

Monitoring Regional Integration *in Southern Africa*



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Editors:
Anton Bösl, Willie Breytenbach,
Trudi Hartzenberg, Colin McCarthy,
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Foreword

Regional Integration in general is considered as an important theoretical paradigm for and successful practical instrument of economic growth and development. Particularly in Southern Africa with its comparatively small economies, regional integration can play a crucial role in the pursuit of common strategic interests for the successful economic development of the involved countries.

Regional Integration, however, requires political will, the understanding of politicians of the necessity to pass relevant national legislation and the decision to implement respective strategies. The political discourse will naturally deliberate on the expectations for economic growth and the consequences of partly renouncing national sovereignty. The dynamics of such national discourses and the political will to regional integration are unpredictable with repercussions for the course of and striving for regional integration.

In addition, the discourse on regional integration is no end in itself, but a means to an end. In the centre of all attention on regional integration must be the human being, the living standards of people and their social cohesion. The subject, however, will not primarily be the citizen of a particular nation but the people of the whole region.

Hence regional integration emerges as a multilayered challenge for experts, politicians and finally to the people involved in a region. They must all be informed about the ongoing process, and must be involved in the deliberations and in the decision-making processes.

The European Union, now comprising 27 vastly different (not only economically) member states, is proof that the efforts of investing in regional integration pay dividends, economically, socially, and politically.

The Konrad Adenauer Foundation, a German Non-Governmental Organisation, is highly interested and involved in regional integration, not only by virtue of being named after Konrad Adenauer, the first Chancellor of the Federal Republic of Germany and one of the founders of the European Union, but by the conviction that

regional integration and its dynamics will lead to sustainable development and finally benefit the people. This is the reason why the Konrad Adenauer Foundation with programmes in more than a 100 countries has been actively involved in regional integration in Europe, and Africa, Latin America and Asia.

For the implementation of its programmes the Konrad Adenauer Foundation depends on qualified partners. We are therefore most grateful that the Trade Law Centre for Southern Africa (tralac) and the Namibian Economic Policy Research Unit (NEPRU) have played a vital role in the facilitation of this project and this publication.

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Introduction:

Monitoring the process of regional integration in southern Africa in 2006

Anton Bösl, Willie Breytenbach, Trudi Hartzenberg, Colin McCarthy, Klaus Schade

Recent developments in southern Africa suggest strongly that the region has entered a new phase of regional integration. Debates in the region are vigorous: asking some of the very difficult questions that are essential if the challenges of the regional configurations are to be addressed, and if the regional trade agenda is to be aligned to the challenges of the broader international trade agenda and developments in international markets. But integration in the SADC region is more than just about markets: it is also about security cooperation, specifically human security, guidelines for democratic governance, and since the advent of the African Union, the vision of military co-operation on both the continental as well as regional levels as part of the initiatives towards an African Peace and Security Council and African Standby Forces.

The broader stakeholder involvement in these debates is important; they are addressing not only issues of overlapping membership but also asking the fundamental questions concerning what deeper regional integration means. It is true, however, that politicians are still committed to the linear model of regional integration piloted by the European Union. This model charts progress in regional integration from free trade areas (FTA) to customs unions and to monetary and political union as a logical process of successive steps or stages. Here, however, linearity is broken, because since the abolition of the Organisation of African Unity in 2001, the establishment of an African Parliament as well as an African Peace and Security Council has been pursued before the completion of the single market, single currency model, as was the case in the European Union.

What is not yet common cause is that in fact deeper regional integration does not necessarily require a move from an FTA to a customs union. It is also true that an FTA is not a prerequisite for the establishment of a customs union, as the recent revival of the East African Customs Union indicates. Indeed, an FTA probably offers more than enough scope to address the specific challenges to regional integration

and development. Infrastructure development, more efficient, cost-effective and better quality service provision, the lowering of transactions costs of intraregional trade associated with differences in administrative procedures and documentation, and the harmonisation of policy and regulatory frameworks (e.g. tax harmonisation) can be implemented in the context of an FTA. Such initiatives will make a substantive contribution to enhancing the competitiveness of the region – perhaps one of the fundamental rationales for regional integration initiatives. The paper by Schade explores the perspective of the private sector on regional developments. Perhaps one of the important features of the broader regional integration developments is the role of the private sector, especially South African firms taking advantage of economic opportunities in the region and further afield in Africa. Their involvement in the state-led processes of regional integration is relatively new; however, if some of the key challenges to sustainable regional development are to be addressed, having the private sector on board in these developments is imperative.

Foreign direct investment (FDI) remains a key focus for all countries in southern Africa as they plan to augment their productive capacity and create jobs. South Africa has become the largest source of foreign direct investment for the rest of SADC. The paper by Jude Amos addresses the question of what the implications of different tax regimes are for the attraction of FDI, recognising full well that tax may not be the priority concern when a firm makes an investment location decision. Nonetheless it is true that there is evidence of tax competition in the region to attract FDI, so that the issue of tax harmonisation is an important one in the context of the current regional integration debates.

