forces that would push South Africa into such a scheme are nowhere to be seen. As a result, the region is much more likely to continue on its current path, which leaves little hope both for the development of the poorer countries of Southern Africa and for SADC's own development.

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15) The South African Minister for trade and industry, Alec Erwin, consequently has labelled the EU-South Africa trade agreement as "the most comprehensive economic agreement between South Africa and any other partner" (cf. Financial Times, 26.3.1999, p. 3).

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