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Southern Africa in transition: prospects and problems facing regional integration

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The successful conclusion to South Africa's first all-race elections in April 1994 marked a turning point for political and economic relations throughout the whole of Southern Africa, not least since the regional 'superpower' which the sub-continent had previously tried to isolate was invited to participate in regional organisations.[1] However, the ending of *apartheid*, unquestioningly the single most important factor determining the nature and evolution of future integrative efforts, has to be examined alongside other significant changes affecting Southern Africa throughout the 1980s and early 1990s.[2] Most importantly, the structural adjustment programmes instigated by the International Monetary Fund (IMF), together with the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), resulted in a greater emphasis on economic liberalisation and political democratisation.[3] Consequently, Southern Africa's most important regional arrangements (as shown in Figure 1) are all in a state of transformation as they endeavour to respond to the new environment. The Southern African Customs Union[4] (SACU), the Southern African Development Community[5] (SADC), and the Common Market for East and Southern

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[1] See Rosalind Thomas, 'South and Southern Africa: re-structuring economic cooperation initiatives to encourage growth and diversity' Development Bank of Southern Africa, Halfway House, 1995; and Okechukwu C. Iheduru, 'Post-apartheid South Africa and its neighbours: a maritime transport perspective', *The Journal of Modern African Studies*, 34, 1 (1996), 1–26.

[2] This point has been made on several occasions. See, for example, Arne Tostensen, 'What role for SADC(C) in the post-apartheid era?', in Bertil Odén (ed.), *Southern Africa After Apartheid: regional integration and external resources* (Uppsala, 1993), pp. 147–73.

[3] For a review of programmes, see David Simon, Wim van Spengen, Chris Dixon and Anders Närman (eds.), *Structurally Adjusted Africa: poverty, debt and basic needs* (London and Boulder, 1995).

[4] The four members of the 1969 Southern African Customs Union were Botswana, Lesotho, Swaziland and South Africa. Namibia officially joined after gaining independence in 1990, but had been a *de facto* member previously while being administered by South Africa.

[5] The members of the Southern African Development Community are Angola, Botswana, Congo (1997), Lesotho, Malawi, Mauritius (1995), Mozambique, Namibia (1990), Seychelles (1997), Swaziland, South Africa (1994), Tanzania, Zambia and Zimbabwe.

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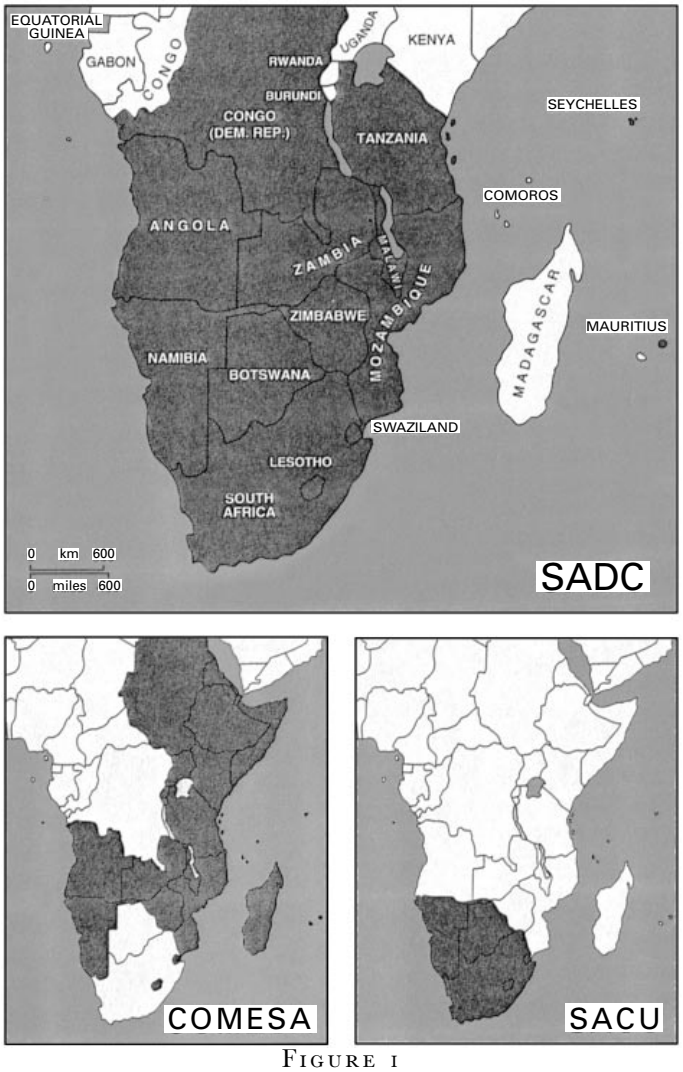


FIGURE 1
Southern Africa's most important regional arrangements.

Africa[6] (COMESA) have already changed, or are in the process of renegotiating, their treaties and constitutions.

[6] The members of the Common Market for East and Southern Africa (although not all have ratified the 1993 treaty) are the members of SADC, except for Botswana and South Africa, plus Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Somalia, the Sudan and Uganda.

