INTEGRATING SADC ECONOMIES: FROM RESOLUTIONS TO ACTION

PROCEEDINGS OF THE SEMINAR ON REGIONAL COOPERATION AND INTEGRATION IN SADCC

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Editors: G. K. Kayira, A.G. Luhanga, and P.N.L. Walakira

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This publication of the seminar proceedings could not have been possible without the financial support of the Canadian International Development Agency (CIDA) to the Institute of Development Management (IDM) Botswana Lesotho Swaziland (BLS). It is gratifying to note that CIDA has been unwavering in support of human resources development within the Southern Africa Region. CIDA has provided support to previous high level executive seminars organised by IDM. It is, however, noteworthy that this is the first of all other series of seminars to be published. It is hoped that, with further financial assistance, other papers presented at the previous seminars will eventually be published soon.

On behalf of IDM, I would like to thank the Government of Namibia for accepting to host the seminar in Windhoek, a lovely city. The Government's generosity and all the pleasantries extended to the participants were highly appreciated. I would further like to thank the participants in the seminar for their active involvement in the deliberations and discussions.

Finally, I would like to thank the planning team, under the leadership of A.G. Luhanga, supported by P. Mukurasi and G. Seloilwe, which conceptualized the content and scope of the seminar. Furthermore, I would like to thank G. K. Kayira who was readily available to share his expertise on regional economic integration issues with the planning team and the resource persons for facilitating the seminar proceedings. The support of the secretarial staff has been crucial to publishing the proceedings in time. Competent and efficient secretarial and administrative services were provided by Maggie Dube and Palesa Moabi.

DR. MUSA P. DLAMINI
REGIONAL DIRECTOR, IDM (BLS)
FEBRUARY, 1993

FOREWORD

In August, 1992, the Southern African Development Coordination Conference (SADCC) was formally and legally constituted into the Southern African Development Community (SADC). Its mandate has been broadened and deepened much in line with the desire of member states to establish an African Economic Community as enshrined in the Abuja Treaty of June, 1991. Success or failure on the path towards regional economic integration will depend on the degree of commitment of policy-makers in implementing the decisions of the SADC's Heads of State and Governments. The way forward to the Southern African regionalism does not only rest with political leadership but, even more important, it depends on a commitment that permeates through government bureaucracy and business leadership to the grassroots.

It is hoped that the integration of the SADC economies will bring about a growth-stimulating environment and institutions. If SADC economies will have to be successfully integrated, it will be imperative that stumbling blocks be turned into building blocks through freer movement of capital, goods, and labour, and through improving various supportive infrastructure such as information flows, transport systems, and others. With the passage of time, new dimensions in regional cooperation and integration will have to be explored.

The papers in this volume are a contribution to the on-going debate on regional cooperation and integration. The scope of the subject is broad. Attempting to cover all the issues, in a field fraught with controversy, could have been futile, hence a selective approach has been adopted - the papers focus on selected topics.

The journey towards fully integrated economies will be long and difficult, and special measures will need to be formulated to accelerate the pace of integrating the SADC economies. The major task ahead is putting in place policies that would accelerate development such that sooner, not later, all the countries in the region could reach the same stage of development. The levels of income per capita among SADC countries, instead of widening, should be narrowing.

There is great urgency to integrate SADC economies. Regionalism is one of the instruments for achieving sustainable development and growth. Through easy access to regional markets, which are larger than domestic markets, domestic production could be expanded, trade could grow faster, and more investment flows, both domestic and foreign, could be attracted.

The urgency to integrate SADC economies emanates also from a global perspective. The world economy is being partitioned into trade blocs. These are the North America Free Trade Area, the European Community, the Free Trade Area of Europe, and the Association of South East Asia Nations. Combined, these groups account for about 70 percent of total world exports. In view of SADC's low level of development, its share in world exports is less than 0.2 percent. The challenge, therefore, is to bring about greater dynamism in the SADC economies to broaden their productive bases and export capacities.

The donor community's support to IDM's quest to deepen and broaden the human resources in the SADC region will continue to be important. In this regard, IDM will endeavour to strengthen its capacity to carry out policy analysis on regional cooperation and economic integration. The future of all Southern African states does not rest on marginalization of the small nations but rather on collectively strengthening the regional economy to improve the welfare of the citizenry.

DR. MUSA P. DLAMINI
REGIONAL DIRECTOR, IDM (BLS)
FEBRUARY, 1993

ACRONYMS AND DEFINITIONS

ADB	:	AFRICAN DEVELOPMENT BANK
AEC	:	AFRICAN ECONOMIC COMMUNITY
ASEAN	:	ASSOCIATION OF SOUTH EAST ASIAN NATIONS
CAMA	:	CENTRAL AFRICAN MONETARY AUTHORITY
CAMU	:	CENTRAL AFRICAN MONETARY UNION
CIS	:	COMMONWEALTH OF INDEPENDENT STATES
CMA	:	COMMON MONETARY AUTHORITY
CMA	:	COMMON MONETARY AREA
CU	:	CUSTOM UNION
CUSTA	:	CANADA - USA FREE TRADE AGREEMENT
EAC	:	EAST AFRICAN COMMUNITY
EC	:	EUROPEAN COMMUNITY
ECA	:	UNITED NATIONS ECONOMIC COMMISSION FOR AFRICA
ECCAS	:	ECONOMIC COMMUNITY OF CENTRAL AFRICAN STATES
ECOWAS	:	ECONOMIC COMMUNITY OF WEST AFRICAN STATES
FAO	:	UNITED NATIONS FOOD AND AGRICULTURAL ORGANISATION
FTA	:	FREE TRADE AREA
GATT	:	AGREEMENT ON TRADE AND TARIFFS
GDP	:	GROSS DOMESTIC PRODUCT
GNP	:	GROSS NATIONAL PRODUCT

IDDA	:	INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA
IDRP	:	INDUSTRY AND DEVELOPMENT GLOBAL REPORT
IGO	:	INTER-GOVERNMENTAL ORGANISATIONS
IMF	:	INTERNATIONAL MONETARY FUND
IOC	:	INDIAN OCEAN COMMISSION
LPA	:	LAGOS PLAN OF ACTION
MFN	:	MOST FAVOURED NATIONAL
MRU	:	MANO RIVER UNION
NAFTA	:	NORTH AMERICAN FREE TRADE AREA
NTBS	:	NON-TARIFF BARRIERS
OAU	:	ORGANISATION OF AFRICAN UNITY
OECD	:	ORGANISATION OF ECONOMIC COOPERATION AND DEVELOPMENT
PTA	:	PREFERENTIAL TRADE AREA FOR EASTERN AND SOUTHERN AFRICA
PTA-FCCI	:	PTA FEDERATION OF CHAMBERS OF COMMERCE AND INDUSTRY
RMA	:	RAND MONETARY AREA
RSA/SA	:	REPUBLIC OF SOUTH AFRICA
SACCAR	:	SOUTHERN AFRICAN COORDINATION COOPERATION FOR AGRICULTURAL RESEARCH
SACU	:	SOUTHERN AFRICA CUSTOMS UNION
SADC	:	SOUTHERN AFRICA DEVELOPMENT COMMUNITY
SADCC	:	SOUTHERN AFRICA DEVELOPMENT COORDINATION CONFERENCE
SAR	:	SOUTHERN AFRICA REGION

SDRS	:	SPECIAL DRAWING RIGHTS
SSA	:	SUB - SAHARAN AFRICA
UDEAC	:	CENTRAL AFRICAN CUSTOMS AND ECONOMIC UNION
UN	:	UNITED NATIONS
UNESCO	:	UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANISATION
UNICEF	:	UNITED NATIONS CHILDREN FUND
UNIDO	:	UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANISATION
UMA	:	ARAB UNION OF MAGHREB
USA	:	UNITED STATES OF AMERICA
UTT	:	UNRECORDED TRANSBORDER TRADE
WACH	:	WEST AFRICAN CLEARING HOUSE
WAMU	:	WEST AFRICAN MONETARY UNION

WELCOMING ADDRESS

HONOURABLE MINISTER, BEN AMATHILA
MINISTER OF TRADE AND INDUSTRY NAMIBIA

Distinguished Guests,

Your Excellencies, Members of the Diplomatic Corps,

Distinguished Representatives of International and Regional Organisations,

Distinguished Delegates from SADCC Member States,

Ladies and Gentlemen

In the first place, let me take this opportunity to welcome you, on behalf of the Government and the people of Namibia, to Namibia, and, in particular, to Windhoek. As we are a young nation, for many of you, this may be your first time to come and visit our beautiful country. I can assure you that there are a lot of attractions for you to discover. Even for those of you who have been here before, I am certain there will be new discoveries to be made. We are pleased to play host to this important executive seminar on SADCC and at this very important time in the political and economic history of the Southern African region.

Mr. Chairman, the Southern African Development Coordination Conference (SADCC) is reaching a major turning point. In over 10 years of its existence, SADCC's struggle to achieve economic liberation assumed great predominance. Besides efforts to reduce economic dependence, particularly, but not only, on South Africa, SADCC member states set out to forge links to create regional integration, to mobilize resources to promote national, interstate, and regional policies programmes, and to act collectively to secure assistance from cooperating partners in executing the strategy to be developed for economic liberation. At all the fronts commendable progress has been made.

SADCC's strategy in the early 1980s focused on rehabilitation and development of infrastructure - with emphasis placed on transport, communications, civil aviation, and energy sectors. However, over the last four years, there has been a shift. Priority has increasingly been accorded to issues relating to promotion of trade, investment, and production. And hence, the strategy for the second decade, and the chosen theme for the 1990 Consultative Conference was to give priority to creation of an enabling environment for the development of enterprise, acquisition of skills, and improvement of productivity.

In response to the new emerging realities and in line with one of its original objectives, SADCC's theme for the 1992 Consultative Meeting held in Maputo, Mozambique, was "Towards Economic Integration" with a thrust on deepening cooperation and integration on the basis of balance, equity, and mutual benefits. In the 1990s and beyond, the quest for SADCC will be to achieve greater economic integration through integration of the structures of production.

Mr Chairman, as SADCC enters the last decade of the 20th century into the 21st century, there are many fundamental economic, social, and political changes taking place in the global and regional economies, and within the SADCC member states economies. There are many challenges which lie ahead. But these challenges - global drive towards regional trade blocs, competition for global resources, the integration of post-apartheid South Africa into the regional economy, the wave for democratization in Africa, sluggish domestic economic performance in SADCC, and others, should not weaken the resolve of SADCC to move forward with strength. It is imperative that these challenges should be turned into opportunities: to cement a solidarity for collective purpose among SADCC members, which should be reflected in a sense of community and common interest for the region; to re-define SADCC's role in anticipation of global and regional reforms; and to deepen a vision for SADCC's future.

Mr. Chairman, we are witnessing the dawn of the post-apartheid era on the horizon. It is my hope that within a short period, a new democratic and non-racial South Africa will emerge and will become part of our family of nations.

The Convention for Democratic South Africa (CODESA) is a major step forward in the process for change. As a SADCC community, we shall lend our fullest support. The process dare not fail. For that would be a great tragedy. Already, it is well known that apartheid has been both a human tragedy and an economic disaster.

Distinguished guests, Ladies and Gentlemen, with these few remarks, I wish you a pleasant and enjoyable stay in Windhoek. And now, it is my distinguished pleasure and honour to declare this seminar officially open.

I thank you.

INTRODUCTION

Gladson K. Kayira, Amy G. Luhanga and Ponny N.L. Walakira

NEW DIMENSIONS TO REGIONALISM

The IDM seminar on Regional Cooperation and Integration Among SADCC[1] Countries, which was held in Windhoek, Namibia 10 - 15 May, 1992 brought together high level participants from governments, non-governmental organisations, international organisations, private and parastatal sectors in the SADCC region. The quality of discussions and deliberations was enriched by the wealth of experience of the participants, drawn from a broad spectrum of professional backgrounds. The intent of the seminar was to stimulate thinking about the future of SADCC in rapidly changing regional and global contexts.

There were five specific objectives of the seminar. First, to evaluate the project and programme approach pursued by SADCC so far, and to examine the implications for moving towards policy coordination and harmonization. Second, to review the experience of regional cooperation and integration in Africa and the world, and to draw relevant experience for SADCC. Third, to review the legal framework of SADCC per se, and in relationship with Southern African Customs Union (SACU), Preferential Trade Area for Eastern and Southern Africa (PTA) and the Treaty for Establishing an African Economic Community. Fourth, to assess and evaluate the implications of post-apartheid South Africa on SADCC and its quest towards economic integration. Fifth, to consolidate the seminar discussions into suggestions which could make a contribution to the on-going debate on how best to forge SADCC's future.

The seminar was convened against a background of renewed interests about prospects of regionalism (i.e. preferential trade liberalization), viewed as a solution to major international and regional economic problems. The Abuja Treaty, June, 1991, was a major landmark in Africa's reflection on regionalism. It divides the African continent into five building trade blocks. Over time, the member states of each block are expected to liberalize and open their economies to allow freer movement of capital, goods, and labour. Progressively, the African continent is expected to achieve economic, monetary, and political integration over a period of three decades.

Even more, the seminar was also convened against a background of increasing concerns that Africa may be further marginalised in the 1990s. It is a concern that emanates from the emerging pattern of world trade system. There has been slow progress at the General Agreement on Trade and Tariff (GATT) negotiations, designed to liberalise trade so that the global welfare could be maximized. In the 1990s, the world economy will be driven by three trading blocs - Europe, the Americas, and East Asia. It is argued

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[1] Through the sections SADCC and SADC are used interchangeably depending on the context.

that negotiations for free trade among three parties has a better chance of success than through GATT with 154 members. Moreover, the proliferation of non-tariff barriers in developed countries has made regional economic integration not only an attractive policy option but also an imperative.

Africa's strength in the 1990s and beyond will not depend on its political voice, which has been waning, but on building strong economies. Regional integration, implemented within a framework of outward oriented, market-friendly policies, offers prospects for renewed growth in Africa. This would also entail efforts to achieve competitiveness over time by global standards.

The quest for regionalism as an instrument of development can be divided into two phases - pre 1980s and post 1980s. The drive for regionalism is not new. Inspired by the creation of the European Community (EC) in 1957, many developing countries experimented with regionalism. For instance, in Africa the Economic Community West African States (ECOWAS) was created in 1975, the now defunct East African Community (EAC) was created in 1967, SACU in 1969, SADCC in 1980, PTA in 1981, just to mention a few. Similarly in Asia, the Association of South-East Asian Nations (ASEAN) was established in 1967. In the Caribbean, the Caribbean Community was created in 1973 (formerly it was Caribbean Free Trade Area created in 1968). In Latin America, the Andean Group was created in 1969, Central America Common Market in 1960 (CACM), and the Latin African Integration Association in 1980 (formerly the Latin America Free Trade Area in 1960).

Despite high expectations, the first phase on regionalism floundered except for the European Community (EC). Particularly in Africa,the primary motive for attempting to integrate the economies was the desire to achieve rapid industrialization through regional import substitution. It was thought that exposing the infant industries to the rigours of world competition would be too severe - they need first to export within the protected market before facing competition by world standards. That did not work. Import substitution strategies failed at regional level, and for the same reasons they failed at national level.

The importance of regionalism in the post 1980s phase is that practically all major economies in the world are affiliated to a regional trading bloc. Even the USA, which used to be staunch supporter of multilateral approach and a strong opponent of regionalism in the 1960s, has become a convert to regionalism. The result has been the conclusion of the Canada-USA Free Trade Agreement (CUSTA), and negotiations for a North America Free Trade Area (NAFTA) to include Mexico. Even more, the Enterprise of Americas Initiative envisages a broader free trade area (FTA) to include South American countries.

Economists are divided on the merits of regional integration. There are essentially two schools of thought. At one extreme, trading blocs are perceived as detrimental to the multilateral process. At the other, trading blocs are perceived as essential building blocs towards a free world trading system.

From a pragmatic view point, achieving a complete free trade system has proved difficult, although it may be an optimal option. The world has to settle for the second best option. In the 1990s and beyond there will be increasing inter-dependants and strategic interactions among trade blocs.

As Bhagwati,[2] observes, the issues on regionalism are anchored on two broad aspects. First, the static impacts which focus on whether the immediate effects of regional integration on the welfare of the world or regional economy are positive or negative. Second, the dynamic impacts (i.e. time path issues) whether, irrespective of the static impacts, regionalism lead to freer multilateral trading system through emerging regional blocs into a single trading bloc.

As illustrated in Figure 1 below, the central issue is whether regionalism would place the world economy on a higher welfare (path 1) or on a lower welfare (path 2). The dynamic time path issue is whether trade blocs will converge (path 3) or the world economy would be fragmented, resulting in a lower welfare (path 4). Furthermore, will the multilateral process leave the world economy at a lower level of welfare along path 6 or bring about greater welfare along path 5? The outcome will not be simple and straight forward.