The Heads of State and Government at the SADC Summit that took place in Lesotho in August 2006 agreed to convene an Extraordinary Summit to discuss regional integration matters. The priority accorded to regional integration at the Summit suggests that there may be political momentum which seems to have been lacking in recent years. The Extraordinary Summit took place in South Africa on 23 October, and at this meeting a commitment to deeper regional integration was articulated and there was still a strong focus on the establishment of a SADC customs union. There was agreement that a study on a coherent regional integration plan for SADC be

developed and that a study be commissioned early in 2007. These developments are particularly important as this 2006 Yearbook addresses several dimensions of regional integration and makes an important contribution to the current debates.

SACU developments are of course particularly relevant to the developments at SADC level, since all members of SACU are also members of SADC. SACU has during this year made attempts to consolidate the customs union by developing the legal and institutional architecture that is provided for in the 2002 SACU Agreement. Important activities on the SACU agenda include:

- the development of the Annex which will provide the legal framework for the establishment of the SACU Tribunal – perhaps one of the most important institutions of the Customs Union;
- training of officials with the assistance of South Africa's International Trade Administration Commission (ITAC) with a view to developing capacity to staff the National Bodies that must be established for all member states;
- Debates on common policy development. Workshops on the development of a common industrial policy and cooperation in agricultural policy were held.

Imports of clothing and textiles from China have been increasing rapidly in recent years (especially since the demise of the Multifibre Agreement in 2005). South Africa decided to impose quantitative restrictions on certain tariff lines of imports. Given that the clothing and textile industry has become important in several other SACU countries (and also farther in the region), this is a very significant development. The paper by Gerhard Erasmus reviews the development of the response to the increase in Chinese imports and explores the implications for SACU. This initiative by South Africa also raises broader issues concerning the role of the hegemon in the region. Although the 2002 SACU Agreement provides for the involvement of all members in the Customs Union affairs, their capacity to do so needs to be developed. In addition, policy guidelines need to be developed to underpin the legal and institutional framework that the Agreement provides for. The paper by Alves, Draper and Kalaba explores the development of South Africa's trade policy stance and its perspective on regional developments.

The southern African region has an ambitious extra-regional trade agenda – with negotiations, for example, between the South African Customs Union (SACU) and the Mercosur, EFTA, US and other potential partners. Perhaps one of the most important negotiations that the southern African region is engaged in is the Economic Partnership Agreement (EPA) negotiations with the European Union (EU). From South Africa's perspective these negotiations are very important too. South Africa concluded a Trade and Development Cooperation Agreement (TDCA) with the EU in 1999, and a mid-term review of the TDCA is currently underway. The SADC Group of countries that is negotiating an EPA consists of Botswana, Lesotho, Namibia and Swaziland (all members of SACU) and Mozambique, Angola and Tanzania. This group together with South Africa has submitted a proposal to the EU to bring the TDCA (and thus South Africa) explicitly into the SADC EPA negotiations. At the time of writing (December 2006) a response from the EU had not been received; however, what is clear is that this will have important implications for the regional integration agenda in southern Africa. Mareike Meyn's paper reviews the EPA negotiations and points out that one of the key objectives of the EPAs is to promote regional integration; but without a clear regional integration plan in southern Africa with a realistic implementation project, this poses challenges for the EPA negotiations.

The paper by Maxi Schoeman points to the fact that SADC has a dual structure: most members comply, but not all member states are complying with all agreements, declarations and protocols, especially in the fields of human security and democracy, as the cases of Swaziland and Zimbabwe demonstrate. She also makes the point that there is unwillingness among some members to empower the SADC organisation, specifically the SADC Organ for Politics, Defence and Security (OPDS).

Schoeman as well as Khabela Matlosa point out that SADC remains state-centric and driven by ruling elites with little, or no participation by business, or civil society, or even party political groups. The fixation with sovereignty remains strong, despite new provisions for the African Union to intervene in cases of 'grave concern'.

Willie Breytenbach shows how peacekeeping has grown and asks whether it helps or hinders regional integration in Africa. He points out that much of the peacekeeping takes place under United Nations' auspices, that although the African Union took the initiatives in peacemaking in Burundi and Darfur, it lacks the capacity to do peace-enforcement and that it still lacks the political will to intervene where human rights are violated. Peacekeeping successes therefore still elude the African Union or regional organisations such as SADC. More puzzling, however, is that the regional brigades of the African Standby Force are not linked to regional bodies such as SADC's OPDS. Why this is the case is not known. Moreover, funding for peacekeeping comes from the UN. It is an open question whether this helps or hinders African integration.

These are some of the difficult questions asked when some of the regional configurations are addressed. Was it wise to push the agenda for speedy political unification and military cooperation before the completion of the single market project? Only time will tell.

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