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Amongst the countries of Southern Africa there is widespread recognition of the benefits to be derived from regional collaboration.[7] Governments throughout the region support the idea of closer economic cooperation as a means of promoting economic development and reducing exploitative dependency relationships arising from limited and unspecialised internal markets which lack economics of scale.[8] Regional collaboration is, therefore, perceived to be an appropriate mechanism for the expansion of trade, income and bargaining power.[9] The current almost unanimous support for some form of Southern African regionalism reflects a long-held view of integration as an 'essential and practicable route to economic development'.[10] However, a central contention of this article is that translating this desire for collaboration into an effectively functioning institutional reality covering the majority of the region's states is going to be a slow and potentially acrimonious process that can only be understood fully through an examination of regionally specific circumstances and global trends. Regional integration, whether in Southern Africa or elsewhere, cannot be understood in isolation from developments taking place in the international trading order, particularly the trend towards globalisation.[11]

REGIONALISM IN THE APARTHEID ERA

The single most important factor determining the nature of future integration is the unusual degree of inequality in levels of development between South Africa and the other states of the region. The Southern African Development Co-ordination Conference (SADCC) – which was replaced by SADC in 1992 – maintained that the region's dependence on South Africa was 'not a natural phenomenon' nor

[7] See, for example, Lolette Kritzinger-Van Niekerk (ed.), 'Towards strengthening multi-sectoral linkages in SADC', Development Bank of Southern Africa, Paper No. 33, Halfway House, 1997; and Rolf J. Langhammer, 'The developing countries and regionalism', *Journal of Common Market Studies*, 30, 2 (1991), 211–32.

[8] Richard Gibb, 'Regional economic integration in post-apartheid Southern Africa', in Gibb and W. Michalak (eds.), *Continental Trading Blocs: the growth of regionalism in the world economy* (London, 1994), ch. 8, pp. 209–31; and Gavin G. Maasdorp, 'Squaring up to economic dominance: regional patterns', in Robert I. Rotberg, Henry S. Bienen, Robert Legvold and Maasdorp, *South Africa and its Neighbours: regional security and self-interest* (Lexington, 1995 edn), pp. 91–135.

[9] SADC, *Towards the Southern African Development Community: a declaration* (Gaborone, 1992).

[10] Quoted from Christopher Clapham, 'Regional integration in Africa: lessons and experiences', paper presented to a conference 'South Africa and Southern Africa: lessons from emerging markets', South African Institute of International Affairs, 16–17 July 1997, p. 1.

[11] See Louise Fawcett and Andrew Hurrell (eds.) *Regionalism in World Politics* (Oxford, 1995).

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'simply the result of a free market economy'.[12] Dependence was regarded as an inefficient and unnatural legacy from the past. Historically, the colonial era saw the emergence of a form of capitalism in Southern Africa that produced a high level of structural integration between the Republic and the regional economy.[13] However, the core areas of capital accumulation were focused on South Africa whilst the other states were peripheralised and forced to function as service economies.[14] The spatial configuration of development established by this particular blend of colonialism and capitalism was characterised by intense inequalities.[15]

Whatever the precise causes, South Africa dominates the political economy of the region and will continue to do so for the foreseeable future. In 1995, approximately 75 per cent of the total gross national product for Southern Africa was produced in South Africa, which recorded gross national product per capita levels 258 per cent greater than the regional average. Table 1 illustrates the extent of South Africa's regional dominance.

Given South Africa's absolute and relative economic strength, it not surprisingly dominates intra-regional trade. As a result of the Republic's relatively sophisticated manufacturing sector, it is in a good position to export a wide variety of consumer and producer goods to a region that, with the exception of Zimbabwe, lacks a developed industrial economy. In the early 1990s, imports from South Africa almost monopolised the markets of Lesotho and Swaziland (each 90 per cent), Botswana (80 per cent), and Namibia (75 per cent), and were the single most important source for Malawi (40 per cent), as well as Zambia and Zimbabwe (each 20 per cent).[16] The equivalent figures for exports destined for South Africa were Lesotho at 55 per cent, Swaziland, Malawi, Namibia and Zimbabwe at 47, 37, 29 per cent and

[12] Quoted from Joseph Hanlon, *SADCC: progress, projects and prospects* (London, 1984), The Economist Intelligence Unit, Report No. 182. The original members of the Southern African Development Co-ordination Conference were Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

[13] Robert Davies, 'Key issues in restructuring South–Southern African economies: relations after apartheid', Centre for Southern African Studies, University of Western Cape, Bellville, 1990.

[14] See André du Pisani, 'Ventures into the interior: continuity and change in South Africa's regional policy, 1948–1991', Conference on 'Southern Africa into the 1990s and Beyond', Magaliesburg, 15–19 April 1991.

[15] Richard Gibb, 'A common market for post-apartheid Southern Africa: prospects and problems', *South African Geographical Journal*, 1, 75 (1993), 28–35.

[16] 'South Africa survey: after apartheid', in *The Economist* (London), 1990, pp. 1–18; and Development Bank of Southern Africa, 'Financial resources and capital investment in the Common Monetary Area', Conference on 'New Post-Apartheid South Africa and its Neighbours', Maseru, 9–12 July 1990.

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TABLE 1

Southern African economic indicators

	South Africa	SADC* (including SA)	South Africa %
Population (mn)	39	135	29
GNP ($bn 1995)	125	165	76
GNP per capita ($1995)	3160	1255	258
Exports ($bn 1995)	27·9	40·3	69
Imports ($bn 1995)	30·5	44·6	68
Port traffic (mt 1991)	104·6	116	90
Rail freight (mt 1988–90)	183·4	214	86

* SADC total refers to SADC 12 and excludes the Democratic Republic of Congo and Seychelles. Source: Stephen Gelb, 'Southern African transport' paper presented to a conference on South–South cooperation, South Africa Institute for International Affairs, 11–13 November 1997.

TABLE 2

South Africa's trade in US$ million with Southern Africa, 1994

	Exports to	Imports from	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 sub-total	3,798·3	920·9	2·877·4
Zimbabwe	677·5	281·4	396·1
Mozambique	387·5	25·3	362·2
Zambia	319·2	53·4	265·8
Malawi	171·6	51·0	120·6
Mauritius	149·1	4·2	144·9
Angola	85·9	4·7	81·2
Tanzania	50·5	4·4	46·1
SADC total	5,639·6	1,345·3	4,294·3

Source: South African Department of Trade and Industry, author's calculations.