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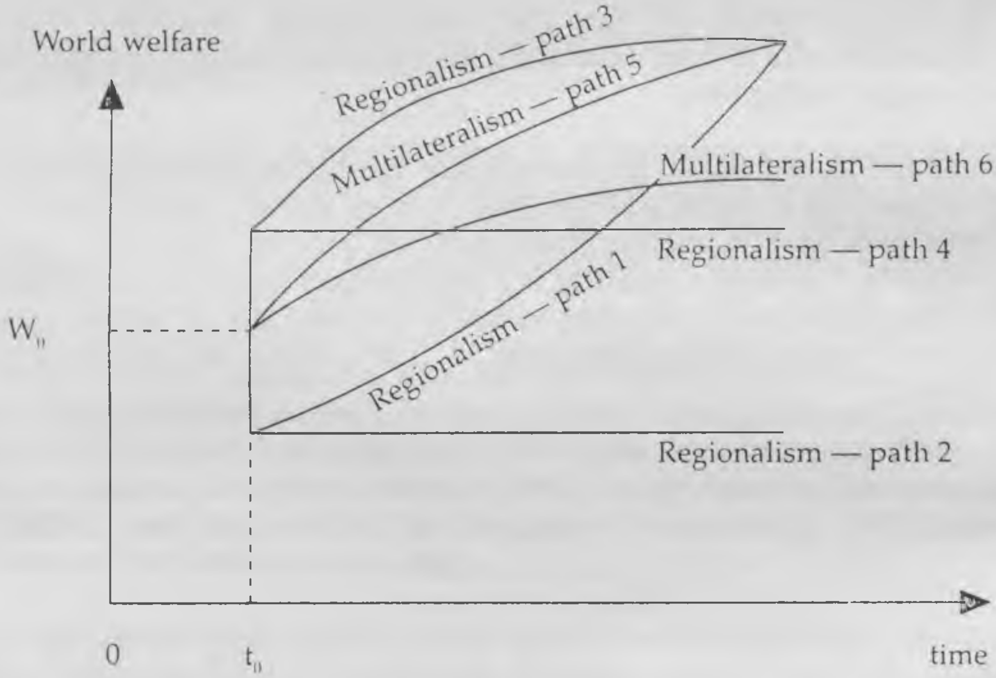
2 Jadgish Bhagwati, "Regionalism and Multilateralism: An Overview," paper presented at the World Bank CEPR conference on New Dimensions in Regional Integration, April 2-3, 1992, Washington, D.C.

FIGURE 1: WORLD WELFARE UNDER MULTILATERALISM AND REGIONALISM

Figure 1 World welfare under multilateralism and regionalism



Adapted from Jagdish Bhagwati, "Regionalism and Multilateralism: An Overview."

In Free-Trade Areas (FTAs) or Custom Unions (Cus) there are two essential aspects: that trade among member states tend to be liberalized, while protection against outsiders tend to be maintained. The central question is whether a FTA or CU is trade creating or trade diverting. (See Box 1). It has been argued that if trade creation is more dominant than trade diversion, then economic welfare is increased.Or if trade diversion is dominant, then welfare is decreased. But in the face of increasing non-tariff barriers, this criterion is no longer clear cut.

It is important to note that many African countries are undertaking trade reforms to create liberal trade environment. Under such conditions, incremental benefits from FTAs through trade creation may not be significant. Unilateral trade liberalization with the rest of the world may offer attractive options.

BOX 1 TRADE CREATION AND TRADE DIVERSION

It is strange that there are deep divisions among the economists and policy-makers on the desirability of regional integration. These divisions are paradoxical since there was near unanimity on the subject four decades ago. Writing in 1950, Jacob Viner opened the key chapter of his celebrated treatise, The Customs Union Issue, as follows:

"The literature on customs union is general, whether written by economists or non-economists, by free traders or protectionists, is almost universally favourable to them, and only here and there is a sceptical note to be encountered, usually by an economist with free trade tendencies. It is a strange phenomenon which unites free traders and protectionists in the field of commercial policy, and its strangeness suggests that there is something peculiar in the apparent economics of the customs unions."

To explain the source of this peculiarity, Viner introduced the seminal concept of "trade creation" and "trade diversion." These concepts proved central to the subsequent thinking on regionalism and have been taken at the heart of the policy debate raging today.

To explain these concepts, suppose South Africa and Malawi, starting from non-discriminatory tariffs, decide to form a FTA. As part of the arrangement, the two countries eliminate all trade restrictions between themselves, but maintain tariffs on imports from the rest of the world. Assume that the unit production costs are constant everywhere and that as a result of the FTA South Africa begins importing shoes from Malawi. Is this for the better? Viner showed that the answer depends on the pattern of production before the FTA. If South Africa produces shoes before the FTA, it must produce shoes at a higher cost than Malawi. This means that the FTA shifts production from a higher cost to a lower cost source. There is trade creation and welfare improves. If shoes were imported initially from a country elsewhere in the world (such as Hong Kong), that country must produce shoes at lower cost than both Malawi and South Africa. In this case, the discrimination introduced by the FTA shifts production from lower cost to higher cost source. There is trade diversion, and welfare declines.

From the view point of multilateral trading system, trade-creating FTA does not reduce trade between the union and the rest of the world, and it expands trade between the partners. This FTA constitutes a movement towards freer world trade. By contrast, a trade diverting FTA expands trade between partners at expense of the trade between the union and the rest of the world. This change extends protection from the national to the regional level and moves away from a freer world. Purely on economic grounds, those who believe that FTAs are largely trade-creating support regionalism, while those who believe the reverse oppose it. The debate remains unsettled.

Adapted from "The World Bank Policy Research Bulletin," May - July, 1992 (p.3).

SCOPE OF THE SEMINAR

Against this new dimension on regionalism, a set of papers were presented to stimulate thinking about the future of the SADCC in rapidly changing regional and global contexts. In editing these papers, deliberate efforts were made to retain the substance and flavour of the original papers and the general discussions. No attempt was made by IDM or the editors to seek prior uniformity on the issues or problems to be addressed. The findings, interpretations and conclusions expressed in the papers are entirely of the authors. They should not be attributed in any way to IDM or the institutions and organisations where the authors are currently employed.

The papers have been organised under four specific sections:

(a) Historical Perspectives;
(b) Emerging Sectoral Issues;
(c) Prospects for Regionalism in Southern Africa; and
(d) Overall Observations and conclusions.

HISTORICAL PERSPECTIVES

The key note address, prepared by IDM and delivered by Dominic Mulaisho, sets the tone, direction, and substance of the seminar. It is a thought provoking paper. It starts by reviewing global mega-trends towards regionalism. It examines Africa's response to these trends, and draws their implications for Africa in general, and SADCC in particular. SADCC has been aid driven, and it may be marginalised because of prospects for reduction in external financial resource flows. Performance of the SADCC economies and the region's resource endowment are reviewed. A number of soul searching questions are raised. It concludes that there are difficult challenges for SADCC in the 1990s.

Under the same rubric on historical perspectives, Gladson K. Kayira surveys, from a comparative view point, approaches to regional economic cooperation and integration in Africa. He notes that poor performance on regionalism must be seen from a broader context - the economic crisis that Africa has suffered. Many African economies were worse on in 1980s than at independence in the 1960s. The orthodox arguments for market integration are examined. SADCC's quest for a new approach to integration called"development integration" is evaluated. Based on the experiences with regionalism in Africa and the other parts of the world, Kayira concludes that Africa's performance has fallen short of expectations. The task of integrating African economies remain daunting but not insurmountable.

EMERGING SECTORAL ISSUES

Under this heading, Chinyamata Chipeta's paper starts by examining the classical problems of economic integration. Structural and institutional features of the Southern African economies are reviewed. The creation of an enabling macroeconomic environment is underscored. Issues on capacity for policy analysis and formulation under structural adjustment programmes are discussed for both the SADCC and PTA regions.

Chipeta explores the underlying issues on harmonization of macro-economic and sectoral policies. Emphasis is placed on regional and national investment policies. The impact of competitive trade and devaluation policies is highlighted. Monetary union is considered an essential element for attaining a full fledged economic integration. Chipeta examines the hurdles to be overcome to reach monetary union with specific reference to PTA. The paper concludes by suggesting the broadening of policy reforms to take a regional dimension to improve competitiveness.

Gladson K. Kayira's paper analyses a triple nexus of promoting intra-SADCC trade, encouraging technological advancement, and promoting food security. It is noted that despite the efforts to increase intra-SADCC trade, it has remained dismally low, not exceeding 5 percent of the total external trade. A large proportion of this intra-SADCC trade is attributable to Zimbabwe, which has a relatively broader industrial base compared with other SADCC countries. While formal trade statistics indicate that trade among SADCC countries is very low, in response to policy distortions, qualitative observations would suggest that unrecorded transborder trade (UTT) is vibrant and probably modestly high. Constraints to increasing intra-SADCC trade are discussed. Kayira observes that trade between South Africa and the SADCC economies has been increasing. Prospects for expansion of trade look promising in the post-apartheid era.

Kayira develops a simple model that links technology, production, trade and market signals. Investment in research and development as an important determinant in technological progress is discussed. Factors behind technological transfer and absorption are examined. For a selected SADCC countries patterns of exports and imports based on technological intensities are analysed.

Increasing SADCC's capacity to feed itself has been one of the highest priorities. It is noted that yet the crisis in SADCC's agricultural production continues. In many SADCC countries food production has either stagnated or declined, resulting in large cereal imports. For many SADCC countries cereal imports have increased by more than four fold between 1974 and 1989. This has contributed to diversion of valuable foreign exchange from investment and other expenditures which are critical for long-term development.

The current drought has placed food security and food security coordination on top priority. It has put the SADCC early warning system to an acid test. There is an open policy question on the effectiveness of this early warning system. According to UN Food and Agricultural Organisation (FAO) estimates, the region's total food input requirements could exceed 8 million tonnes of grain over the coming year, which is four times than normal. In view of the limited financial capabilities of most countries, they will be forced to appeal to donors for more food aid. This is coming at the time when traditional sources of aid are overburdened by commitments to other regions such as the Horn of Africa and the former Soviet Union. The paper concludes by suggesting policies required to increase agricultural production and improve food security.

The role of women in development has received increasing attention. The paper by Amy G. Luhanga and Gladson K. Kayira points out that the increase of interest in women's affairs is partly owing to Africa's problems of the deepening economic crisis. Women in SADC economies make significant contribution towards the process of socio-economic transformation and development. In many SADCC countries over 60 percent of households are headed by women. Women are involved in the mainstream of agricultural production, commerce, industry and services activities. The traditional status of women in society and the changes that have taken place are reviewed.

Problems that women face to have access to financial and other resources are identified. The inequality in access of women to employment opportunities have hampered the realization of productive potential of women. There are several indicators used to illustrate sharp divides between females and males in the SADCC society in terms of life expectancy, overall literacy and education achievements. The paper notes with concern that there are no special or specific programmes within SADCC designed to target women. The paper concludes by outlining the challenges to be faced to enhance the productive capacity of women in the SADCC society.

PROSPECTS FOR REGIONALISM IN SOUTHERN AFRICA

Dominic Mulaisho's paper explores the creation of SADCC from a historical perspective. It is pointed out that there is no need for a new grand blueprint for economic integration rather than a pragmatic step by step approach to regionalism. Setting of ambitious and unrealistic targets is counter-productive. Mulaisho points out that there are important lessons to be learned from the experience of the European Community. Perhaps the most important is that success in integration can be achieved against the background of rising prosperity, and not deepening poverty. Convergence, rather than divergence, of economic management policies matters.

Furthermore, Mulaisho suggests that the current PTA with 19 members is too large and underdeveloped. It could benefit from breaking up into two - one organization combining the present SADC and South Africa, and the other one constituting the rest of the members of PTA. On implications of post-apartheid South Africa on SADC, Mulaisho notes that already four members of SADCC are also members SACU, and hence strong economic links already exist. It is underscored that although the South African economy is much larger than the entire SADCC economy, the quality of life of many South Africans is not much better than that of most SADCC citizens. To redress the internal imbalances created by the apartheid system, South Africa will have to spend a lot of resources internally. Therefore, Mulaisho concludes that it should not be expected that South Africa will play an over dominant role in shaping regionalism in the Southern Africa region.

David M. Zamchiya's paper examines the legal evolution of SADCC. It is asserted that SADCC has operated without a proper legal framework since its creation. The loose and decentralised structure with a small secretariat and sectoral coordinating units at national level may have been a deliberate effort to avoid creation of a supra-national organization.

As SADCC moves from coordination of projects and programmes to economic integration, Zamchiya proposes some new and focused ideas on institutional mechanisms needed to make SADCC an effective vehicle for economic integration. The need for performance criteria rather than automatic membership to a regional grouping because of geographic proximity is raised. Zamchiya raises important questions regarding internal management procedures and systems which SADCC should undertake if it has to become effective in its new mandate - integrating the SADCC economies.

SADCC: FROM RESOLUTION TO ACTION

This concluding section summarises the major issues which emanated from the seminar papers, discussions and suggestions of the delegates. The issues and observations are divided into four sub-sections:

(a) Balanced and Equitable Development of the Community;

(b) Modalities for Affecting Integration;

(c) Mechanism for Financing the Programmes of the Community; and

(d) The Legal Framework of the Community.

It is noteworthy that on substantive issues, there was large degree of consensus. This could provide a sold basis for formulating and implementing policies and programmes for strengthening regional cooperation and integration.

It is hoped that with the publication of these proceedings, there will be sufficient interest generated to carry out workshops or seminars at national level. For regional integration to become a reality,it will require the participation of ordinary SADC citizens. Initiatives to create a SADC identity, comparable to the EC identity, will require that attending to SADCC issues should not be the preserve of only government officials, but increasingly, the private sector should take an active lead. If the SADCC resolutions have to be translated into action, it will be imperative that what SADCC stands for, its future and vision should be shared by a broad base of the populace. SADCC future rests on a shared vision.

The resolution to formalize SADCC into a legal entity marks an important historical development. It will drive SADCC into a new and better charted direction towards an economic development community. However, the major challenge that lies ahead will be determining a pragmatic and realistic timetable for attaining such a community. The success of SADC will be judged by meeting its targets in the process of integrating its economies. This will be the acid test - to translate resolution about creating a community into concrete action.

III HISTORICAL PERSPECTIVES

KEY NOTE ADDRESS

SADC Responding To Rapid Global and Regional Changes

IDM, delivered by Dominic Mulaisho

INTRODUCTION

There are rapid economic and political changes sweeping the Southern Africa region and the world at large. It is imperative for the Southern African Development Coordination Conference (SADCC) to respond effectively if it has to grow into an effective regional integration organization. Indeed, the road ahead will be fraught with difficulties and challenges. The nature of the difficulties and challenges can be examined at three levels: global, regional, and national. Therefore, my key note address is organized under the following rubrics:

(a) SADCC within the context of the global economy;
(b) SADCC within the context of the regional economy;
(c) the performances of SADCC economies and their prospects in the medium term; and
(d) some perspective about SADCC's future.

SADCC IN A RAPIDLY CHANGING GLOBAL ECONOMY

Mr Chairman, Ladies and Gentlemen, the world economy is undergoing momentous changes. These are occurring in Eastern Europe and the republics of the former Soviet Union, which are undergoing major transformation. In Europe, the European Community (EC) is moving forward with the creation of a single market in 1992; in North America Canada, United States of America (USA) and Mexico have established free trade area; and in the Caribbean, Latin America, the Pacific, and Asia regions, there are concerted efforts to strengthen regional trading blocs. In Africa, the Organization of African Unity (OAU) has called for the creation of an African Economic Community by the year 2035. In South Africa apartheid is falling apart. At a national level, practically all SADCC countries are undertaking policy reforms to place their economies on a sustainable long term development and growth path. The content, form, and shape that SADCC will take in the 1990s will be influenced by both endogenous and exogenous factors.

The size of the SADCC economy is by global standards negligible. With a total GDP of US$27.2 billion, less than that of General Motors Corporation's turnover, SADCC economy is only about 0.1 per cent of the world economy. (See Table 1) Even more striking, the economy of Hong Kong, with a population of less than 10 percent that of SADCC, is twice as large as that of SADCC. SADCC's population of 79.6 million represents only 1.5 percent of world's population. The standard of living in the industrialized Organization of Economic Cooperation and Development (OECD) countries, measured by Gross National Product (GNP) per capita, is about 50 times higher than the average quality of life in SADCC. It is worth noting that there is a high concentration of wealth among the OECD countries. While these countries account for only 15 percent of the world population, they produce about 72 percent of the world's output. Global distribution of income is heavily skewed towards the North. The relative insignificance of the SADCC economy by world standards calls for greater efforts for SADCC's economic expansion in the 1990s and beyond.

In the Southern Africa region, the South African economy is dominant. It is about three times that of SADCC with a broad based manufacturing sector and infrastructure services. By Sub-Saharan African (SSA) criterion, South Africa and SADCC combined could be powerful regional economy with large potential for expansion. Combined SADCC and South Africa account for close to 70 percent of SSA's total production.