19 per cent respectively, and Botswana at 6 per cent. In 1994, the Republic ran a trading surplus with the region of over US$4,000 million, as shown in Table 2.[17]

Notwithstanding the high level of existing economic integration, and

[17] Courtesy of Ismail Largardien, press secretary to Trevor Manuel, South African minister of trade and industry, 1 September 1995.

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Southern Africa's potential for regional collaboration,[18] the political ramifications of *apartheid* made it impossible to create a regional community that incorporated South Africa and extended beyond Botswana, Lesotho and Swaziland. A polarisation of political attitudes resulted in the Southern African political economy being divided. During the 1980s, Pretoria tried to promote a Constellation of Southern African States (CONSAS), which was avowedly anti-Marxist and committed to the principles of free enterprise and market mechanisms. The rationale behind this objective was the creation of a 'co-prosperity sphere' designed to increase regional 'interdependence' and thereby lessen the threat of international sanctions, while at the same time safeguarding markets for South African manufactured products.[19]

Meanwhile, in 1980 the then nine majority-ruled states of Southern Africa had formed SADCC, which came to be regarded as a successful counter-constellation to CONSAS,[20] and proclaimed their commitment to 'the reduction of economic dependence, particularly, but not only, on the Republic of South Africa'.[21] Consequently, despite the potential for a Southern African economic community, the most striking feature of the region's political geography was its division between competing economic organisations. Furthermore, the importance attached to economic relations in the region's conflicts made the behaviour and success of these various organisations a highly contentious issue.[22]

Southern African regionalism during the *apartheid* period was therefore characterised by an exceptional degree of economic integration running alongside marked political divisions and hostility. Consequently, the level of 'interdependence' or 'dependence' that existed within the region, and the causes that lay behind it, were issues that generated much literature and heated debate.[23] A range of factors contributed to the existing state of affairs: colonialism, capitalism, incompetent government, socialism, the one-party state, cold war

[18] See, for example, G. M. E. Leistner, 'Towards a regional development strategy for Southern Africa', *South African Journal of Economics*, 49 (1981), 349–64.

[19] See Stanley Uys, 'The short and unhappy life of CONSAS', *South African Journal of International Affairs*, 4 (1989), 243–8; and Robert Davies, 'Post-apartheid scenarios for the Southern Africa region', *Transformation* (Durban), 11 (1990), 12–39.

[20] Anthony Lemon, 'Apartheid as a foreign policy: dimensions of international conflict in Southern Africa', in Nurit Kliot and Stanley Waterman (eds.), *The Political Geography of Conflict and Peace* (London, 1991).

[21] *The Southern African Development Co-ordination Conference 2, Maputo* (Gaborone, SADCC Liaison Committee, 1981).

[22] Jesmond Blumenfeld, *Economic Interdependence in Southern Africa: from conflict to cooperation* (London, 1991).

[23] Gibb, 'Regional economic integration'.

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expansionism and South Africa's policy of destabilisation. The importance attached to any one of these variables has depended on the time of writing and, perhaps most notably, the political bias of the author.

The impact of South Africa's policy of destabilising its neighbours, however, attracted most attention and was particularly contentious. For example, Hanlon argued in 1991 that Mozambique was 'once a model of Third World development', and identified destabilisation as the primary and overriding factor behind its plight.[24] But while Blumenfeld considered economic dependence to be primarily a product of mismanagement in many of the SADC states,[25] there is no doubt that destabilisation had a debilitating and destructive impact on the Southern African economy. The SADCC estimated that Pretoria's campaign of aggression in defence of white-minority rule resulted in 1·5 million deaths during the period between 1980 and 1988.[26] In addition to the social and cultural distortions created by this covert war, destabilisation is estimated to have cost the region $6,246 million.[27] The successes and failures of this strategy have been well documented and examined by many authors.[28] However, perhaps the heaviest cost was in the lost opportunities in areas which affected the lives of ordinary people, notably agriculture.[29] The impact and consequences of destabilisation, particularly on social and economic standards in Mozambique and Angola, are legacies that now confront attempts to promote regionalism.

Southern Africa's striking inequalities raise the question of how best to promote regionalism, given the predominance of a semi-industrialised state, South Africa, and the existence of underdeveloped peripheralised countries. Traditional customs union theory argues for broadly comparable levels of development amongst participating member states.[30] Otherwise, polarised economic development is likely to favour the developed at the expense of the least developed.[31] This

[24] Joseph Hanlon, *Mozambique: who calls the shots?* (London and Bloomington, 1991).
[25] Blumenfeld, *Economic interdependence*.
[26] This information is taken from 'Southern African Development Co-ordination Conference [Maputo] Theme Document', Gaborone, 29–31 January 1992.
[27] Joseph Hanlon, 'Post-apartheid South Africa and its neighbours', *Third World Quarterly*, 9, 2 (1987), 437–49.
[28] See, for example, Phyllis Johnson and David Martin, *Destructive Engagement: Southern Africa at war* (Harare, 1986), and Hanlon, 'Post-apartheid South Africa'.
[29] Peter Vale, 'Southern Africa: exploring a peace dividend', Catholic Institute for International Relations Briefing Paper, London, 1996.
[30] Peter Robson, *The Economics of International Integration* (London, 1980).
[31] Marina Mayer and Harry Zarenda, 'The Southern African Customs Union: a review of costs and benefits', Policy Working Paper No. 19, Development Bank of Southern Africa, Halfway House, South Africa, 1994.

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focuses attention on the controversial issue of redistributive mechanisms and compensatory payments. Given South Africa's relative economic superiority many regional states originally envisaged that a post-*apartheid* regime would 'fill the role of present co-operating partners (i.e. aid donors) through the provision of aid and investment capital to member states'.[32] However, the capacity of the Republic to support significant transfers of resources in favour of the least developed countries of the region must be in doubt. The performance of the South African economy during the past decade has been poor,[33] with the growth rate declining to a level below the rate of population increase. Although the prospects have improved since the 1994 elections, fundamental structural impediments remain.[34]

Notwithstanding the historical legacies of colonialism, the intense inequalities and *apartheid* destabilisation, a great deal of optimism is attached to the idea of regionalism throughout South Africa.[35] In the post-*apartheid* era, a whole host of multilateral agencies have been promoting the cause of regionalism. The International Monetary Fund (IMF), the World Bank and the European Union have all called for greater cooperation and enhanced integration,[36] as has the African Development Bank which claims that 'regional cooperation is not an optional extra: it is a matter of survival'.[37]

SOUTHERN AFRICAN REGIONALISM AND THE WORLD TRADING SYSTEM

The 1980s witnessed a resurgence of international regionalism with the formation or deepening of existing trading blocs in Western Europe, North America, Latin America, Africa and Asia. GATT was notified of thirty-three new regional agreements between 1990 and

[32] A point made by S. Kwonga, 'SADCC: creating a new vision for the future', *Africa Institute Bulletin* (Pretoria), 16, 10 (1991), 1.

[33] See Vale, 'Southern Africa'; and Jesmond Blumenfeld, 'The new South Africa's economic prospects', *The World Today*, 51, 8–9 (1995), 174–9.

[34] J. E. Spence, 'The new South Africa's first birthday', *The World Today*, 51, 8–9 (1995), 142–5.

[35] Richard Gibb, 'The relevance of the European approach to regional economic integration in post-Apartheid Southern Africa', in Anthony Lemon (ed.), *The Geography of Change in South Africa* (Chichester, 1995), pp. 215–31.

[36] See Cross Border Initiative, *Regional Integration and Cooperation in Africa … Eastern and Southern Africa and Indian Ocean*, vols. I and II (Brussels, 1992). This December 1992 Workshop in Harare was sponsored by the African Development Bank, the Commission of the European Communities, the International Monetary Fund, and the World Bank.

[37] African Development Bank, *Economic Integration in Southern Africa*, vols. I–III (Biddles, England, 1993), p. 1.

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1994, and as the World Trade Organisation (WTO) notes, the appeal of regional integration following the successful conclusion of the Uruguay round shows no signs of abating.[38] This trend towards regionalism will influence the nature and evolution of the world economy in the 1990s and beyond.[39] However, despite the obvious importance of regionalism to the spatial organisation of the world economy, there have been relatively few theoretical examinations of this phenomenon.[40] Analysts have tended to focus on the neo-liberal arguments of whether regionalism constitutes a threat to multilateralism and undermines the principles and obligations of the WTO. Furthermore, with a few notable exceptions,[41] they have concentrated on the developed world. There is no agreement over the issue of whether trading blocs represent a threat, or a desirable alternative, to the WTO-sponsored multilateral trading system. Some influential economists argue that regionalism undermines the most favoured nation (MFN) principle, and therefore threatens multilateralism and the WTO.[42] Others consider regionalism to be a desirable evolution that has the potential to support the multilateral trading system.[43] The relationship between regional economic integration and multilateralism, the latter being the principal regulatory mechanism used to support globalisation, is one of the oldest and most contentious issues in modern economics.[44]

Neo-liberal economic analysis of regionalism amongst developing countries is equally inconclusive in evaluating the impact of trading blocs on living standards, income and welfare. Most academic studies concerned with regional arrangements focus on the relative strengths of diverting and/or creating trade. Rarely is there agreement on the relative importance of these impacts on or within a trading bloc, as observed in the analysis of SACU below. There is, however, a general

[38] World Trade Organisation, *Regionalism in the World Trading System* (Geneva, 1995).

[39] Richard Gibb and Wieslaw Machalak, 'Regionalism in the World Economy', *Area*, 28, 4 (1996), 446–58.

[40] See Meric Gertler, 'Flexibility revisited: districts, nation-states and the forces of production', *Transactions of the Institute of British Geographers*, 17 (1992), 259–78; and Meric Gertler and Erica Schoenberger, 'Industrial restructuring and continental trade blocs: the European Community and North America', *Environment and Planning*, A, 24 (1992), 2–10.

[41] See Michael Davenport, 'Africa and the unimportance of being preferred', *Journal of Common Market Studies*, 30, 2 (1992), 233–51; and Langhammer, 'Developing countries'.

[42] Jagdish Bhagwati, *The World Trading System at Risk* (Worcester, 1991); 'Regionalism versus multilateralism', *World Economy*, 15 (1992), 535–55.

[43] Ernest Preeg, 'The GATT trading system in transition: an analytic survey of recent literature', *The Washington Quarterly*, 12 (1989), 201–13; and 'The US leadership role in world trade: past, present and future', *The Washington Quarterly*, 15 (1992), 81–91.

[44] See Fawcett and Hurrell, *Regionalism*.