TABLE 1: SOME BASIC INDICATORS, 1989

	GDP ($ BIL.)	POP (MIL.)	GNP PER CAPITA ($)
SADCC	27.210	79.6	363
SOUTH AFRICA	80.370	35.0	2,470
SSA	161.820	480.4	340
HONG KONG	52.540	5.7	10,350
OECD	14,292.220	772.6	19,090
WORLD	19,981.540	5,206.1	3,980

Notes

1. SSA means sub-Saharan Africa.
2. Data on SSA excludes South Africa.
3. OECD means the Organization for Economic Cooperation and Development (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States).

Source: World Bank, World Development Report, 1991, Washington, D.C.: World Bank, 1991.

Mr Chairman, it should be noted that the changes in Eastern Europe and the republics of the former Soviet Union have been at a much faster pace than many global strategists could have expected. They have created enormous demand for resources - financial and technical. Conditionality for resource transfer from the West to Eastern Europe has been on further economic and political reforms. Although it may be difficult to estimate the magnitudes accurately, resource flows to the region in the 1990s are bound to be large. Moreover, from a historical perspective, Western Europe and North America have a closer affinity with Eastern Europe and the former Soviet Union than with Africa. In fact, some strategists have a vision of greater Europe that could encompass the whole of Eastern Europe, including the Commonwealth of Independent States (CIS) of the former Soviet Union in the near future, which could form a pillar of the New World Order.

In 1992, the European Community will be unified into a single market. Its total population is more than that of the USA. The EC is the second largest economic power next to the USA. However, compared to the USA, the EC is a more open economy and is emerging as a formidable trading bloc, accounting for about 40 percent of world trade. Intra-EC trade has substantially increased over the last 30 years. While in 1958, intra-EC trade was only 35 percent of the total trade, by the late 1980 it rose to close to 60 percent. It seems intra-EC trade will grow even more rapidly in the 1990s.

Mr Chairman, even the supposedly largest free market economy in the world, the USA, is trying to protect its self-interests through creation of a regional trading bloc. USA and Canada along with Mexico have ratified a treaty designed to dismantle the trade barriers between them and have formed the North American Free Trade Agreement. While Canada, USA, and Mexico are already major trading partners, it appears their treaty is designed in part as a response to the potential for a "Fortress Europe." The USA, Canada and Mexico, as a free trade area, will have a major influence on the patterns of world trade.

In Latin America there is a strong renewed interest in economic integration, although it has been observed that schemes with bright economic prospects, such as the Central American Common Market (CACM), have not worked well. Argentina, Brazil, Paraguay, and Uruguay, which account for more than half of the Gross Domestic Product (GDP) of Latin America, signed a treaty to establish the Southern Cone Common Market by 1994 (The Economist, 30 March-5 April, 1991). If it works, it has the potential of attracting foreign investments and achieving economies of scale in production. And the Caribbean Economic Community is also attempting to make forward strides towards greater integration.

Despite trade liberalization policies pursued by the Association of South East Asian Nations (ASEAN), it has had little increase in intra-regional trade in the 1980s. However, resulting from an increase in external regional trade, the economies of ASEAN have experienced rapid growth. In the 1990s, ASEAN stands a chance of emerging stronger in the world trading patterns than in the 1980s. Similarly, Australia and New Zealand have decided to create a single market to promote the flow of trade, services and commercial dealings. They are also poised to be an important trading bloc in the 1990s.

IMPLICATIONS FOR SADCC

Mr Chairman, against this background of global trends, what are the implications for SADCC?

The global trends towards regional integration give rise to concerns about a new wave of protectionism and stiff competition among trading blocs. The patterns of trade will be largely influenced by the negotiating strength of these blocs. For instance, the Common Agricultural Policy for the EC, designed to subsidize farmers, has adverse effects on agricultural production in developing countries. Because of subsidies, EC farmers produce large surplus food and this has a depressing effect on world commodity prices. A large proportion of EC food surplus has been donated as food aid.

There is another concern which is under a euphemism of "SADCC-pessimism" - the marginalization of SADCC economies because of reduction in external resource flows. This is a legitimate concern. Funding of SADCC projects and programmes has been heavily dependent on external sources. Global savings are scarce, and with the opening up of Eastern Europe, CIS, and the re-unification of Germany, there is likely to be a shift of resources to these areas at the expense of Africa, in general, and at the expense of SADCC, in particular. Even much closer to home, in the post-apartheid era, there is a danger of a shift of resources from SADCC to South Africa. The international community is likely to be sympathetic to the new South Africa than to SADCC. SADCC will have to learn greater negotiation skills for it to have a reasonable audience for its voice in the international community.

However, there is some optimism. As some policy analysts argue, if rapid growth within the global regional groupings could be achieved, particularly in the EC, which is SADCC's major trading partner, prospects for SADCC could be favourable. Rapid growth in these groupings could spur increased demand for SADCC products. This, in turn, could contribute to growth in SADCC economies. However, the challenge of the global regional groupings is to ensure that they complement, rather than weaken, the world trading system. To achieve this, these groupings should promote regional trade liberalization - not to erect higher barriers against other countries. And in line with the General Agreement on Tariffs and Trade (GATT) principles, they should pursue multilateral trade liberalization to expand access to foreign markets. Failure to do this will provide excuses for regional groups around the world - Asia, North America, South America, Europe, and even in Africa - to adopt restrictive trade and investment measures.

There are also some pessimists. These policy analysts argue that the EC after 1992 could become a "Fortress Europe". By imposing new rules and conditions, strict specifications and standards on products, which could amount to a new form of protectionism, access to the EC market could be limited. Since the EC is a traditional and major trading partner of SADCC, this development could hamper SADCC's exports to the EC market and dampen SADCC's growth prospects. I am sure that our colleagues with experience with EC, attending this seminar will be able to share with us the latest reflections on tariff and non-tariff barriers to trading with EC.

Moreover, Mr Chairman, it is quite evident that the former West Germany will have to spend increasingly more resources on economic restructuring of the former East German. The USA and European powers will spend increasingly more resources to economic restructuring of Eastern Europe and the CIS to ensure that these economies do not decay into anarchy. Moreover, to help restructure the Eastern European economies, a bank - the European Bank for Reconstruction and Development - has been established. And after the Gulf War, Western powers will probably spend large resources in the Middle East countries in an effort to achieve a regional balance. Furthermore, there is a general business perception that the rate of return on investment in SADCC (and indeed Africa) is lower than other parts of the World, particularly Eastern Europe now. In the absence of fundamental changes, attracting direct foreign investment into SADCC will prove difficult.

Mr Chairman, Ladies and Gentlemen, taking into consideration all the implications outlined above, I am persuaded to conclude that there will be difficult challenges for SADCC in the 1990s. The global environment will not be hospitable to SADCC. Resources flows - foreign aid and direct foreign investments - to SADCC, instead of increasing, they may decline. This raises a fundamental question:

Does SADCC have sufficient capacity to mobilise domestic resources for its projects and programmes? If it does not, what is the future of SADCC's financing requirements? What contingency plans are in place to cater for such eventualities?

I hope in your discussions and deliberations you will touch on these issues.

SADCC IN A RAPIDLY CHANGING REGIONAL ECONOMY

Let me now turn to SADCC within the regional context. By regional context, I mean the Southern Africa region - SADCC plus South Africa.

Mr Chairman, it should be pointed out that there cannot be sustainable economic cooperation and economic integration if there is no peace and stability in the region. In the 1980s, in both Angola and Mozambique, there have been civil wars which have caused incalculable human suffering and immense economic devastation. Even our host country, Namibia, fought hard battles of liberation which culminated into political independence on 21 March, 1990. Destabilization in the 1980s is estimated to have destroyed property and infrastructure worth US$60 billion, and caused heavy human suffering and loss of life. Military expenditures by both SADCC, particularly the Front-line States, and South Africa escalated. In the 1990s, it is my hope that we can see peace dividends - shift of resources from military to civilian use to build schools, hospitals, roads and other infrastructure to accelerate development. It is my hope that the initiatives in Angola and Mozambique would lead to durable peace.

Mr Chairman, experience around the world suggests that changes in South Africa will be accompanied by uncertainties which may have important implications for SADCC. Many scenarios can be developed about the new South Africa. But for many of us in this region and for all the progressive forces around the world there can be only one desirable scenario or outcome: that there will be a smooth and peaceful transition to the new South Africa.

IMPLICATIONS FOR SADCC

Mr Chairman, Ladies and Gentlemen, what are the implications for the new South Africa on SADCC? It is my humble submission that there are no ready-made answers to this question. Changes in South Africa are so rapid that even the architects of these changes may be overtaken by these very changes.

At the outset, let me point out that it our assumption that the new South Africa will join SADCC and become its eleventh member. The region - SADCC plus South Africa - forms a homogenous group with a long history of economic relations. In fact, within the framework of the proposed establishment of the African Economic Community (AEC) by the year 2035, this region has great potential to move forward with strength.

The Southern Africa region is rich in minerals, fertile soils and well endowed with a diversity of human skills and labour. Extensive minerals available include chromate, coal, copper, diamonds, gold manganese, platinum and others. In fact, SADCC produces a significant proportion of the world total output of a range of minerals, For instance, 1988, SADCC's total mineral output accounted for 18.7 per cent of the world's output; cobalt for 15.0 per cent; ferro-chrome for 7.2 per cent asbestos for 4.8 per cent, chromate for 4.6 percent and nickel for 4.0 percent. Even more, of the world's known reserves, South Africa accounts for 82 percent of manganese, 69 percent of platinum, 55 per cent of chromium ore, 47 per cent of gold, 33 per cent of vanadium, 24 percent of diamonds and 16 per cent of zirconium, and 8 percent of coal. There is also large potential for hydro-power and agriculture. There are already in place reasonably good transport and communications systems. With apartheid falling apart, the Southern Africa region will at last be in a position to fully tap its vast resources for the benefit of its people. However, it will be important that new instruments are established to mitigate the impacts of the wide disparities in the levels of economic development among the members of the region.

Still a larger question remains:

What should be the nature of regional economic cooperation and integration arrangements that SADCC should enter with the new South Africa?

This is a very important question. I hope you will devote sufficient time to it in your discussions.

SADCC PERFORMANCE

Mr Chairman, let me know turn to SADCC performance briefly. At the outset it may be insightful to re-visit the objectives of SADCC, when it was founded in 1980 in Mulungushi Hall in Lusaka, Zambia. The Lusaka Declaration, "Southern Africa: Towards Economic Liberation," set out four development objectives for SADCC:

(a) reduction of economic dependence, particularly, but not only, on South Africa;

(b) forging of links to create a genuine and equitable regional integration;

(c) mobilization of resources to promote the implementation of national, interstate, and regional policies; and

(d) concerted action to secure international cooperation within a framework of economic liberation.

To be realistic, reducing dependence on South Africa proved difficult for several reasons. First, due to destabilization of the 1980s which resulted in the destruction of infrastructure, particularly in Angola and Mozambique, reducing dependence on South Africa transport system became virtually impossible. This was reinforced by the inherited colonial rail and road alignments which started in the hinterlands and ended on the coast with little lateral inter-connections.

Second, several SADCC member countries, especially those who are members of the Southern Africa Customs Union, had strong trade links with South Africa that it was practically impossible to de-link.

Third, many export and import clearing houses in SADCC are either subsidiaries of South African companies or controlled from South Africa. Hence, diverting traffic away from South Africa proved infeasible in many cases.

Mr Chairman, some observers contend that SADCC failed to achieve the second objective, i.e, forging of links to create a genuine and equitable regional integration. I disagree with them. Creating a genuine economic integration is a long term effort - it cannot be achieve over night. Twelve years that SADCC has been in existence are too short. SADCC has just started laying the foundation for economic integration. For instance, look at the EC - it started in 1956 and at that time its economies were already at a high level of development with few disparities among them. After 36 years, the EC is creating a single market. There are useful lessons to learn from the EC experience.

On objectives (c) and (d), it is well recognised that SADCC made great progress on mobilising external financial resources and securing international co-operation.

Mr Chairman, having said that, with new realities emerging in Southern Africa, it may be wise for SADCC Heads of State and Governments to go back to Mulungushi Hall and draft new objectives.

Let me now turn to the actual performance of SADCC. From an economic view point, SADCC's performance can be characterized as "fragile success." The economies have been subjected to vicissitudes of drought causing famine and food insecurity, declining terms of trade resulting in unsustainable balance of payments, and declining foreign exchange inflows culminating into worsening debt situation.

During most of the past two decades, economic performance of the region has been disappointing. As Table 2 shows, compared to 1965-80 period, real GDP growth rates declined during the 1980s both in SADCC and South Africa. Even more worrisome, except for Botswana and Lesotho, for the rest of SADCC real GDP growths were less than population growths, which translate into declines in per capita terms.

TABLE 2: REAL GDP AND POPULATION GROWTH, PER CENT

	Real GDP Growth		Population Growth	
Country	**1965 - 80**	**1980 - 89**	**1965 -80**	**1980 - 89**
Botswana	13.9	11.3	3.5	3.4
Lesotho	6.8	3.7	2.3	2.7
Malawi	5.5	2.7	2.9	3.4
Mozambique	-	- 1.4	2.5	2.7
Namibia	-	0.4	2.4	3.1
Tanzania	3.9	2.6	2.9	3.1
Zambia	2.0	0.8	3.0	3.7
Zimbabwe	5.0	2.7	3.1	3.5
South Africa	4.1	1.5	2.4	2.4

Source:

World Bank, World Development Report. 1991, Washington, D.C.: World Bank, 1991.

It is encouraging that in recent years performance of the SADCC economies has continued to improve (see Table 3). Most of the member states experienced positive economic growth rates. Unfortunately, Angola, Mozambique, Tanzania, and Zambia have been saddled with heavy debt service burden. To place the economies on sustainable growth paths, practically all the member states implemented policy reform programmes.

In the 1990s, sustainable performance could be linked to deepening and broadening of the policy reform measures, and in particular, to trade liberalization. As the 1991 SADCC Annual Report 1991 observes, "The lessons to be derived from the performance of the economies of the member states is that, those countries which have stayed the longest with economic adjustment programmes and improved their national economic policies are beginning to reap the benefits in growth. The resulting improvements in non-traditional exports as a result of these policy changes more than compensated for the poor performance of the export of primary products."[3]

TABLE 3: GDP GROWTH RATES

Country	1989	1990
Angola	0.6	-
Botswana	6.3	8.3
Lesotho	-2.1	4.1
Malawi	4.1	4.8
Mozambique	5.3	1.5
Namibia	0.6	2.7
Swaziland	4.6	4.0
Tanzania	3.3	3.0
Zambia	0.1	-1.9
Zimbabwe	4.5	2.0
South Africa	2.1	-1.0

Source:

SADCC, SADCC Annual Progress Report 1990-1991, Gaborone, 1992.
EIU, World Outlook 1991, London, EIU, 1991.

With policy reforms providing a solid foundation to increase competitiveness of SADCC economies, medium term prospects look optimistic.

A BRIEF PERSPECTIVE OF SADCC'S FUTURE

Mr Chairman, Ladies and Gentlemen, in the theme document for January, 1992 Consultative Conference held in Maputo, SADCC attempted to re-define its role in response to the emerging regional and global realities. An approach appropriate for SADCC was proposed and it is termed, "development integration." It is asserted,

"This approach, accordingly stresses the need for close political cooperation at an early stage of the integration process, in contrast to the market integration approach, under which this only emerges at later stage. The development integration approach also stresses the need for equity and balance in relations (between South Africa and

[3] SADCC Annual Report 1991, p.9

SADCC). It thus argues for trade liberalization to be complemented by compensatory and corrective measures, oriented particularly towards the least developed member countries. It also sees the need for market integration to be predicated on coordinated regional industrial development, for regional resource mobilization fund or banks to give priority to the least developed members. Provision should be made for some coordination of macro policies at an early stage, particularly in relation to general conditions and incentives for investment. Promoting trade integration as a simple linear process in which all the elements of a preferential trade area. free trade area, customs union, common market, etc are put in place before moving to the next stage is inappropriate for the SADCC region at this stage of its development."[4]

These in essence are the elements of the new SADCC strategy: to promote close political cooperation at an early stage of the integration process; to stress the need for equity and balance in relations between South Africa and SADCC; to encourage trade liberalization, complemented by compensatory and corrective measures, oriented particularly towards the least developed member states; and to encourage coordination of macro-economic policies at an early stage, particularly on general conditions and incentives for investment.

Mr Chairman, now, the central questions are:

Does this strategy have a bold vision to carry SADCC into the 21st century? Does this strategy take sufficient recognition of the future evolution of SACU and PTA?

Ladies and Gentlemen, I would like you to devote some time to these questions.

STRENGTHENING OF POLITICAL WILL

Mr Chairman, unless the political will and perseverance are strengthened, SADCC's momentum towards economic integration will not be sustained. Judged by the numbers of resolutions adopted by the Heads of State and the Council of Ministers, it can be concluded that political will exists. It needs to be broadened and deepened. There is a need to achieve broad commitment by the civil servants and the private sector to economic integration. A deeper sense of identity and solidarity for SADCC should not reside only with the political leadership, but it must permeate through the government bureaucracies to the peoples of SADCC. For SADCC to succeed, efforts towards economic integration must be centred around common interests of the people within the region, who progressively acquire a regional identity. Unless there is wide spread popular support, based on rational expectations of the net benefits to be gained by member states, SADCC's impetus towards economic integration stands the risk of losing steam.

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4 SADCC, SADCC Theme Document, January, 1992 p.22.

CREATING AN ENABLING ENVIRONMENT FOR INDUSTRY AND TRADE

Trade among SADCC member states is disappointingly very low (less than 5 percent of total trade), and the structures of production are narrow and undiversified, producing a limited range of products. For SADCC's industrial and trade development to be sustainable, creating an enabling environment for the growth of industry and trade will be absolutely critical. Manufacturers and traders will have to respond to opportunities offered by access to wider SADCC market. Within SADCC, it will be essential to implement bold programmes of trade liberalization and rationalization of distortions in order to enhance competitiveness. Industrial policies across SADCC will need to be harmonized to encourage investments.

CONCLUSION

Mr Chairman, Ladies and Gentlemen, SADCC is at cross-roads. It has to define its new role in the face of overlapping mandates between itself, PTA and SACU. In view of unprecedented economic and political reforms taking place in Southern African and in the world at large, SADCC member states will need to break new grounds to be in tandem with these path-breaking changes. First, there is a need to evaluate the objectives of SADCC to reflect the new realities; and second, there is a need to refine the new strategy - to conceptualize it more solidly - so that it carries an appropriate bold vision into the 21st century and it can permit broad based participation of all the people in the region.

Before I conclude, I would like you to reflect on some critical questions: If the new South Africa joins SADCC, what will be the nature of the relationship? Since South Africa is an industrial giant relative to the SADCC economies, will the industrial development of the SADCC member states be stifled or will new complementarities emerge? At present the balance of trade is in favour of South Africa. Will this worsen in the post-apartheid era? What will be legal framework of post-apartheid SADCC? Will the SACU still be relevant? Are there complementarities between SADCC and PTA such that they can develop separately but at the same time be mutually reinforcing? A large proportion of the financing of the SADCC projects and programmes have been from external sources. Will this goodwill continue in the 1990s, and if not, will SADCC be able to mobilize resources internally? Will the private sector investors - both domestic and foreign - play important roles in integrating the SADCC economies? What options and strategies should SADCC pursue in the 1990s to ensure sustainable development?

Mr. Chairman, Ladies and Gentlemen, I leave these questions for your deliberations and discussions.

THANK YOU

A COMPARATIVE ANALYSIS OF APPROACHES TO REGIONAL ECONOMIC COOPERATION AND INTEGRATION - THE AFRICAN EXPERIENCE

Gladson K. Kayira

INTRODUCTION

Kwame Nkrumah said, "In the process of obtaining economic unity there is bound to be much hard bargaining between the various states. Integration of different aspects of economic policy will proceed at different rates, and there may be disappointing delays and compromises to be worked out. But given the will to succeed, difficulties can be resolved."[5] This vision of Kwame Nkrumah still remains valid today as it was at the dawn of political independence in the 1960s. There have been many resolutions about integrating the African economies. They reflected and still reflect the aspirations of the African leadership to integrate the economies.

Although a lot of efforts have been made to forge regional cooperation and integration, the results have not been encouraging. This shortcoming should not be perceived in isolation, but rather as a reflection of the economic crisis that Africa plunged into. It is generally recognised that many African economies were poorer in the late 1980s than at independence in the 1960s (World Bank, 1989). Regional integration as a strategy for development has not yet yielded results. Resolutions have yet to be fully translated into concrete action to make rapid progress towards integration.

Despite the general disappointment with economic cooperation and integration initiatives, the African leaders appear to be committed to move progressively towards an integrated single market by the year 2025[6]. However, several questions need to be asked. What lessons can be learned from experience? Can regionalism be a vehicle for promoting industrial development and growth? What has been the progress towards industrial cooperation? What are the economic, institutional, and political obstacles to be faced? What is the outlook for 1990s and beyond? These are difficult questions for which there are no easy answers.

The purpose of this paper is to explore the Africa's experience with regional cooperation and integration from a SADCC perspective. It examines SADCC's quest for a new approach in response to global, pan-African, and regional forces of change. Finally, the paper draws out some lessons from experience and evaluates prospects for regional cooperation and integration.

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5 Axioms of Kwame Nkrumah, Freedom Fighters Edition, London: Panaf Books Ltd, 1967, p.57

6 It is worth noting that in the Lagos Plan of Action, 1980, the target of achieving the pan-African Economic Community was the year 2000.

PAN-AFRICAN RESPONSE TO GLOBAL REGIONALISM

In June, 1991, the African Heads of State and Governments signed a Treaty, in Abuja, Nigeria, for the establishment of the Africa Economic Community in phases (see Box 1). A linear development approach towards a pan-African economic community, to a large extent based on neo-classical approach to integration, was proposed. Africa was divided into five regions: North Africa, West Africa, Central Africa, East Africa, and Southern Africa. For the Southern Africa region, SADCC combined with South Africa forms a homogeneous and natural regional entity.

Each region would be expected to grow in stages from a preferential trade area through a free trade area into a customs union. With more experience gained, each region would graduate further into a common market, and then, an economic community. Each region would determine its own pace of integration in parallel with collectively achieving a pan-African economic community by the year 2025[7]. It is envisaged that by year 2025 the three markets - capital, labour, and goods - will be integrated through allowing free movements. This would be achieved in parallel with strengthening cooperation in fields such as energy, transport and communication, centres of excellence and others.

The main features of a preferential trade area are the progressive reduction of customs tariffs, quantitative restrictions, and other non-tariff barriers to trade among member states. At the same time, each member country is permitted to maintain different levels of tariffs and non-tariff barriers with the rest of the world. In a free trade area, there are no duties on goods produced by the member states, but each member country determines its own tariff policy with respect to the third countries. A customs union moves a step further - all member states agree to impose a common external tariff. A common market would be achieved through adopting common policies in a number of sectors such as agriculture, industry, energy, transport, communications, research and development. This could be in parallel with harmonization of monetary, financial and fiscal policies, and allowing free movement of capital, labour, goods and services, and the right of residence.

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7 It is worth noting that in the Lagos Plan of Action, 1980, the target of achieving the pan-African Economic Community, was the year 2000.

Box 1.

TIMETABLE TOWARDS UNITY

The process of establishing the African Economic Community begin within 30 days of the treaty's ratification by two thirds of the OAU member states. The process is to unfold over a period of 34 years, at most, passing through six stages.

1.	Strengthening existing regional economic communities and establishing new ones.	5 years
2.	Stabilizing tariffs, customs duties, and other non-tariff barriers to intra-community trade; strengthening sectoral integration in agriculture, industry, transport, and others; coordinating and harmonizing activities of the regional communities.	8 years
3.	Setting up of free trade areas within each regional community through removal of trade barriers and establishing customs unions.	10 years
4.	Establishing an Africa-wide customs union, with a common external tariff, by harmonizing regional tariffs and non-tariff systems.	2 years
5.	Establishing an African Common Market, through among other steps, the adoption of common policies on agriculture, transport, industry, and other sectors.	4 years
6.	Finalizing the African Economic Community through the consolidation of the common market structure; the establishment of a monetary union, African Central Bank, and a single currency; creation of a pan African parliament, elected by continent suffrage.	5 years

Source: UN, "Africa Recovery", June, 1991, P12.

Establishing the African Economic Community would be the final stage. It would evolve from consolidating the instruments in place for establishing the common markets. In the final stage, a single market would be created. Furthermore, an African monetary union, an African central bank, an African single currency, and a pan-African parliament with its members elected by continental universal suffrage would be established.

These stages of integration are a continuous process. There are no rigid lines separating them. In fact, reduction of tariffs and non-tariff barriers (trade integration) can easily be accompanied by freer movement of capital and labour (factor integration). Even more, these stages cannot be readily attainable if the basic, efficient physical infrastructure facilities are not in place. For instance, lack of cooperation in transport, communications and port facilities could make even the simpler forms of economic integration unattainable. Thus, cooperation in various fields reinforces the efforts towards economic integration, and together they form integral parts of the same continuum.

For The 1990s and into the 21st century, the major motivation for promoting African cooperation and integration is the global threat of regionalism. The "IMF Survey" of 13 April, 1992 observes, "While regional trading arrangements are hardly a new phenomenon, they are a newly resurgent one, and the current focus on regionalism may be qualitatively different from the past efforts and may carry greater risks of becoming a substitute for, rather than a complement to, multilateralism". Negotiations in GATT and others efforts to liberalise world trade may be torpedoed by the interests of powerful regional groups.

In the global terms, the regional arrangements in the industrialised countries are economically powerful. The European Community (EC) share in total world trade increased from 25 percent in 1960 41 percent in 1990. For the same period, EC's intra-regional exports increased from 35 percent to 60 percent (see Table 1). Similarly, intra-regional exports in the European Free Trade Area (EFTA) increased from 21 percent in 1960 to 28 percent 1990, while its share in total world exports declined from 14 percent in 1960 to 7 percent in 1990. In the Canada-USA Free Trade Area (CUSTA) intra-regional exports increased from 27 percent in 1960 to 34 percent in 1990, while its share in total world exports declined from 22 percent in 1960 to 16 percent in 1990. Combined, CUSTA, EC and EFTA account for about 60 percent of the world output and for close to 70 percent of the total world exports.

In sharp contrast, the two largest regional integration organizations - Economic Community of West African States (ECOWAS) and Preferential Trade Area for Eastern and Southern Africa (PTA) - account for less than 1 percent of the share in total world trade. Intra-regional trade in ECOWAS increased from 3 percent in 1970 to 6 percent in 1990, while in PTA it increased only marginally about 8 percent in 1970 to about 9 percent in 1990. Moreover, Africa's share in total world exports is about 2 percent. Through strengthening of regional economies, the challenge is for Africa broaden its productive capacity and diversify its export base.

TABLE 1: REGIONAL ARRANGEMENTS: INTRA-REGIONAL EXPORTS AND SHARE IN WORLD EXPORTS (PERCENT)

	Founded	1960	1970	1980	1990
ANZCERTA	1983	5.7	6.1	6.4	7.6
		(2.4)b	(2.1)	(1.4)	(1.5)
EC	1957	34.5	51.0	54.0	60.4
		(24.9)	(39.0)	(34.9)	(41.4)
EFTA	1960	21.1	28.0	32.6	28.2
		(14.9)	(14.9)	(6.1)	(6.8)
Canada-US-FTA	1989	26.5	32.8	26.5	34.0
		(21.9)	(20.5)	(15.1)	(15.8)
ASEAN	1967	4.4	20.7	16.9	18.4
		(2.6)	(2.1)	(3.7)	(4.3)
Andean Pact	1969	0.7	2.0	3.8	4.6
		(2.9)	(1.6)	(1.6)	(0.9)
CACM	1961	7.0	25.7	(24.1)	14.8
		(0.4)	(0.4)	(0.2)	(0.1)
LAFTA/LAIA	1960/80	7.9	9.9	13.7	10.6
		(6.0)	(4.4)	(4.2)	(3.4)
ECOWAS	1975	n.a.	3.0	3.5	6.0
		n.a.	(1.0)	(1.7)	(0.6)
PTA	1987	n.a.	8.4	8.9	8.5
		n.a.	(1.1)	(0.4)	(0.2)

Definitions of regional schemes are ANZCERTA - Australia-New Zealand Closer Economic Relations Trade Agreement; EC - European Community; EFTA - European Free Trade Area; ASEAN -Association of South East Asian Nations; CAM -Central American Common Market; LAFTA/LAIA -Latin American Integration Association; ECOWAS -Economic Community of West African States; PTA -Preferential Trade Area for Eastern and Southern Africa.

(a) Intra-regional trade measured by share of intra-regional exports in total exports.

(b) Share of regional integration scheme in total world exports in parentheses.

n.a. - Not available

Source: Jaime de Melo and Arvind Panagariya, The New Regionalism in Trade Policy.

The World Bank, September 21, 1992, pp 18-19.

BENEFITS TO REGIONAL COOPERATION AND INTEGRATION

The motivation to cooperate and integrate African economies is based on expected net benefits. Africa's emphasis on integration has been driven by the need to promote industrialization and to reduce external dependence. Berg (1988) points out five benefits that could be derived from the regional cooperation and integration in the short - or medium term. First, from the formal market integration scheme, expanded trade. This arises from trade enhancing policies or programmes designed to remove specific barriers such as reducing tariff and non-tariff barriers to achieve economies of scale and specialization.

Second, net benefits could be derived from joint facilities to serve the regional market. Integrated industries in manufacturing, joint services such as regional airlines (SADCC is pursuing at the moment), insurance services and others, illustrate the nature of benefits to be derived.

Third, regional cooperation could yield advantages from better management of resources. Development of hydro-resources potential such as the Cabora Bassa or Kariba Dam schemes, locust control, and others.

Fourth, short term benefits could be derived from better, cheaper services and cost effectiveness based on regional research and training centres, provision of regional technical services such regional standards for products, regional patents and copyright regulations and others.

Fifth, the potential source of benefits is from collective bargaining power in negotiations with bilateral and multi-lateral agencies. Joint dialogue should increase better understanding among African countries, and better articulation of their position.

There are several orthodox arguments for market integration. Smallness of the domestic market can be a constraint to growth and industrialization. Many internal markets in most African countries are too small, both in terms of population and incomes. In many cases domestic markets are no larger than many small American or European cities. Production for such small markets is difficult in branches of industry where achieving economies of scale is important. Even more, it can be difficult to encourage competition, especially amongst intermediate and capital goods industries. In the long run, relying on the domestic market for industrial development could be futile. Expanding of the markets, through regional integration, can potentially be a useful vehicle for promoting economic development.

Expanding of markets through regional integration can assist industries to produce goods more efficiently and allow specialization. Easy access to the regional markets can provide an outlet for under utilized capacity. Increasing trade links within the regional markets could be a useful learning experience for breaking into sophisticated overseas markets.

For many industries a critical mass of population - 10 million -with effective purchasing power is considered a threshold. Many countries - Botswana, Burundi, Chad, Lesotho, Malawi, Mali, Niger, Togo, Zambia and others - have relatively small populations. Only Algeria, Ethiopia, Egypt, Kenya, Morocco, Nigeria, Tanzania, and Zaire have populations of over 20 million. Even then, many are poverty stricken with low purchasing capacity. The urgency to integrate economically non-viable economic entities becomes increasingly compelling.

Arguably, fragmentation of Africa has been a major constraint to its development. Achieving political independence was just a step in the direction of realizing a pan-African vision - the United States of Africa. Reversing the balkanization of Africa through cooperation in various fields (transport and communications, education and training, energy, natural resources development and management, and others) and through integrating economies has all along been accorded high priority by African leaders.

SADCC'S QUEST FOR A NEW APPROACH

SADCC, as a regional cooperation organization, is reaching a major turning point.[8] It is entering into a crisis. The nature of the crisis rests on a re-definition of its new role and shaping its new image and vision in response to rapid regional and global changes. SADCC will have to evolve from a regional cooperation into a regional integration organization. The new Republic of South Africa (RSA) is expected to be integral part of this new arrangement. The challenge for SADCC will be to design strategies to respond and adjust to the potential over-dominance, in economic terms and, perhaps, even in political terms, of the new RSA. Meeting this challenge will require SADCC to formulate new approaches.

To date, SADCC's operations do not fit neatly in traditional neo-classical economic integration theory as outlined above. Its focus has been on coordination of regional projects and programmes. Its role has primarily been to promote regional cooperation. It is widely recognised that SADCC has made remarkable progress in promoting infra-structural development.[9] Improvements of the road and railway systems, cooperation among SADCC airlines, and rehabilitation of the Beira, Dar es Salaam, and Nacala corridors, among others, represent major progress in the direction of reducing dependence on South Africa.

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8 In August, 1992, SADCC was legally formalized into the Southern Africa Development Community with a major shift from cooperation to integration.

9 See for instance, Reginard H. Green, "Economic Integration/Cooperation in Africa: The Dream Lives but How Can it be Lived?" in James Pickett and Hans Singer (editors), Towards Economic Recovery in Africa, 1990.

In the past, SADCC avoided a market integration approach, and instead adopted an incremental, project-oriented regional cooperation approach. SADCC's success, to a large extent, has been due to its focus on actions through governments taking responsibilities over the sectoral projects and programmes allocated to them. A large proportion of funding of the projects and programmes has been by the cooperating partners. Most of the projects and programmes have had immediate and tangible benefits to the member states. Cooperation in the development of regional projects and programmes has been catalytic to promoting regional economic integration.