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view that developing country regionalism does not constitute a threat to multilateralism. Rolf Langhammer argued in 1991 that all such arrangements 'suffer from ineffectiveness and general decay', and that in the majority of cases they are too limited and fragile to have an impact on the world trading system.[45]

The success of the Uruguay round of trade talks prompted a number of commentators to conclude that international regionalism has been rejected as an alternative to multilateralism.[46] There is no doubt that, if fully implemented, the new WTO regulations have the potential to strengthen multilateral rules. The Uruguay agreement's twenty-eight separate accords extend multilateral rules of trade to agriculture, textiles, services, intellectual property and foreign investment. In addition, GATT itself was transformed into the WTO, with a dispute settlement body (DSB) containing provisions for binding arbitration.[47]

Multilateral pressures to expose domestic markets to international competition will influence the nature and evolution of regionalism in Southern Africa in at least three ways. First, South Africa remains, to all intents and purposes, outside the European Union's (EU) Lomé Convention, and is reducing its comprehensive set of protective tariff barriers in order to comply with the Uruguay agreements. Second, for the rest of Southern Africa, the multilateral liberalisation of the world economy will erode significantly the privileges that the regional exporters have in their principal markets, particularly the EU. Third, it is likely that any states making new arrangements will have to notify, and gain approval from, the WTO. In the past, none of Southern Africa's regional trading agreements has been officially notified to, and as a result been sanctioned by, GATT.[48]

As Hirsch observed, South Africa's problem stems from being located awkwardly between developed and developing country status.[49] On the one hand, it fears that liberalisation of its domestic market will lead to significant job losses in uncompetitive labour-intensive industries. On the other hand, like many developing countries, South Africa is anxious to gain better access to the core markets of the industrialised world through multilateral negotiations. As a result of the Uruguay

[45] Langhammer, 'Developing countries'.
[46] Vincent Cable, 'GATT and after', *The World Today*, 50, 2 (1994), 26–8.
[47] World Trade Organisation, *The WTO Agreement: Marrakesh agreement establishing the World Trade Organisation* (Geneva), 15 April 1994.
[48] Leora Blumberg, 'Trade relations with Southern Africa: a preliminary legal analysis', Development Bank of Southern Africa, Halfway House, South Africa, 1994.
[49] Alan Hirsch, 'The World Trade Organisation and its implications for South Africa', *South African Foundation Review* (Johannesburg), 21, 1 (1995), 1–2.

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agreement, South Africa is obliged to: (i) rationalise and simplify its tariff structure from 10,000 to 6,000 categories; (ii) increase the number of tariffs included in the WTO negotiations from 58 per cent to 98 per cent of all tariffs; (iii) replace all remaining quantitative controls with *ad valorem* duties; and (iv) reduce the maximum tariff levy from 100 per cent to 30 per cent, with the exception of motor vehicles and textiles. In addition, the WTO requires South Africa to end its general export incentive scheme (GEIS) which provides a subsidy to exports. Clearly the Uruguay round will result in a significant liberalisation of the South African market.

For the rest of Southern Africa the changes resulting from the Uruguay round are, at best, neutral. However, Africa is the only region in the world likely to experience a reduction in overall welfare levels as a direct result of WTO liberalisation.[50] All the countries in Southern Africa, with the exception of South Africa, belong to the Lomé Convention, which provides for free access to the EU for 95 per cent of exports from the African, Caribbean and Pacific (ACP) states. However, multilateral liberalisation reduces the significance and advantages of these privileges. The Uruguay round will erode Africa's Lomé preferences by an estimated 30 per cent, exposing the region's exports to increased competition from Asia and Latin America.[51] Furthermore, world food prices are predicted to increase as a result of agricultural reforms necessitating an end to export subsidies. For low-income food-importing countries, such as Mozambique and Zambia, the liberalisation process will increase significantly the cost of food imports. The predicted impact of the Uruguay round on Africa's economic well-being is in the short term negative: indeed, the ODI estimates that it will result in Africa's exports declining by 0·72 per cent by the year 2005, from an already low base.[52] There can be little doubt that African countries have the least to gain from GATT/WTO multilateral trade liberalisation.[53]

The key issues arising from this review of the world trading system and regionalism under *apartheid* need to be emphasised. First, Southern African integration cannot be understood in regional terms alone. This article is based on the premise that it will be determined by the outcome of a complex web of circumstances that are both regional and global in character. Second, important obstacles will continue to arise

[50] ODI, 'Developing countries in the WTO', Briefing Paper, Overseas Development Institute, London, May 1995.
[51] Kevin Watkins, 'GATT: a victory for the North', *Review of African Political Economy*, 21, 59 (1994), 60–6. [52] ODI, 'Developing countries'. [53] Watkins, 'GATT'.

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from the considerable absolute and relative inequalities in development between South Africa and the other thirteen states of SADC. Clearly, economic integration cannot depend solely on trade liberalisation; there must be a corresponding emphasis on strategies of industrial development and other forms of intervention designed to lessen regional inequalities. Third, the WTO agreement will have a direct impact on the extent of protectionism adopted by, as well as the relative levels of preferences accorded to, Southern Africa.

The conflicting pressures and priorities emanating from the global and regional levels have, not unsurprisingly, promoted a division in the academic literature on regional integration. On the other hand, one group of academics completely rejects neo-liberalism as the organising principle for Southern African regionalism.[54] This disapproval is based, in part, on the belief that market forces will exacerbate regional inequalities and hamper long-term development. The global drive to liberalise markets, interpreted by Balefi Tsie as a 'Northern' priority designed to reinforce existing exploitative links between Southern Africa and Western industrialised countries, is therefore seen as threatening the economic development of the region.[55] The anti-liberalisation literature more often than not prioritises the need to build and nurture effective state capacity in order to promote structural transformation, and thereby create balanced and mutually beneficial growth.

On the other hand, a growing body of literature argues that regional integration is unable to shield or protect African countries from the global economy and that, on the contrary, it 'must be used to institutionalise openings to the international economy'.[56] The rationale supporting this argument is that it would be a mistake to emphasise possible benefits arising from trade amongst 'a relatively small number of extraordinarily poor people' at a time when the world economy is so dynamic.[57] Seen from this 'global' perspective, regionalism should be used to promote credibility and stability in adopting liberalisation policies with the aim of attracting inward foreign direct investment.[58]

[54] See, for example, John Weeks, 'Regional cooperation and Southern African Development', *Review of African Political Economy*, 21, 59 (1994), 100–17; and Iheduru, 'Post-apartheid'.