To reinforce this view, Michael Camdessus, the Managing Director of the International Monetary Fund (IMF) observes,

"In retrospect, the experience of Africa with regional cooperation offers some useful lessons. First, it may be helpful to start with modest but feasible programs of cooperation, by focusing on selected areas where prospects for mutual benefits are largest. Cooperation along this line, as exemplified by SADCC, can concentrate on specific areas such as transportation, energy, industry, and banking. Second, efforts at economic integration stand a better chance of succeeding if they are also outward looking. Economic integration at regional level and in the world economy are not incompatible."[10]

Although SADCC has been considered relatively successful, there is a growing self-evaluation to enable it to meet the challenges in the 1990s. In the SADCC Annual Report 1991, some of the central issues of debate are:

(a) "examination of the original mandate of the Organization, as encapsulated in the four primary objectives of the Lusaka Declaration of 1980;

(b) adjustment of the SADCC Programme of Action away from the discrete project-by-project approach to a coordinated sectoral and macro policy analysis and planning;

(c) concern that the Programme of Action has been growing too fast, outstripping the Organization's capacity to mobilize resources required for its implementation and to manage it effectively;

(d) SADCC sectors have been directed to work out appropriate long-term financing plans for the projects, including provision of phasing out of cooperating partners' contribution to core operational costs, and gradually increasing regional contributions to programme costs; and

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[10] M. Camdessus, speech to Joint Fund/African Association of Central Bank Symposium, Gaborone, February, 1991, p. 4.

(e) SADCC and member states have always accepted that a democratic South Africa would be welcome to join the Organisation, and would participate in its activities on the basis of equity, balance and mutual benefit.[11]"

In the quest to position itself with respect to the new South Africa and to emerge as an effective trading bloc for the pan-African economic community, SADCC is proposing a new approach to regional economic integration. It is termed "development integration." Emphasis is placed on the need for:

(a) close political cooperation at an early stage of the integration process than at rather later stage;

(b) trade liberalization to be complemented by compensatory and corrective measures, oriented particularly towards the least developed member countries;

(c) coordinated efforts on promoting regional industrial development cooperation;

(d) coordinated efforts to promote freer movement of capital, goods and labour to foster the creation of a Southern African Community of nations based on the principles of equity and balance;

(e) mobilization of regional resources through the establishment of a development bank; and

(f) coordination of macro policies at an early stage, particularly in relation to general economic conditions and incentives for investment.[12]

SADCC quest for a new approach should be viewed as strategic rather than expedient response to the challenges and opportunities that will be posed by the new South Africa. Its strategy, so far, is not sufficiently far reaching. To a large extent, the "development integration" approach draws on various aspects of market integration. It does not contain fundamental points of departure from the neo-classical market integration process.

Since four members of SADCC are concurrently members of SACU with South Africa, SADCC should be putting in place strategies to move boldly towards a common market with practical urgency. It becomes imperative that modalities of achieving this objective should be expeditiously worked out. Consideration should be given toward creating competitive regional market in parallel with an export-oriented strategy to be integrated with the global economy.

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[11] SADCC Annual Report 1991, p. 25-26.

[12] SADCC, SADCC: Towards Economic Integration Theme document for the consultative conference held in Maputo, 29-31 January, 1992.

AFRICA'S EXPERIENCE WITH COOPERATION AND INTEGRATION

EASTERN AND SOUTHERN AFRICA REGION

The main economic groupings in this region are the SADCC, the Preferential Trade Area for Eastern and Southern Africa (PTA), the Southern Africa Customs Union (SACU), and the Indian Ocean Commission (IOC). Combined they cover a large area from the Horn of Africa to the Atlantic Ocean in Namibia and the islands in the Indian ocean. It has a total population of around 135 million, excluding South Africa. With a GDP of about US$35 billion (excluding South Africa), the region is comparable to New Zealand among industrial countries or to Hong Kong among developing countries. Based on its enormous mineral resources and hydro-power, the region has a potential for rapid industrial development.

Membership in these organizations over-laps (See Table 2). Proliferation and duplication of functions together with over-lapping membership for SACU, SADCC, and PTA give rise to conflicts over mandates and to divided loyalty among governments. The future of SACU will not be determined until a democratic and representative government in South Africa is in place. With SADCC also moving towards an integrated common market, there is a convergence of purpose with PTA. Already 8 out of the 10 members of SADCC are also members of PTA. It is quite evident that there is urgency to rationalize the structural operations of PTA and SADCC. At a recent PTA Heads of State summit in Lusaka, Zambia, it was unanimously resolved to merge the two institutions.[13] It would be economic as well as political expedience to rationalize the operations of PTA and SADCC before the new South Africa emerges. If there will be delays in this rationalization, changes in South Africa will probably be instrumental in shaping the pattern of economic integration in the PTA-SADCC region.

SADCC

In its almost 12 years of operations, SADCC has made remarkable progress. Created in 1980, its primary objectives were to:

(a) coordinate collective efforts among member states towards a rapid socio-economic development, leading to reducing dependence on South Africa, in particular[14], and the rest of the world, in general; and

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[13] See "The Times of Zambia" 2nd February, 1992 p. 1.

[14] In post-apartheid era, this objective will no longer be relevant. New arrangements will have to be worked out. These will need to be based on mutual economic inter-dependence, and not on the concept of constellation of states around a dominant economic force - South Africa.

(b) foster an equitable economic integration.

SADCC developed a different approach to integration. With each country assigned responsibility over a specific sector, emphasis was placed on coordination of sectoral regional projects and programmes. For instance, Tanzania coordinated industry and trade development. SADCC adopted an incremental, project-oriented regional cooperation approach which could eventually lead to market integration.

In the late 1980s, it became apparent that a project oriented approach was not sufficient to address the task of promoting economic development. It was evident that many SADCC member states experienced economic distortions resulting from inappropriate policies and structural weaknesses. To complement the project approach, policy coordination at both sectoral and macro-economic levels were introduced (SADCC, 1990).

TABLE 2 : MEMBERSHIP IN THE EASTERN AND SOUTHERN AFRICA REGION

Country	PTA	SADCC	SACU	IOC	EAC
Angola	x	x			
Botswana		x	x		
Burundi	x				
Comoros	x			x	
Djibouti	x				
Ethiopia	x				
Kenya	x				x
Lesotho	x	x	x		
Madagascar	x			x	
Malawi	x	x		x	
Mauritius	x				
Mozambique	x	x			
Namibia		x	x	x	
Rwanda	x				
Seychelles	x				
South Africa			x		
Somalia	x				
Swaziland	x	x			
Tanzania	x	x			
Uganda	x				x
Zambia	x	x			
Zimbabwe	x	x			
Total	19	10	5	4	3

Among the SADCC countries, there has been a widening disparity in the level of income and a divergence in economic performance (see Table 3). The poorest country, Mozambique, has a GNP per capita of only US$80, while the richest country, Botswana a much higher GNP of US$2,040. In the 1980-90 period, the Botswana grew at an annual average rate of 11.3 percent, while the performances of Lesotho, Tanzania and Zimbabwe were modest, and the rest of SADCC countries their performance were poor.

TABLE 3: SADCC:SOME BASIC INDICATORS, 1990

Country	Pop (mil.)	GNP per Capita US$	GDP US$ mil.	GDP Ave. Annual Growth Rate 1980-90 (%)
Angola	10	..	7,700	..
Botswana	1	2,040	2,700	11.3
Lesotho	2	530	340	3.1
Malawi	9	200	1,660	2.0
Mozambique	16	80	1,320	0.7
Namibia	2	..	..	0.4
Swaziland	0.8	810	..	..
Tanzania	25	110	2,060	2.8
Zambia	8	420	3,120	0.8
Zimbabwe	10	640	5,310	2.9
South Africa	**36**	**2,530**	**90,720**	**1.3**

Source: World Bank, World Development Report, 1992, New York: Oxford University Press, 1992.

During the latter part of the 1980s, SADCC's economic crisis deepened. The key features of this have been under-utilised industrial capacity (in many cases as low as 25 percent), declining and low efficiency of investment, low production and productivity in the agricultural sector, poor export performance, and mounting external debt. Furthermore, South Africa's destabilization and military aggression on the front-line states dislocated some of the economies and caused incalculable human losses and suffering[15].

Reversing these declining trends and placing the economies on a sustainable growth path became a priority. Many SADCC countries have responded to this economic crisis by introducing policy reforms. There have been signs of improvements. So far the reforms have focused on public finance and monetary policies. There has been lack of macro-economic policy coordination at a regional level. To have far-reaching results, fundamental structure problems will need to be addressed. Impediments to industrial and agricultural growth will require serious attention.

Furthermore, SADCC business councils have been established to address issues and options within a regional consultative mechanism. Non-availability of foreign exchange has been identified as a major constraint to growth of industry and trade. To overcome this constraint, members began work on establishing an Export Pre-financing Revolving Fund. In addition, a Nordic-SADCC fund has been created to make foreign exchange available for joint ventures between Nordic and SADCC countries. Consideration has also been given to harmonization of investment codes, which could pave way for the better industrial development cooperation.

To encourage industrial development, coordination of policies and identification of selected priority areas were considered important. Towards the end of the 1980 decade, a new strategy outlining priorities for industrialization was set in motion. To facilitate investment across borders, a cross-border investment facility was established.

PTA

PTA, created in 1982, is a large heterogenous group with unbalanced level of development, undiversified economic structures, and disparate economic performance among member states (see Table 4). Except for Kenya and Zimbabwe, which are relatively diversified economies, the rest are poor and heavily dependent on one or two commodities for their export earnings. PTA's primary mandate is to liberalize trade and to develop payments mechanisms as instrument for enhancing growth of the regional economy. To carry out this mandate, there was need to create supportive institutions. This led to the creation of the PTA Bank, the PTA Clearing House, the Federation of Chambers of Commerce and Industry, and the African Joint Air Services.

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15 The United Nations estimated that the cost of South Africa's military and destabilization on its neighbours cost over $60 billion and 1.5 million lives in the first 9 years of the 1980s.

TABLE 4: PTA:SOME BASIC INDICATORS,1990

Country	Pop (mil.)	GNP per Capita US$	GDP US$ mil.	GDP Ave. Annual Growth Rate 1980-90 (%)
Angola	10	..	7,700	..
Burundi	5	210	1,000	3.9
Comoros	0.5	480	..	..
Djibouti	0.4	..	..	..
Ethiopia	51	120	5,490	1.8
Kenya	24	370	7,540	4.2
Lesotho	2	530	340	3.1
Madagascar	12	230	2,750	1.1
Malawi	9	200	1,660	2.0
Mauritius	1	2,250	2,090	6.0
Mozambique	16	80	1,320	0.7
Rwanda	7	310	2,130	1.0
Seychelles	0.07	4,670	..	..
Somalia	8	120	890	2.4
Sudan	25	..	..	..
Swaziland	0.8	810	..	..
Tanzania	25	110	2,060	2.8
Uganda	16	220	2,820	2.8
Zambia	8	420	3,120	0.8
Zimbabwe	10	640	5,310	2.9

Source: World Bank, World Development Report, 1992, New York: Oxford University Press, 1992.

PTA has achieved significant progress, especially in trade liberalization and trade financing. A common list of commodities to be granted preferential access to the PTA markets has been agreed on. A progressive reduction of tariff rates is already operational. There have been improvement in intra-PTA trade; it now stands at about 8 percent of total trade. Simplification of trade documents and procedures, and removal of non-physical barriers to free movement of cross-border traffic have facilitated the flow of trade. To facilitate transactions among the members, a unit of account - UAPTA - which is pegged to IMF's Special Drawing Rights (SDRs) was introduced.

The PTA Clearing house has achieved considerable progress in increasing the volume of intra-PTA trade. The amount of intra-trade it handled increased from about US$85 million in 1984 to around US$290 million in 1989. The ratio of intra-PTA trade handled rose sharply from 9 percent in 1984 to 57 percent in 1988. Correspondingly, the percentage of transactions settled in hard currency decreased from 88 percent to 48 percent over the same period (World Bank, 1989a). All this had an important bearing on increasing productive capacity utilization in response to increases in regional demand.

The member states of PTA have initiated mutual cooperation for industrial development. At the ninth summit of the PTA in 1990, a Charter for Multinational Industrial Enterprises was adopted. Its main purpose has been the promotion of joint ventures in member states. To this end, a programme of rationalization and gradual harmonization of investment codes has been launched.

SACU

SACU, established in 1910, and its agreement re-negotiated in 1969, has been a well-functioning customs union in Africa to-day. It represents a long standing arrangement among Botswana, Lesotho, Namibia, South Africa, and Swaziland. Provisions in the agreement embody a common external tariff, arrangements for sharing revenue derived from tariffs, compensatory mechanisms to deal with the disparities in costs and benefits arising from the loss of fiscal discretion. Furthermore, it includes the polarization of development effects, the price raising effects of South Africa's protective tariffs and import control measures, and finally, the provisions which enable the less developed members to protect their infant industries from competition from their more advanced neighbours.

The main feature of SACU is the over dominance of South Africa over the other member states which are exceedingly small relative to South Africa (see Table 3). Goods and factor markets are well integrated, and all members of SACU, except Botswana, are members of the Rand Monetary Area with the central bank of South Africa performing as the central bank for SACU.

With the winds of change in South Africa, there are strong perceptions that SACU would be restructured. At the same time, with both SADCC and PTA expecting South Africa to join their organization, it is quite conceivable that the new South Africa may exert great influence in shaping regionalism in the Southern Africa region.

IOC

IOC, founded in 1982, consists of the Comoros, Madagascar, Mauritius, the Seychelles, and France (representing the overseas department of Reunion). Its main objective is to promote cooperation, particularly in economic development among members. It has placed greater emphasis on the role of the private sector in fostering regional economic activity. IOC has made efforts to promote industrial cooperation that would centre on encouraging cross-border investments. Considerations have been given to: reducing tariffs; establishing a petroleum factory in Madagascar to service the region; forming a regional shipping line; setting up a clearing house; and improving sea, air and telecommunication links.

EAC

The now defunct East African Community, comprising Kenya, Uganda, and Tanzania, was considered at one time as one of the most promising arrangements in Africa. It came into existence with a common currency, a shared regionally coordinated infrastructure (railways and harbours, air transport and others), harmonized economic policies, a system of common institutions, and relatively free labour mobility. It fell apart in the late 1970s, after less than ten years of existence, over inability to achieve balanced development among member states, widening political and ideological differences, and overall conflict of interests among members. The East Africa Development Bank survived the collapse of EAC, although it is devoid of any integration functions. There are important lessons to be drawn from the EAC experience. It now appears there is renewed interest to revive the EAC.

WEST AFRICA REGION

The West African Economic Community (ECOWAS), the West African Economic Community (CEAO), and the Mano River Union (MRU) are the main organizations created to promote market integration in the West Africa region. The organizations have overlapping functions, memberships and jurisdictions (See Table 5).

TABLE 5: MEMBERSHIP IN THE WEST AFRICA REGION

Country	ECOWAS	CEAO	MRU
Benin	x	x	
Burkina Faso	x	x	
Cape Verde	x		
Cote d' Voire	x	x	
Gambia	x		
Ghana	x		
Guinea	x		x
Guinea Bissau	x		
Liberia	x		x
Mali	x		
Mauritania	x	x	
Niger	x	x	
Nigeria	x	x	
Senegal	x		
Sierra Leone	x	x	x
Togo	x		
	16	7	3

ECOWAS

ECOWAS, which was established in 1975, envisaged the creation of a common market in phases. First, the reduction and eventual removal of tariff and non-tariff barriers on all categories products of ECOWAS origin by 1989. Second, the establishment of a common external tariff by 1994, in addition to fiscal and monetary harmonization. Its declared objectives are " to promote cooperation and development in all the areas of economic activity but particularly in industry, transportation, telecommunications, power, agriculture, natural resources, trade, the monetary and financial areas, and social and cultural affairs, in the interests of improving the standards of living, increasing and maintaining their economic stability, strengthening relations among them, and contributing to the progress and development of the African continent." If these objectives had been achieved, the economic landscape of the region could have been vastly improved.

Progress in ECOWAS has been slow. Trade liberalization and the establishment of a common external tariff have not ben implemented. There have been hardly any efforts towards industrial sector cooperation. Industrial joint projects have failed. For instance, because of economic and technical reasons, a joint project sponsored by Cote d' Voire, Ghana, and Togo, with some financial support from the World Bank, to produce cement for the regional market, was a disaster.

ECOWAS, with 16 members, embraces all the countries in West Africa. It has an estimated total GDP of US$70 billion and a population of 201 million in 1990 (see Table 6). The average GNP per capita is around US$350, and most of the economic activity concentrates on extractive industry and agriculture for exports. The region is rich in mineral resources and has a vast range of agricultural products. The over dominance of Nigeria is apparent, accounting for close to 60 percent of the region's total population and about 50 percent of the region's total GDP. Among ECOWAS member states, economic differences have been aggravated by cultural, historical and political factors. Britain, France and Portugal colonized the region, and hence three official languages - English, French and Portuguese, different currencies, fiscal and public administration practices. Furthermore, relationships between some countries have marred by political rivalries and territorial disputes. Political instability caused by frequent and violent changes in political leadership has also hampered progress towards regionalism.

TABLE 6: ECOWAS: SOME BASIC INDICATORS

Country	Pop (mil.)	GNP per Capita US$	GDP US$ mil	GDP Growth Rate (%)
Benin	5	360	1,810	2.8
Burkina Faso	9	330	3,060	4.3
Cape Verde	0.4	890	..	..
Cote d' Voire	12	750	7,610	0.5
Gambia	0.9	330	..	..
Ghana	15	390	6,270	3.0
Guinea	6	440	2,820	..
Guinea Bissau	1	180	..	..
Liberia	3	..	..	..
Mali	9	270	2,450	4.0
Mauritania	2	500	950	1.4
Niger	8	310	2,520	-1.3
Nigeria	115	290	34,760	1.4
Senegal	7	710	5,840	3.0
Sierra Leone	4	240	840	1.5
Togo	4	410	1,220	1.5

Source: World Bank, World Development Report, 1992, New York: Oxford University Press, 1992.

Experience in the trade sector has been particularly discouraging. In 1979, Heads of State agreed to consolidate customs tariffs, but that has not been implemented. Intra-ECOWAS trade has not exceeded more 6 percent of all trade. Even more, the pattern of trade has not changed. Nigeria and Cote d' Voire remain the dominant exporters of manufactures. ECOWAS rules of origin also hamper trade flows. To qualify for preferential access to the ECOWAS market, a product must be manufactured by a firm whose ownership is 51 percent local. While the rule intends to promote indigenous manufacturing, it discourages foreign investment to take advantage of a potentially large market. It has also been a source of discord among members with a dominant foreign presence such as Cote d' Voire and Senegal.

Within ECOWAS, expansion of trade also has been hampered by non-convertibility of currencies. To mitigate this problem, the West Africa Clearing House (WACH) was created in 1977. It has experienced many operational problems, including long delays in settlement of payments. By the mid 1980s, delays in settlements have exceeded US$50 million (Frimpong-Ansah,1990). Telecommunications links amoug members have been inefficient, and economic agents lacked information on how the system operated. Even more important, when countries have been hard pressed to earn foreign currency, trading through the WACH proved a less attractive option, and the sheer long delays in settlements became a major deterrent.

While the protocols allow for freer labour movement, in practice, there have been major setbacks. For instance, during its economic boom, Nigeria attracted many Ghanaian workers. However, in 1981 and 1983, when Nigeria suffered recessions, over a million Ghanaians were expelled. And there is hardly any capital movement within ECOWAS, to a large extent, because of foreign exchange controls and because the capital markets remained under-developed.

ECOWAS has clearly recognized these shortcomings. In its annual report of 1985-86, it candidly states, "despite the impressive number of agreements reached and decisions taken regarding the harmonization of the customs documents, the adoption of common procedures, and the programme for the deregulating non-manufactured crude goods, traditional handicrafts, and industrial products, the ECOWAS has not made tangible progress in practical terms." (ADB 1989).

CEAO

CEAO's main objective is to promote the harmonious and balanced economic development of the member states with a view to improving the living standards. Achieving this objective has proved to be difficult. CEAO has operated mainly as a preferential trade area, focusing on trade liberalization supported by fiscal compensation for losses arising from tariff reduction. Each member has control over the protection of its new industries.

Progress has been made towards reducing trade barriers and a satisfactory fiscal mechanism for compensation has been established. This resulted in a significant expansion of intra-CEAO trade, which was around 10 percent of total trade in the 1980s. About 95 percent of total trade was accounted for by two countries - Cote d'Ivoire and Senegal. These are relatively more advanced, and thus, commanded strong balance of trade positions with their neighbours. The relative prosperity of Cote d' Ivoire and Senegal has attracted the flow of labour from the poor Sahelian countries (particularly Burkina Faso and Mali), thus achieving a modicum of factor integration. However, the gap in GDP per capita between the rich and the poor member states has virtually stagnated and, in some cases, even declined.

Except for Mauritania, all the members share a common currency -CFA franc - which is pegged to the French franc. They are also members of the West African Monetary Union and have a common central bank. Currency convertibility has facilitated trade among members.

CEAO places great emphasis on expanding trade amongst members, particularly in agricultural and industrial products. It also provides joint promotion of agricultural and industrial development, and cooperation of transport and communications systems. To minimize the polarization effects of intra-CEAO trade on its less developed members, a transfer tax was designed. In the treaty, CEAO provides for the establishment of a development fund to compensate members for losses of revenue resulting from substituting of CEAO made products for imports from the third country. Flexibility is built in to allow members a degree of discretion regarding the extent of market integration with others.

A common policy on foreign investment has yet to be worked out. Unless agreement is reached on a broad development strategy to be pursued, it will be difficult to adopt a CEAO-wide industrial development policy and to harmonize a system of investment incentives. Balanced industrial development will require more efforts to be made to resolve these issues.

Industrial development has been based on national development programmes. Little efforts have been made towards coordinating industrial development. There has been wide spread duplication of plants (mostly in the light industries) by transnational corporations in different member states. The potential benefits from industrial specialization and economies of scale have, to a large extent, not been realized (ADB, 1989).

CEAO has made commendable progress in building indigenous capacity. It has created the African Centre for Higher Management Studies, the Institute of Advanced Fisheries Science and Technology, the School of Mines and Geology, and the Regional Centre for Solar Energy. These regional centres have played important roles in developing skills in these fields.

The CEAO members have a lot in common.They share a common historical experience, use a common language, and belong to a single monetary zone. These have helped to sustain the momentum towards integration. But they have not been sufficient. The disparities between the poor and rich members, rather than narrowing down, have increased. Despite the mechanism to deal with the problems of the least developed countries, conflicts of interests still exist between the relatively rich coastal states and the impoverished, semi-desert, and land-locked countries. It should, however, be pointed out that the cohesion of CEAO is to a large extent a reflection of the French intent to maintain its influence in the region and to counteract the dominance of Nigeria in the region.

MRU

Liberia and Sierra Leone were the founding members of the Mano River Union, which was created in 1973, and Guinea joined later in 1981. Its objectives are to: (a) expand reciprocal trade by removing existing barriers; (b) promote cooperation in order to expand international trade; (c) create favourable conditions for the expansion of productive capacity, progressively implement a common protecting policy; and (d) promote equitable distribution of benefits.

MRU strategy is different from that of ECOWAS and CEAO. It avoided promotion of trade before reaching agreement on external common tariff. The level of a common external tariff has important implications for resource allocation and the development strategies to be pursued. For the MRU, the question of distribution of benefits and the problems of the least developed members has not been a serious issue. The members are not only at about the same level of development, but they also face similar economic problems - low level of industrial development, small populations with low levels of incomes, and with mining and agricultural sectors dominant in their economies. Economic disparities among them are narrow. The need to make provisions for any compensatory mechanism did not arise.

Although export-import duties and administration have been harmonized, intra-union trade did not exceed 1 percent of the official trade. However, estimates indicate that there is a vibrant and large volume of unrecorded trade between Liberia and Sierra Leone, especially in diamonds. MRU does not have a common investment code with incentives to be offered to private sector investors. To avoid concentration of industries in select members, establishing a common investment code will be useful (Ezenwe, 1990).

CENTRAL AFRICAN REGION

Similar to West Africa region, there are three main organizations created to promote regional integration in the Central African region. These are the Central African Customs and Economic Union (UDEAC), the Economic Community of Great Lakes (ECGL), and the Economic Community of Central African States (ECCAS) and PTA (See Table 7). It should be noted that Burundi and Rwanda also members of PTA. Just as in the West Africa region, duplication of functions and membership is prevalent in the Central African region.

TABLE 7: CENTRAL AFRICA

Country	ECCAS	ECGL	UDEAC
Cameroon	x		x
Burundi		x	
CAR	x		x
Chad	x		x
Congo	x		x
Eq. Guinea	x		
Gabon	x		
SAO Tome and Principe	x	x	
Rwanda	x	x	
Zaire			
Total	7	3	5

Notes : CAR - Central African Republic

There are sharp differences among the countries in this region (See Table 8). Cameroon, with a relatively broad manufacturing base, Congo and Gabon, heavily dependent petroleum extraction, have high levels of per capita incomes. Zaire, rich in agricultural, forestry, hydro power and mineral resources, ranks amongst the poorest countries in Africa. It is a nation that has been plundered by the political leadership. As Ali A. Mazrui observes this plundering took the form of "privatization of the state's economic resources" by the political leadership.[16] Burundi, CAR, Chad, Equatorial Guinea and Rwanda are heavily dependent on agriculture and are relatively poor countries.

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16 Ali A. Mazrui, "Is Africa Decaying? The View from Uganda," in H.B. Hansen and M. Twaddle (Editors) Uganda Now, Nairobi: Heinemann, 1988 p.350.

TABLE 8: CENTRAL AFRICA: SOME BASIC INDICATORS, 1990

Country	Pop. (mil.)	GNP per capita US$	GDP US$ mil.	GDP Average Growth Rate 1980-90
Burundi	5	210	1,000	3.9
Cameroon	12	960	11,130	2.3
CAR	3	390	1,220	1.5
Chad	8	190	1,100	5.9
Congo	2	1,010	2,870	..
Eq. Guinea	0.4	330	..	..
Gabon	1	3,330	4,720	2.3
SAO Tome and Principe	0.1	400	..	..
Rwanda	7	310	2,130	-1.3
Zaire	37	220	7,540	1.8

Notes : CAR - Central African Republic

Source: World Bank, World Development Report, 1992, New York: Oxford University Press, 1992.

Created in 1964, UDEAC is the oldest institution for economic integration in the region. It is a disparate grouping. As noted above, while Cameroon, Congo and Gabon are well endowed in oil the rest are much poorer. All the members belong to a common currency zone -CFA franc. However, having a convertible currency has not promoted trade among them. Trade among members declined, while it has increased with non-members. Close to 50 percent of UDEAC's trade within Africa is with members of ECOWAS (World Bank, 1989a). The original Treaty of Brazzaville envisaged the creation of a customs and monetary union with complete elimination of tariffs and non-tariff barriers to trade. the structure of tariffs has proven to distortionary, and thus it has acted as an impediment to growth of regional trade.

Faced with financial problems, the Economic Community of Great Lakes (CEPGL) has not made much progress to liberalize trade among members. Although they share a common colonial legacy - Belgian rule - there is not much economic justification for their integration. Burundi and Rwanda have much closer affinity to East Africa and thus are members of PTA. They have had traditional transport links to the Indian Ocean through East Africa rather than through the North East of Zaire.

The Economic Community of Central African States (ECCAS) is a grouping for the Central African region within the framework of the Lagos Plan of Action. It took a long time for ECCAS to become operational. Although a treaty to establish it was signed in 1983, ECCAS' secretariat was not established until 1986. Its aim is to move progressively from a preferential trade area into a full-fledged economic community.

The level of development among members is unbalanced. The inherent problems in unequal distribution of costs and benefits was recognized in the treaty, and the need to accelerate development in the poor and landlocked member states was stressed. The treaty makes provisions for creating a cooperation and development fund to provide financial and technical assistance to promote development of the least developed member states. On all these fronts, progress has been slow.

Emphasis was placed on promoting cooperation in major sectors of the regional economy. In the industrial sector, priorities were identified in the light and heavy industries, and they were supposed to be implemented through establishing community enterprises. Similarly, in the agricultural sector, priority projects were identified to encourage food self-sufficiency and use of locally produced farm implements. Again, the pace of implementing projects in these sectors has been fraught with difficulties.

ECCAS faces enormous difficulties. Its membership is heterogenous and the distances separating the countries are long. While UDEAC members use a common currency, other five use their own currencies which are not convertible. In broad terms, the main objective of ECCAS, ECGL, and UDEAC is the same - market integration. Proliferation of these institutions results in duplication of functions, which contribute to conflicts over mandates and to divided loyalty among governments. Increasingly, many governments find it difficult to meet their financial obligations.

THE NORTH AFRICA REGION

Within the Lagos Plan of Action (LPA) planning framework, the North Africa region comprises Algeria, Egypt, Libya, Morocco, Sudan, and Tunisia. Progress towards market integration has been sluggish. It was only in February 1989 that the Arab Union of Maghreb (UMA) consisting of Algeria, Libya, Mauritania, Morocco, and Tunisia was established. Its treaty calls for "the strengthening of relations between member countries through the establishment of appropriate mechanism which could lead to progressive integration of their economy, as well as the formulation of common regulations to establish an effective inter-Maghreb solidarity to promote the economic and social development of member countries".

Egypt is a member of the Arab Cooperation Council (ACC) along with Iraq,[17] Jordan, and Republic of Yemen. The League of Arab States, to which all the Arab states of the region belong, has for a long time played an influential role in the economic and political spheres. Sudan, which is not represented in these groupings, has strong bilateral cooperation with Libya. A treaty was signed in March 1990 between these two countries to pave the way for their unification.

The character of cooperation in the region is complicated by the geo-political significance of the Middle East. It is an area of continuous tension and strife, and achieving stability has proved illusive. On the overall, the economies of North Africa region, except for Sudan, are an integral part of the Mediterranean regional economy.

The UMA states are particularly concerned with the creation of a single European market in 1992. Europe is their major trading partner, importing the bulk of UMA states' exports. If restrictions were to be imposed by the EC on specific products which may constitute UMA's major exports, the economies in the area could deteriorate. Furthermore, Maghreb region exports its surplus labour to Europe. If in the "New Europe" restrictions on labour mobility were imposed, again the consequences could be severe on most of these economies. UMA as a group can negotiate with the EC from a stronger position than individually. These concerns have been catalytic in renewed interest in strengthening market integration.

The level of development and resource endowment among members is uneven (see Table 9). Although the average GNP per capita is high by African standards - US$1,765, the distribution of income among the countries is skewed. Mauritania is poor with GNP per capita of US$480, while Libya is rich with a GNP per capita of US$5,420. Similarly, the oil rich nations - Algeria and Libya - account for about 70 percent of the Maghreb GDP. The region as a whole has abundant resources. Algeria and Libya have substantial oil reserves. Mauritania has large iron ore and fish resources, while Morocco has the world's most accessible phosphate reserves, and considerable maritime resources.

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[17] In the aftermath of the recent Iraq war with the Allied forces including Egypt, ACC may take a different shape in the future.

TABLE 9: NORTH AFRICA - SOME BASIC INDICATORS

Country	Pop (mil.)	GNP per Capita US$	GDP US$ (mil.)	GDP Average Annual Growth Rate, 1980-90 (percent)
Algeria	25	2,060	42,150	3.1
Egypt	52	600	33,210	5.0
Libya	5	..	..	..
Morocco	25	950	25,220	4.0
Sudan	25	..	..	..
Tunisia	8	1,440	11,080	3.6

Source: World Bank, World Development Report, 1992, New York: Oxford University Press, 1992.

Past declarations on integrating the Maghreb economies have failed to take shape. Relationships between some of the members became acrimonious, and economic links were virtually severed. Labour movement among the countries practically stopped. In most of the 1980s, trade among the member states was less than 5 percent.

Efforts to encourage economic integration among the Maghreb states date back to the 1960s. To coordinate development plans and to harmonize industrial policies, a Permanent Advisory Committee for the Maghreb was created in 1964. In 1967 agreement was reached to prepare a five year programme of cooperation. Its objectives were to:

(a) reduce trade restrictions among members;

(b) promote joint investments in the industrial sector;

(c) establish a payment system to facilitate intra-Maghreb trade; and

(d) carry out jointly negotiations with the EC.

Despite its sound basis, the programme was never ratified. Failure to ratify it contributed to pursuit of inward-looking development strategies in these countries.

Prolonged armed conflicts over territory set backward the drive toward market integration. This was exacerbated by ideological divergences among governments which sharply divided the members. Within the Maghreb membership there were two competing ideological camps - one for an all-Arab union and the other for a Maghreb union - pulling the members apart. Adding to these obstacles, the transport and communications links were poorly developed.

Partly as a result of ideological polarization and conflicts over territory, in the 1970s there was a marked shift from broad-based economic integration to bilateral cooperation. Although agreements to reduce bilateral tariffs were signed, still trade flows were limited. Success with joint ventures was also minimal. For instance, although some joint venture projects were proposed between Algeria and Tunisia, only a few were implemented. Criteria for project selection was flawed. Even for those implemented, several were of questionable economic viability, located in the remote areas where the transport systems were inadequate, and were subjected to inappropriate pricing policies (ADB, 1989). All this impeded efforts to promote effective integration through production.

In the late 1980s there was a revived interest in regional integration. It is in response to the regional and global realities. Political tensions among the Maghreb members have eased. Reflecting changes in the world, the ideological cleavages have narrowed. Economic setbacks of the early 1980s have forced Maghreb leadership into a serious re-evaluation of the costs and benefit of a stronger Maghreb. For Morocco and Tunisia import substitution, based on the domestic market, may be reaching its limits. Algeria and Tunisia, which have invested large sums in prestigious projects and defence, their future prospects will be closely tied to the vicissitudes of oil price fluctuations. With their inadequate supply of agricultural products and industrial consumer goods, but with excess capacity in heavy industries, complementarities among other Maghreb states exist. These should be exploited.