[55] Balefi Tsie, 'States and markets in the Southern African Development Community: beyond the neo-liberal paradigm', *Journal of Southern African Studies*, 22, 1 (1996), 75–100.

[56] See Jeffery Herbst, 'Developing nations and global integration: between bilateralism, regionalism and globalisation', paper presented to a conference 'South Africa and Southern Africa: Lessons from Emerging Markets', South African Institute of International Affairs, 16–17 July 1997.

[57] See Herbst, 'Developing nations' p. 3.

[58] See Carolyn Jenkins and Willem Naude, *The Case for Reciprocity in South African-European Trade Relations*, Centre for the Study of African Economies, WPS/95-13 (Oxford, 1995).

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In support of this argument Clapham, in an historical evaluation of regional integration in sub-Saharan Africa, argues that its unquestioned failure arises from the fact that 'integration was intended not only to link economies within Africa, but to cut them off to a significant extent from economies outside'.[59] However, the recommendation to adopt neo-liberal policies and integrate more effectively into the world economy raises the difficult issue of how best to manage the political and social tensions arising from the acute regional inequalities existing in Southern Africa. Clearly, the potential for conflict between those forces advocating affirmative action to assist underdeveloped countries and those advocating open competition is considerable.

THE SOUTHERN AFRICAN CUSTOMS UNION (SACU)

The Southern African Customs Union agreement between Botswana, Lesotho, Swaziland, Namibia (BLSN) and South Africa is widely regarded as the most effectively functioning trade agreement in the continent.[60] It provides for duty-free movement of goods and services between member states, and a common external tariff (CET) against the rest of the world. Although all parties to the agreement have been dissatisfied with its functioning and performance since the 1980s, it was only in 1994 that negotiations for a reconstituted Union were launched.[61]

SACU survived as a result of an agreement whereby South Africa acquired captive markets for its internationally uncompetitive goods in return for a disproportionate share of the revenue pool going to BLSN. Revenue collected by SACU is distributed amongst member states according to a complex formula,[62] currently driven by a stabilisation factor, agreed upon in 1976, which guarantees that BLSN receive between 17 per cent and 23 per cent of the value of their imports, dutiable goods and duties paid.[63] The stabilisation factor is the binding element in the formula and results in an estimated 77 per cent loading in favour of Botswana, Lesotho, Swaziland and Namibia.[64] South

[59] Clapham, 'Regional integration', p. 2.
[60] Richard Gibb, 'Regional integration in post-apartheid Southern Africa: the case of renegotiating the Southern African Customs Union', *Journal of Southern African Studies*, 23, 1 (1997), 67–86.
[61] Thomas, 'South and Southern Africa'.
[62] John Walters, 'Renegotiating dependency: the case of the Southern African Customs Union', *Journal of Common Market Studies*, 28, 1 (1989), 30–52.
[63] John Burton, 'Short Paper on the Renegotiation of SACU and the Free Trade Area between RSA and the EU', Overseas Development Agency, Pretoria, 1995.
[64] Erich Leistner, 'Renegotiating the Southern Africa Customs Union (SACU)', *Africa Institute Bulletin*, 30, 2 (1992), 211–32.

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Africa's share of the revenue pool is the residual sum remaining after those four states have been allotted their share.

South Africa's complaint and principal reason for wanting to renegotiate the 1969 agreement is that the growing burden of compensatory revenue-sharing payments has now become 'unaffordable'.[65] According to figures provided by the Department of Trade and Industry, South Africa's residual share of the common revenue pool has been falling consistently.[66] In 1969–70, this stood at 97·4 per cent, with the remaining 2·64 per cent being distributed amongst the then three BLS states.[67] By 1984, the latter's share had risen to 12·2 per cent, reducing South Africa's residual to 87·8 per cent. More recent data indicate a continuation and deepening of this trend. By 1991–2, the BLSN allocation had increased to 32 per cent and in 1992–3 stood at 34 per cent.

At first sight, it does appear generous that about one-third of the revenue pool goes to countries which collectively generate only 7 per cent of SACU's combined GNP and 10 per cent of the revenue pool. But against this perceived benevolence must be weighed the substantial benefits that South Africa's manufactured goods, accounting for approximately 25 per cent of all such exports, gain from the Union. Furthermore, the country's total exports to SACU in 1994 stood at $3,800 million whereas imports from SACU amounted to only $900 million. South Africa therefore ran a trade surplus within SACU of over $2,700 million, which compares with the overall national deficit of $600 million.[68]

For the BLSN states, the revenue-sharing formula fails to compensate for the adverse consequences of belonging to the Union.[69] In particular, BLSN leaders argue that their countries are effectively forced into purchasing South Africa's internationally uncompetitive goods which are protected from outside competition by the CET, which is set unilaterally by South Africa. BLSN have, hitherto, been unable to manipulate fiscal policy measures in order to promote economic development. Furthermore, it has been revealed that a secret memorandum attached to the 1969 SACU agreement effectively prohibited BLSN companies from gaining the benefits of infant-

[65] Robert Davies, 'The Southern African Customs Union (SACU): background and possible negotiating issues facing a democratic government', Centre for Southern African Studies, University of Western Cape, Bellville, 1994. [66] Lagardien, September 1995.

[67] These 1969–70 figures are taken from Nicolette Cattaneo, 'Piece of paper or paper of peace: the Southern African Customs Union agreement', *International Affairs Bulletin* (Braamfontein), 14, 1 (1990), 45–59. Namibia is only recorded in official statistics as a member of SACU since 1990.

[68] Burton, 'Short paper'. [69] See Mayer and Zarenda, 'SACU'.