Opening up of the borders between Libya and Tunisia, and between Algeria and Morocco has allowed movement of labour and goods, and there are signs of emerging economic complementaries. Most of the Maghreb countries are undertaking economic policy reforms. Measures have been taken to transform them into market-based economies. Trade has been liberalized, public enterprises have undergone institutional reforms or privatized, and incentives to the productive sectors have been put in place, including incentives to attract foreign investors to participate in joint ventures.

LESSONS FROM EXPERIENCE

The central question is: what went wrong with Africa's efforts to integrate its economies, and what lessons can be learned from the past to guide future policy making decisions? The subject of regional cooperation and integration is complex. There is no simple or single explanation for Africa's poor performance. There are several mutually re-enforcing factors and their full impacts need to be fully explored.

It well recognized that Africa's efforts to integrate its economies has fallen short of expectations.[18] There is a broad consensus on the major factors:

(a) to a large extent, economic and trade policies have been inward-looking, and thee has been limited political commitment to implement economic policies, designed to expand intra-regional trade;

(b) there has been lack of the private sector participation in the integration efforts - government official have tended to predominate;

(c) in some cases there has been progress made on reduction of tariff barriers, but non-tariff barriers have remained rigid;

(d) colonial patterns of industry location and infrastructure systems, which still persist, have not been conducive to promoting intra-regional trade;

(e) the organizations established to integrate the economies have shown weakness in their institutional capacities; and

(f) overvalued exchange rates, weak monetary management and inadequate banking and financial systems frustrate the flow of trade and capital.

Furthermore, it should be noted that Africa's poor performance to integrate its economies reflects an inadequacy to systematically analyze problems and to come up with workable solutions. Even more important, when national economies are ailing, it would be unrealistic to expect regional cooperation and integration efforts to succeed. Many regional institutions have numerous objectives with less clearly articulated instruments, designed to achieve these objectives. For instance, sectoral objectives in such areas as industry and agriculture are specific, and yet there are no corresponding instruments to ensure that they can be pursued in practical terms. The scope of work outstrips the capacity of existing institutions. This has been exacerbated by the proliferation of institutions with overlapping mandates.

In some cases, the intent of integration have a set of targeted objectives with time frames for their implementation such as the expansion of intra-community trade. And the process of achieving them is also clearly identified - schedules of progressive reduction of trade barriers, harmonizing of customs nomenclature, policy coordination and harmonization. However, trade among members in the regions has remained low. It may be insightful to re-examine the economic integration model adopted.

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18 For instance, see Faezeh Forotan, "Regional Integration in Sub-Saharan Africa: Past Experience and Future Prospects," paper presented at the World Bank and CEPR Conference on New Dimensions in Regional Integration, Washington, D.C., April, 1992.

CEAO, ECOWAS, and PTA are all based on the EC model of integration. When the EC was dismantling trade barriers among its members, it had adequately competitive productive capacity, convertible currencies, a sound system of trade payment, a high degree of labour specialisation and an efficient transport and communications infrastructure. In Africa, these are grossly inadequate and in some cases, nonexistent.

In Africa, the industrial sector was dominated by light industries, serving the domestic markets. It was not designed as an inter-regional model to promote division of labour and specialization. Thus, light industries provided limited basis for an extensive trade movement among members in the regions[19]. Furthermore, the inability to surpluses in the agricultural sector, constrain growth of intra-regional trade.

Since independence, there has been little efforts to re-orient the transport systems to place greater weight on linking up African economies. The roads and railways connect agricultural and mining production areas to the major ports for purposes of exports overseas.

PROSPECTS FOR REGIONAL COOPERATION AND INTEGRATION

There is an emerging consensus that regional cooperation and integration will play an important role in improving Africa's economic outlook.[20] Over time, as Africa works towards a single market, it is likely to become a relatively uniform modern industrial society. It is industrial development that will catapult Africa from primordial into modern modes of production. To achieve this, Africa will have to learn to be competitive by global standards. Otherwise, it will always stand in the shadows of developed and other developing countries.

The very relative size of Africa endangers it. The challenge is for Africa to expand its productive base, and thus become a comparatively large economic power. Africa's relative smaliness as an economy by world standards has persuaded a body of opinion (especially pure trade theorists) which argues that regional integration in Africa will be a futile struggle. The argument goes to suggest that African countries will be better off if their pattern of production aims at breaking into the world markets, which are infinitely larger than regional markets. Through promoting unilateral trade

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19 The thesis that African economies are competitive, not complementary, and hence the low level of trade among them is not persuasive. Given an appropriate policy environment, and if the infrastructural services were improved, existing product differentiation could encourage trade flows.

20 See, "Promoting Regional Cooperation and Integration in sub-Saharan Africa" in `The Courier,' no 134, July-August, 1992 pp. 77-88.

liberalization, and gearing its industrial capabilities for the world market, Africa's industrial opportunities would increase.

However, this is a simplified view of the world. Breaking into the export markets can be difficult. In many sophisticated markets, meeting product specifications and standards can be formidable. Trapped by the scarcity of foreign exchange, faced with irregular supply of raw materials, and constrained by inadequate industrial and marketing skills, penetrating the overseas markets will not be easy. Regional markets can provide a useful learning experience.

The outlook for market integration is daunting. Although broad agreement exists of the course of action to be taken - opening up of the regional markets to accelerate industrial development and facilitate trade - there are many complexities. Effective coordination among African governments, regional and regional institutions, bilateral and multilateral agencies, and non-
governmental organization remains difficult. Yet, there is an urgent need for the meeting of the minds to move from resolutions to concrete action, if Africa's economic integration is to become a reality.

In defining and implementing joint projects and programmes, there is no place for fundamentalism. The regional projects and programmes should be based on sound economic analysis, if they have to be credible. They should have a net benefit to the regional economies. At a technical level, complex problems remain to be resolved. Debates continue on the use of various forms of protection to promote industrial growth and the pace of trade liberalization. Such debates are necessary to advance searches for solutions.

If industrial development, through widening of the regional markets and linking up production processes across the countries, has to be an engine of growth, several challenges will have to be met. It will be crucial that the political will be strengthened and political stability be ensured. Furthermore, human resources and entrepreneurship need to be developed. Creating an enabling environment for industrial development, enhancing of regional dimensions of structural adjustments, and strengthening regional institutions would be crucial. This must be undertaken in parallel with strengthening supportive infrastructure, improving the criteria for regional project selection and the capacity for coordination and monitoring of regional programmes. The supportive role of the donors will be essential. Finding solutions to these challenges will help to transform Africa from poverty into prosperity in the 1990s and beyond.

This failure is partly owing to structural characteristics developing countries economies, and the incompatibility between inward looking development strategies pursued at national level and the requirements of regional liberalization. This has been reinforced by the inability to implement across-the-board liberalization of tariff and non-tariff barriers and restrictive rules of origin.

Arguably, economic integration is not a panacea for Africa's development problems. It is not a substitute for sound policy analysis at national level. It, however, holds out prospects of significant potential benefits, especially regarding industrial development. Future performance will depend on:

(a) development strategies pursued;

(b) equitable formulae to share the costs and benefits;

(c) policies towards foreign investment;

(d) commitment to the integration process; and

(e) paying sufficient attention to measures designed to assist the less developed member states.

The effectiveness of regional arrangements can be assessed in terms of the extent of the increase in intra-regional trade and meeting target dates in implementation of their timetables. For instance, the EC has been able to implement agreement on time, and sometimes even ahead of schedule. Reducing of barriers among EC member states and in other industrial countries has not impeded multilateral liberalization. Evidence shows that regional arrangements in industrial countries contributed to increase in intra-regional trade (see Table 1). Industrial countries regional arrangements tend to increase intra-regional trade and face few implementation problems compared to developing countries arrangements because:

(a) trade liberalization is carried out in differentiated manufactured products;

(b) industrial countries can absorb adjustment costs while maintaining steady growth more easily; and

(c) industrial countries can postpone adjustment in sensitive industries such as agriculture.

There is an important caveat: if North America and Europe develop a "fortress" trade policy posture, there could be adverse impacts on world GDP and exports. By imposing new regulations on specifications, standards, and overall quality control requirements on products to enter these markets, world trade would be restricted and Africa's growth prospects could be dampened.

However, it has been pointed out that market integration should simultaneously be implemented with production integration (Adedeji, 1991). For instance, today a manufacturer of a car makes an engine in one country, tyres in another country, and then assembles the car in a third country. Each of these processes takes advantage of the lower costs, specialization and resource endowment. It allows a degree of horizontal and vertical integration within a country and across countries for inputs, output, and distribution. Where complementaries exist, it also encourages enterprise to enterprise cooperation. This integration of production across national borders would increase the overall volume of intra-African trade because goods change hands at various stages of production, and not just at the final stage.

For production integration to succeed in Africa, laws and regulations on creation of subsidiaries and mergers should be less restrictive, and economic policies will have to be coordinated. Even more, it will require that goods in the regions are produced at competitive costs. Experience suggests that countries are reluctant to purchase high-priced goods from their partners when lower-priced goods are available from a third country. Faster pace on regional trade liberalization could help. Capital and entrepreneurship should be free to cross borders. With open and liberal trading regimes in place, integration of the production process will become a central feature of market integration.

More specifically, if the prospects for Africa's economic cooperation and integration have to improve, a number of principles will have to be implemented. These are:

(a) **The Principle of Sudsidiarity**[21]

For regional cooperation and integration to be successful, it would be important to define the responsibilities to be undertaken at national and regional levels. The principle of sudsidiarity means that the issues are referred to a higher level on condition that they could be handled more effectively at that level. An example of this could be cross-border investment. Conversely, the implementation of regional common policies could be best managed at the local or national levels.

(b) **The Principle of Variable Geometry**

Policy reforms will not command the same level of attention among the members states in a regional group. It is, therefore, impractical to expect all the member states to move at the same stride - the core members who can move faster should be allowed to do so, while the slow pacer could join later. In such circumstances, it is important that the pace towards integration is not determined by the slowest member state.

(c) **Outward Oriented Policies**

Inward looking policies both at national and regional levels have not yielded positive results. Successful regional cooperation and integration should be perceived as a step towards increasing production and trade, not only with the

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21 See The Courier, op. cit.

member states in the regional groups, but also with third parties. This would encourage competition within the regional groupings. Past efforts to promote industrial development through high barriers have been counter productive. More open approaches, with selective protection, hold more promise.

(d) **Peace, Stability and Growth**

Many parts of Africa have been ravaged by fratricidal war and strife. Without peace and political stability, regional cooperation and integration can not be achieved. Sustainable growth, based on sound national economic policies, is a prerequisite for success in integrating the economies.

(e) **Coordination of Macroeconomic Policies**

There is need to pay increasing attention to coordination of macroeconomic policies with respect to regional dimensions of structural adjustment. Focus on trade policies alone will not expand trade. Attention should also be focused on production side and improvements in productivity.

(f) **Broad Participation**

Success in regional cooperation and integration will depend on the broad participation of the private sector and the ordinary citizens. Ultimately, they are the driving force behind regional cooperation and integration.

(g) **Equitable Distribution of Benefits**

Benefits to be derived from integration are not automatically equitably distributed among member states. In the short term, partners with efficient industrial structures could benefit disproportionately more than others. It is, therefore, important to set up pragmatic compensatory measures.

(h) **Strong and Independent Regional Institutions**

Without strong and independent regional institutions, progress towards African regionalism would likely falter. Strengthening of these institutions will be critical to ensure accountability and transparency.

CONCLUSION

For Africa to be integrated into economic community there are many challenges to be met. Instead of making progress towards regional cooperation and integration, there has been stagnation, even in some cases reversals, were experienced. Having better access to regional markets, which are wider than national markets, holds prospects for increased industrial capacity utilization and output, and growth in trade.

For regional cooperation and integration to become a viable development strategy, greater attention will have to be paid to galvanizing political will, creating an enabling environment for the expansion of the productive sectors, implementing policy reforms to place economies on sustainable growth paths.

The task which lies ahead will be daunting. But with perseverance, overtime, Africa as an emerging single economy could rise to greater heights in the international community and could strengthen its collective bargaining power in the international negotiations. Without this collective strength, Africa risks to be marginalized in the 1990s and beyond. Averting this risk will depend on its capacity to adjust to the dynamics of global change.

Africa as a region must move progressively to gain a position of economic influence overtime. It will only be out its economic strength, generated over time, that Africa will assume a position of global recognition.

Annex 1

Membership of Major African Regional Cooperation and Integration Organisations

WEST AFRICA

CEAO (1974),	Benin, Burkina Faso, Cote d'Ivoire, Mali, Mauritania, Niger and Senegal
ECOWAS (1975),	Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo.
MRU (1973),	Guinea, Liberia, Sierra Leone

CENTRAL AFRICA

UDEAC (1964)	Cameroon, Central African Republic, Equatorial Guinea, Congo Brazaville, Chad, Gabon
CEPGL (1976)	Burundi, Rwanda, Zaire
CEEAC (1983)	Burundi, Cameroon, Central African Republic, Equatorial Guinea, Congo, Chad, Gabon, Rwanda, and Zaire.

EASTERN AND SOUTHERN AFRICA

SACU (1969)	Botswana, Lesotho, Namibia, South Africa and Swaziland.
SADCC (1960)	Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe
PTA (1982)	Angola, Burundi, Comoros Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Rwanda, Somalia Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.
IOC (1982)	Comores, Reunion (France), Madagascar, Mauritius, and Seychelles
EAC ---	East Africa Community (now defunct) - Kenya, Tanzania, and Uganda.

NORTH AMERICA

Maghreb Union -	Algeria, Libya, Mauritania, Morocco, and Tunisia

OTHERS

EC	European Communities -- Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom.
EFTA	European Free Trade Association -- Austria, Finland, Ireland, Norway, Sweden, and Switzerland
ASEAN	Association of South East Asian Nations -- Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand.
LAIA (1980)	Latin American Integration Association --formerly the Latin American Free Trade Area (1960) -- Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela.
CARICOM	Caribbean Common Market -- Antigua, and Bermuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserral, St. Kitts and Nevis, St. Lucia, St. Vincent, Trinidad and Tobago.
NAFTA	North America Free Trade Area -- Canada, Mexico, and USA.

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IV EMERGING SECTORAL ISSUES

STRENGTHENING OF REGIONAL DIMENSIONS OF POLICY REFORMS AND COORDINATION

Chinyamata Chipeta

BACKGROUND

INTRODUCTION

Wide disparities in the level of economic development exist in Southern Africa. The average per capita GNP of the SADCC region in 1989 was US$328. Three member states (Malawi, Mozambique and Tanzania) had per capita incomes below the average (see Table I). Lesotho, Malawi, Mozambique, Tanzania and Zambia are classified as low-income countries by the World Bank. The rest are classified as lower-middle income. In contrast, with a per capita GNP of US$2,470, South Africa is classified as an upper-middle income country. In the majority of the member states, the share of manufacturing in GDP is relatively low. These economic differences do imply that the economic potential and interests of different countries are not similar.

A key feature of economic management in the Southern Africa Region (SAR) today is the pursuit by Lesotho, Malawi, Mozambique, Tanzania, Zambia and Zimbabwe of structural adjustment or policy reform programmes supported by the World Bank and the International Monetary Fund (IMF). Among other things, all policy reform programmes aim at reducing internal and external financial imbalances and at improving efficiency in the economy. These programmes include trade liberalization, incentives for investors, farmers and exporters and so on. The issue to be examined is whether policy reforms, conceptualized and coordinated at the regional level, would contribute more effectively to economic adjustment and growth than if the same reforms were carried out by national authorities. What would be the implications of this for national sovereignty? Does regional policy co-ordination require, of necessity, supranational institutional arrangements?

Other pertinent questions to ask at the beginning are why do regional dimensions of policy reforms matter? Why should they be taken into account? Why should policy reforms be coordinated?

TABLE I: SOUTHERN AFRICAN: SOME BASIC INDICATORS

Country	Population Millions 1989	GNP Per Capita in constant US$ in 1989	GNP in millions of US Dollars in 1989	Share of Manufacturing in GDP in 1989 (per cent)	Share of Agriculture in GDP in 1989 (per cent)
Angola	9.7	610	7,720	3[1]	46[1]
Botswana	1.2	1,600	2,500	4	3
Lesotho	1.7	470	340	14	24
Malawi	8.2	180	1,410	11	35
Mozambique	15.3	80	1,100	-	64
Namibia	1.7	1,030	1,650	5	11
Swaziland	0.8	900	369[1]	20[1]	24
Tanzania	23.8	130	2,540	4	66
Zambia	7.8	390	4,700	24	13
Zimbabwe	9.5	650	5,250	25	13
S. Africa	35.0	2,470	80,370	24	6

[1] 1987

Sources: WORLD BANK: World Development Report 1991 and Sub-Saharan Africa from Crisis to Sustainable Development 1989

AN ENABLING MACROECONOMIC ENVIRONMENT

The Southern Africa Development Coordination Conference (SADCC) aims at bringing about freer movement of goods and services in the region. SADCC would like to see freer movement of capital, labour and enterprise. What macroeconomic environment would facilitate the integration of markets for goods, services and factors of production? According to conventional wisdom, a common set of monetary, fiscal and other economic conditions and policies is required to direct, influence and even control the free movement of factors of production, goods and services. These conditions and policies are explained briefly below.