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TABLE 3

SACU revenue as a proportion of central government revenue (1990/91–1995/96)

Year	Botswana	Lesotho	Namibia	Swaziland
1990/91	13·2	43·5	22·3	44·7
1991/92	19·0	43·8	36·3	43·7
1992/93	21·9	56·5	25·3	36·9
1993/94	15·9	53·3	25·4	46·3
1994/95	16·2	53·2	26·4	47·2
1995/96	16·3	50·6	30·1	50·1

industry protection.[70] Other complaints relate to the polarisation of industrial development in South Africa, and a two year time-lag in payments from the common revenue pool. Hence the BLSN countries claim that the revenue-sharing formula, far from being too generous, fails to compensate adequately for the detrimental impacts of SACU. The BLSN countries, however, like South Africa, derive enormous benefit from the Union, notably the very significant contributions that they receive from the revenue pool. In 1995/6, as may be seen from Table 3, SACU revenue accounted for between 16 and 56 per cent of central government revenue.

These figures and arguments demonstrate clearly the importance of SACU to all member states, including South Africa. Why, then, was the decision taken in November 1994 to renegotiate the customs union? Many commentators maintain that the single most important advantage of SACU for South Africa was the political dividend, under *apartheid*, of Pretoria being able to establish and maintain formal links with African states, especially in the late 1980s when sanctions became an ever-increasing threat. Given the proposition that South Africa was willing to support what it considered to be generous compensatory mechanisms in exchange for such political benefits, the ending of *apartheid* may therefore have removed SACU's principal *raison d'être*.

In addition, tariff reductions introduced as a result of the latest GATT agreement threaten the SACU revenue-sharing formula.[71] The overall size of the revenue pool, which depends largely on what is

[70] Gavin Maasdorp and Alan Whiteside, *Rethinking Economic Cooperation in Southern Africa: trade and investment* (Johannesburg, 1993).

[71] Richard Gibb, 'To ignore regional cooperation could be economic suicide', *Business Day* (Johannesburg), 25 August 1995.

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collected through the CET, has in the recent past been fairly stagnant, and is now set to decline sharply as a result of the tariff reductions necessitated by the Uruguay round. But their impact will not be passed onto the BLSN states, since they are protected by SACU's stabilisation clause. In the mid-1990s, South Africa was faced with a situation of rapidly declining customs revenue at the same time as its obligations under the revenue-sharing formula remained constant. South Africa's obligations to the Uruguay agreement made the SACU arrangement unworkable.

The renegotiation of SACU, focused primarily on the revenue-sharing formula, was precipitated by the abolition of *apartheid* and multilateral liberalisation, and illustrates well the interplay of regional and global circumstances that affect the character of Southern African regionalism. Equally, the future character of this particular arrangement will be determined by the need to recognise and respond to the existing level of economic inequality between member states whilst adhering to the rules of GATT.

THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

The Lusaka Declaration of 1980 was responsible for the creation of the SADCC, whose principal goal was to reduce economic dependence on South Africa.[72] It largely failed to do this, despite establishing a reputation for success,[73] and was also unable to promote intra-regional trade and development.[74] The limited progress made by SADCC towards regional integration, and the ending of *apartheid* which removed its principal *raison d'être* and source of unity, resulted in the Southern African Development Community replacing the Co-ordination Conference in August 1992. It was thus the first regional organisation to respond to the post-*apartheid* situation.

SADC's immediate goal was to incorporate a fully democratic South Africa into the 'new' regional organisation, and hence the aim of reducing dependence on Pretoria was omitted from the 1992 treaty.[75] In addition, SADC moved away from explicitly rejecting traditional integration theory, based on an essentially *laissez-faire* approach, and

[72] Margaret Lee, 'Options for regional cooperation and development in Southern Africa', Ph.D. dissertation, University of Pittsburgh, Pennsylvania, 1989.

[73] See Lemon, 'Apartheid as a foreign policy', and Hanlon, *SADCC*.

[74] Bernard Weimer, 'The Southern African Development Coordination Conference: past and future?', *Africa Insight* (Pretoria), 2 (1991), 78–88.

[75] Edward Ramsamy, 'South Africa and SADC(C): a critical evaluation of future development scenarios', in Lemon, *Geography of change*, pp. 197–214.

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shifted towards accepting trade liberalisation and free market principles as the most appropriate approach to integration.[76] South Africa officially joined SADC in August 1994. The new SADC represents an ambitious attempt to achieve greater integration in monetary and fiscal policies, as well as exchange and trade regimes. Hence the need for strong institutions that are accountable not only to individual member states but also to a central authority.

In August 1996, SADC took a significant step towards establishing a regional free trade area, with the signing of a trade protocol which provides for the phased reduction and eventual elimination of import duties and other charges over an eight-year period. However, the protocol, which comes into effect once three-quarters of the member states have given their consent, had one year later been ratified only by Mauritius and Tanzania. Other protocols agreed at the annual SADC summit meetings in 1996/7 included: drug trafficking, the harmonisation of energy policy, the integration of transport communications, education and training, and mining. At the 17th SADC summit meeting held in Malawi in September 1997, the member states also unanimously agreed to extend membership to the Democratic Republic of Congo (formerly Zaïre) and the Indian Ocean island of Seychelles.

Notwithstanding this impressive record of promoting protocols, many commentators and aid agencies are becoming increasingly critical of the organisation. Most importantly, the SADC system of giving countries the job of coordinating various sectors has resulted in minimal integration.[77] This criticism directed at the institutional competence of SADC is supported by Sidaway, who observes that 'positions on a theme are often coded, unsaid or expressed as much through later non-compliance with a decision taken'.[78] Given the complexity and widespread nature of protocols already signed, it would appear that SADC has set itself some ambitious, perhaps over-ambitious, goals.

The changes affecting the Co-ordination Conference's transition to the Development Community illustrate the interplay of circumstances that are both regional and global determining the nature of Southern African regionalism. First, and most obviously, South Africa's decision to abandon *apartheid* and negotiate a new and democratic constitution completely removed SADCC's *raison d'être* of isolating South Africa.

[76] See Gibb, 'Regional integration'. [77] Ramsamy, 'South Africa and SADC(C)'.
[78] James Sidaway, 'The forward march of SADC', *International Update*, South African Institute of International Affairs, 13, 96 (1996), p. 3.

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Second, SADC, partly in response to multilateral pressure, prioritised liberalisation and the democratisation of political institutions, and abandoned its old and largely discredited approach to integration known as 'project co-ordination'.[79]

It seems obvious that the major objective of this transition was to restructure the organisation from a loose association of states to a more effective instrument for cooperation. However, SADC has not yet addressed adequately the issue of how to tackle regional inequalities. 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. Certainly, the ability of SADC to manage and lessen inequalities amongst its member states will be reduced as a result of multilateral pressures introduced by the Uruguay round.

THE COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)

This is a regional institution of increasing irrelevance to Southern Africa. Furthermore, since the early 1990s, there have been tensions between SADC and COMESA, as well as its predecessor, the Preferential Trade Area (PTA), which was established in December 1981 as an ambitious attempt to promote regional economic integration along the lines of traditional customs-union theory. Specifically, the PTA Treaty called for the expansion of intra-regional trade through the reduction and eventual elimination of customs duties and non-tariff barriers between member states.[80] It aimed to liberalise trade, to encourage cooperation in industry and to create a regional common market by the year 2000, but progress has been disappointing.[81] Despite the establishment of a PTA clearing-house and monetary units of account – equivalent to standard drawing rights (SDRs) – intra-regional trade has remained stubbornly low, accounting for only 4 per cent to 5 per cent of the total trade of member states. Predictably, the issue of spatial inequalities hampered progress towards a genuine free trade area, with the majority of benefits going to the more dynamic and

[79] Lee, 'options'.
[80] P. E. J. Brooks, 'The EEC and a Southern African Common Market in legal perspective', Ph.D. dissertion, University of Exeter, 1989.
[81] 'The Preferential Trade Area for Eastern and Southern Africa: achievements, problems and prospects', *Afrika Spectrum*, 89/2 (1989), 157–71.

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larger economies of Zimbabwe, Kenya and Mauritius. The unequal distribution of benefits resulted in member states failing to implement agreed tariff reductions and preferential trade access agreements.

In an attempt to revitalise its trade liberalisation programme, and as a result of democratisation in South Africa, the PTA reconstituted itself as COMESA in November 1993. The common market has objectives almost identical to those now being pursued by SADC – complete trade liberalisation and monetary union[82] – and was expected to include South Africa, which was formally invited by the secretary-general of COMESA to become a member in May 1994. However, South Africa refused to join the grouping, and as a result other SADC member states have delayed ratification of the 1993 treaty. At the September 1995 summit meeting of SADC held in Johannesburg, it was decided that dual membership was incompatible, and that SADC states must resign from COMESA.[83]

With membership stretching from Lesotho to the Horn of Africa, COMESA lacks regional identity and cohesion, as may be seen from Figure 1, as well as being hampered by the socio-political diversity of its member states. Most importantly, however, it has no redistributive or compensatory mechanisms to help alleviate regional inequalities, one of the principal reasons behind South Africa's decision not to join.[84] The transformation from PTA to COMESA was an attempt to react to the post-*apartheid* situation by revitalising the trade liberalisation programme and attracting South Africa. However, this move failed to address the principal regional issues, namely economic domination by South Africa and the existence of extreme inequalities. COMESA can therefore be seen as an organisation, supported by the UN Economic Commission for Africa and the process of multilateral liberalisation, that is influenced principally by the desire to promote free trade.

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Greater economic integration in Southern Africa is on the political agenda, and will be determined by a complex set of trends that are both regional *and* global in character. The abolition of *apartheid* has promoted two, somewhat contradictory pressures. First, the emergence of a democratic South Africa has enabled the sub-continent to focus on issues of economic cooperation and integration as opposed to polices of

[82] See Gibb, 'Relevance'.
[83] Reported in *Weekly Mail and Guardian* (Johannesburg), 1–7 September 1995.
[84] Lagardien, September 1995.

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disengagement. While the old regional order had been tailored to the practical needs of either defending or defeating the white minority regime in Pretoria, the prospects for further economic integration amongst the countries of Southern Africa are the most encouraging since 1948.[85] Second, the ending of *apartheid* has promoted a period of intense instability in the established trading arrangements as they endeavour simultaneously to respond to changing regional circumstances. Indeed, a policy vacuum appears to be emerging over the issue of regionalism,[86] in part as a result of the unwillingness of South Africa, and the inability of the other states of Southern Africa, to assume primary responsibility for the region's economy.

Since the principal obstacles facing economic integration in Southern Africa arise from the significant inequalities in levels of development amongst the states of the region, any new initiatives will have to address the question of how these can be lessened, whatever their cause. Inevitably, demands that trade should be 'fair' as well as 'free' will lead to pressures for coordinated actions likely to promote growth where most needed, but not all countries and groups will benefit, and the 'losers' will exert political pressure for intervention to help counterbalance some of the detrimental impacts created by the existence of larger and liberated markets. In an era dominated by multilateral liberalisation and tariff reductions, Southern Africa's ability to support significant transfers of resources in favour of the least developed areas will be limited. Faced with other conflicting pressures that emanate from the global context, translating the widespread desire for collaboration into an effectively functioning regional institution is going to be an extremely difficult process.

[85] Gibb, 'Common Market'.
[86] A point made by Vale on several occasions, including 'Southern Africa'.

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