Key monetary conditions are a liberal supply of the means of payment and fixed exchange rates. These conditions are not met by using hard currencies, which are in short supply to most Southern African countries and whose exchange rates are not fixed in relations to all Southern African currencies. Both conditions are met in a single currency system. A single common currency model involves an arrangement by which a number of countries are grouped in a monetary area with a single currency and a common monetary authority. The common monetary authority issues the common currency. It also holds and manages the external assets of the member countries in a common pool. Substantial economies can be realised from assigning these functions to a single central bank. To facilitate monetary stability and full and unlimited convertibility of their currency against the external reference currency to which it is immutably pegged, the common monetary authority manages monetary and some aspects of fiscal policies of member states. Existing national central banks become mere branches of the common central bank.

This is the model that has been adopted in the West African Monetary Union (WAMU) as well as in the Central African Monetary Union (CAMU). A major element in the successful function of this system is provided by the link with an external convertible currency and the support of the issuing government which guarantees unlimited convertibility of the union currency. In a complete monetary and economic union (the USA model), a single currency is issued, thereby eliminating all exchange risks and payments restrictions within the area. All existing autonomous national banks would be replaced with regional banks in a federal reserve-type-system. Other features are a common external exchange rate, and common fiscal, monetary and credit policies. Since the policy-making freedom of each member country is severely restricted, this system works best in a political union.

Apart from low currency administration costs, a single currency would have the advantage that it would create commitment to a new cause. The cost of setting up the common monetary authority could easily be borne by national central banks. Militating against the establishment of a single currency may be habits and national identities. But these are not likely to be strong impediments in the SADCC. Disparities in economic conditions and in stages of economic development exist among member states. But these may be taken care of through the distribution of credit and development finance.

Where the creation of a single common currency is considered to be a drastic step, countries may decide to do no more than create convertibility among their separate national currencies. Referred to as limited convertibility, this is not as ideal as a single currency system. But it would permit unrestricted exchange and use of the currencies of countries within the region vis-a-vis each other. In other words, all exchange restrictions vis-a-vis the other currencies of the group would be eliminated. National currencies would be made convertible at market clearing exchange rates which could subject economic transactions to uncertainty and risks among member states.

Alternatively, they could be made convertible at fixed exchange rates, and thus doing away with uncertainty and risks. Fixed exchange rates would facilitate joining monetary policy to regulate trade between the region and the external world. They would also facilitate monetary policies aimed at expanding trade between member states. While there would be no central monetary authority to manage convertible currencies, member countries would need to consult and to act jointly or appropriately on certain matters.

Coordination or harmonisation of monetary policies is required to avoid inconsistent and contradictory actions and signals. As Ng'andwe (1987) has pointed out, not all SADCC member states are able to use the full range of monetary policy instruments. Most depend on varying reserve ratios, interest rates, the monetary base and on using direct credit control. They do not use open market operations. But when monetary reforms have been carried out, all will be able to use open market operations, and hence a common set of policy instruments.

In terms of actual operation of monetary policy, it is essential that when one country adopts an expansionary policy, other countries should do the same to stimulate production and to enable them to purchase any excess output from that country, as Ng'andwe (1987) has demonstrated. If expansionary policy in one country is accompanied by contractionary policies in other countries, the latter will frustrate the former and may lead to inflation, unless that country can import goods to satisfy its demand from outside the region (which would not promote intra-regional trade).

Monetary harmonisation is consistent with any form of economic integration. A group of countries can have it even before economic integration. As examples, the former Federation of Rhodesia and Nyasaland had it before political and economic union; East Africa had it before the common market and economic community. The use of a single currency in each group helped in saving on foreign exchange, facilitated cross-border investment, and led to expansion of intra-regional trade.

As part of the macroeconomic environment, government taxation is a potent instrument for influencing resource allocation among producers, resource owners and consumers. Taxation affects investment, production and consumption. It also influences redistribution of income and wealth in society. Similarly, government expenditure can direct the flow of resources, goods and services in an economy. In general terms, there is little that one can say about the fiscal conditions that are ideal for promoting economic integration. If anything at all, one can say that taxation and expenditure in various member states should encourage maximum supply of resources, encourage efficient allocation of those resources, and promote economic stability. Beyond this what becomes desirable as fiscal policy depends to a large extent on the mode of economic co-operation.

In a free trade area, such as the Preferential Trade Area for Eastern and Southern Africa (PTA), tariff barriers would be reduced gradually and ultimately eliminated, but each member state would retain its own external tariff. (Since non-tariff barriers are important and could offset the effect of tariff reductions, the PTA is also paying attention to quota restrictions on intra-regional trade, import licensing and foreign exchange allocation). The main problem with this type of fiscal policy is that, since each state sets its own external tariff, and if one of more members set low external tariffs, regional industries will not be given sufficient protection, hence little intra-regional trade will develop. To circumvent this problem, in a customs union, not only are internal tariffs and other barriers removed, a common external tariff is also established. A common market or economic union adopts similar fiscal policies in regard to the promotion of regional industries and intra-regional trade.

Differences between national and regional goals make these fiscal measures difficult to adopt and implement in practice throughout the economic grouping. After these policy measures have been adopted, problems usually arise over the distribution of costs and benefits. One major cost is the terms-of-trade effect which arises from trade diversion whereby some countries pay more in buying from within the region at higher prices than the ones they would pay outside sources. In the short-run, this represents a necessary costs of economic integration. In the long-run it is hoped that regional industries would develop those economies that will enable them to sell at competitive prices.

Other major costs are the loss in customs duty revenue, that arises from trade diversion; and the unequal distribution of income and excise duty revenue arising from an unfair pattern of distribution of industrial projects. To compensate for loss of revenue, arrangements can be made to collect customs and excise duty revenue into a common pool from which each country would receive a share based on the value of its trade. An effective remedy for dealing with the second problem is to promote equitable distribution of industrial plants through deliberate planning or financial incentives.

The specific measures that have been put down above imply harmonisation of fiscal policies, aimed at promoting common interests. Expansionary or contractionary fiscal measures would also need harmonisation to prevent contradictory signals and responses from other member states. Other fiscal measures that would need harmonisation are industrial incentives (the likes of investment, capital or depreciation allowances, tax holidays, income tax rates, profit tax rate and others.) Here too the aim would be to promote common interests. But there would be an additional aim to create uniformity in fiscal conditions so that industrial location becomes the by-product of comparative advantages alone.

Among other desirable elements of a stable macroeconomic environment are domestic price stability, balance of payments stability and manageable levels of public external debt. Price stability must be maintained so as to permit an increase in real income and demand for goods and services; to keep down the cost of providing public services, hence facilitate its improvement in quality and quantity; keep down the cost of production and hence maintain competitiveness of goods in the regional and external markets while reducing the attractiveness of external imports; and to encourage savings and investment. Domestic price stability will not come about without sustainable efforts to improve the supply of goods; to cut down budget deficits and hence the need for deficit financing; and to maintain competitive exchange rates to avoid huge exchange rate adjustments.

Balance of payments stability and manageable levels of public external debts make it unnecessary to borrow for the purpose of supporting the external sector; to curtail foreign exchange allocation for essential machinery; equipment and raw materials; and to deflate the economy. They also help to maintain the credit-worthiness of an economy.

PROBLEMS ON THE ROAD TOWARDS MONETARY UNION

MONETARY REFORMS

Every country has its own currency (Namibia will issue one soon). Every country, except those in the Common Monetary Area (CMA), also determines its own exchange rate regime. Angola pegs its currency to the US dollar; Botswana, Malawi, Tanzania and Zimbabwe peg theirs to trade weighted baskets of currencies which do not adequately take into account currencies which are the vehicles of international transactions; Mozambique and Zambia determine their exchange rates on the basis of indicators. Along with divergencies in economic conditions and policies, differences in exchange rate arrangements have resulted in very different nominal exchange rates in these countries (Annex 1).

To make matters worse, according to the PTA study (1990), the real effective exchange rates of most of the countries have diverged from their equilibrium levels for most of the past two and a half decades (Annex 2). Most exchange rates have suffered from overvaluation which has introduced a bias against exports. Zambia and Tanzania, among the countries from which data is available, experienced high degrees of overvaluation and hence suffered most from consequent price distortions. Of the countries included in the PTA study, only Lesotho and Swaziland escaped from the costs of protracted overvaluation. South Africa, Botswana and Namibia, not included in the PTA study, also have experienced less overvaluation. In all the four countries, membership of the CAM prevented adoption of macroeconomic policies that create instability in the exchange rate. Outside of the CAM, only one other country, Zimbabwe, has demonstrated reasonable stability in its nominal exchange rate, according to the PTA study. Except for a brief period during the late 1970s, the nominal exchange rate remained close to the real effective rate.

The problem of divergent nominal exchange rates can be minimised by pegging all the regional currencies to the same reference currency, for instance the SDR or to some other trade weighted basket of currencies. Fixing the external value of regional currencies in this way would ensure stability in the value of one currency vis-a-vis others. Ideally, currencies should be pegged to the external currency or basket of currencies at the same rate. In practice, it may be difficult to agree on a common external value.

Considering the advantages of full monetary harmonisation, the PTA decided in 1990 to work towards the establishment of a single common currency by the year 2000. The long lead time would give member states sufficient time to carry out necessary economic adjustments. The process of creating one currency would entail adjustment of the exchange rates of the national currencies to their equilibrium levels, and eventually replacing them with one currency. Two problems would have to be addressed.

The first relates to the degree of exchange rate adjustment that would be required. As it has been pointed out above, most of the currencies of the region are overvalued. The degree of overvaluation has no doubt declined from the excessive levels of the late 1970s and the first half of the 1980s. Under structural adjustment programmes, several countries are making exchange rate reforms necessary for harmonisation. For these countries, the rate of currency devaluation that would be required is relatively small (Annex 3). For a few that do not appear to show evidence of results of significant exchange rate reforms, the rate of devaluation would be high. Lesotho, Namibia, South Africa and Swaziland would need to revalue their currencies.

The second and serious problem rates to the amount of adjustment in the growth of central bank credit to government. This is required to prevent excessive creation of money which would undermine the value of the common currency by fuelling inflation. As shown in Annex 4, there are differences in rates of growth of credit to government, reflecting underlying economic structures. All rates, except the actual, assume a 10 per cent rate of inflation. Whether a uniform rate of credit expansion were adopted or not, it is clear that a cut would be necessary in Zambia, Tanzania, Lesotho, Rwanda, Somalia and Uganda. A target rate of inflation below 10 per cent would require a cut in a larger number of countries. If South Africa were to join the PTA, it would need to cut down the rate of growth of bank credit as well.

In terms of institutional capacity, there should be little difficulty with harmonisation of monetary policies as the Common Monetary Authority would take care of this. Divergent economic conditions may necessitate different policies, and this could be potential cause of conflict. These observations relate to fiscal policy as well. With respect to the flow of short-term credit to the public and private sectors, the PTA plan envisages arrangements similar to the ones in place in West and Central African Monetary Unions. For development finance, a new institution will not be set up. Instead, reliance will be placed on the PTA Trade and Development Bank (and if South Africa joins, the Development Bank of Southern Africa, perhaps).

In the field of domestic resource mobilisation and allocation, the monetary harmonisation programme envisages little beyond raising deposit and lending rates to their real values to encourage savings and promote efficient allocation of resources. Monetary harmonisation will in itself encourage domestic resource mobilisation to the extent that capital will become more mobile among different countries. To facilitate this, member countries will need to set up (primary) capital market institutions such as issuing houses, unit and investment trusts, and share underwriters, and secondary or securities markets. These institutions are lacking in all countries except South Africa, Swaziland, Botswana and Zimbabwe. There are many public utility companies that can raise finance (bonds) domestically in the region. Financial and non-financial private firms can be encouraged to raise resources locally, through fiscal and other incentives, if necessary.

At present, commercial banks dominate in the mobilisation of domestic financial savings. But following the British model of commercial banking, it is not their practice to lend long-term for development purposes, to take up part ownership of enterprises and even to appoint directors to enterprises in which they have invested capital, a practice which is common in Germany and which helped with German industrialisation. Adoption of the German model of commercial banking could change the financial market markedly. This model would not be adopted voluntarily by commercial banks in the region. What may be required to encourage them are a change in the legal and regulatory framework of the practice of banking and specific incentives.

From the standpoint of economic development, another concern is that commercial banks and other formal financial institutions rarely extend credit to small-scale and medium-scale enterprises (SMEs). The usual explanations for this are that it is costly to deal with a large number of SMEs, SMEs borrowers are comparatively risky, and that, historically, it is not the mission of commercial banks to lend to SMEs. These problems can be addressed by lending through groups of SMEs or by lending indirectly through the intermediary of informal financial institutions. Risk can be managed through similar ways. If the Common Monetary Authority can relate the size of central bank credit to commercial banks dependent on how much they lend to SMEs, it will be creating a useful incentive.

FISCAL REFORMS

The PTA study observed that the average level of permissible unified credit expansion to central governments would be of the order of 15 - 20 per cent of previous year's tax revenue. For some countries, such a limitation of credit would be tolerable as already their borrowing requirements are manageable. For others, it would lead to a sizeable unfunded budget deficit (Annex 5). In this group, there will be need to raise revenue or cut down expenditure or to do both over a long period which will slow down progress towards monetary harmonisation. The most expeditious approach would be to seek budgetary aid or expanded financial support for structural adjustment programmes.

LESSONS FOR SADCC

The above illustrates the problems that would have to be resolved if the PTA were to work towards monetary harmonisation. Because of these problems, the PTA decided to start with limited currency convertibility of national currencies in 1997. Meanwhile member states must work on the necessary fiscal and monetary reforms. Unification of exchange rates would be attempted in 2000. The creation of a single currency would follow later.

The PTA plan is based on the assumption that convergence of fiscal and monetary policies and hence inflation rates is necessary before full monetary union. This assumption is believed by some economists to be neither necessary nor sufficient for monetary integration. The act of monetary integration creates the fiscal and monetary discipline that ultimately produces nominal convergence. Thus, SADCC need not wait for nominal convergence before embarking on monetary integration.

The PTA dilemma also reflects the fact that the grouping is not an "optimum currency area". Total intra-regional trade in absolute terms has fallen since the PTA was created. As a proportion of total trade, it is less than 5 per cent. The gain from saving in transaction costs made possible by monetary integration would thus be small. A few large exporters to the region, Kenya and Zimbabwe, might make significant gains out of it. As presently constituted, the gains to SADCC might also be small. When South Africa is included in the SADCC the picture changes for the better.

STRUCTURAL ADJUSTMENT : POLICY ANALYSIS AND FORMULATION

Structural adjustment has been conceived by the World Bank as a national rather than a regional programme. As such, the adoption of the programme has depended on the willingness and preparedness of individual countries. Thus, while many countries in the region have embarked on economic reform, some have not. For the same reason that has been put down above, the timing of adjustment programmes has not been uniform. Malawi started economic reforms in 1983 and has held on to them. Zambia started early too, but has not consistently implemented them. Tanzania embarked on economic reforms in the mid 1980s while Mozambique adopted economic reforms as late as 1987 and Zimbabwe only in 1990.

Having been conceived as national programmes with national goals and using national financial policies, structural adjustment programmes have lacked a regional dimension. As a result, possible destabilising effects on the economies of members of SADCC and PTA have not been taken into account. In most of the reform programmes, the emphasis has been on short-term demand management objectives and policy instruments. By restraining demand, this may not encourage intra-regional trade. Progress towards regional co-operation depends on trade policies not on financial policies which are emphasized in structural adjustment programmes.

In the absence of a federal government and given differences in the time of onset of economic problems in different member states as well as in the severity of those problems, it would be too much to require them to co-ordinate all aspects of their policies. Those that impact on other regional economies, such as tariff reductions and devaluation, should certainly be coordinated by appropriate institutions.

So far SADCC has not been much involved in co-ordinating policy reforms among its member states as emphasis within SADCC has been on strengthening the physical productive capacity of key sectors. The impending formalisation of SADCC by means of a treaty may assist with its co-ordination role by giving its decisions the force of law. Two other developments would, if instituted, assist with this. One is the establishment of a system of incentives under which countries that abide by SADCC decisions would be rewarded, while those that do not would be punished. The other is closer liaison with the World Bank, the IMF and other regional organisations concerned with policy reform and development.

The thorny issue for SADCC will be how to proceed with macroeconomic and sectoral policy planning and co-ordination given that PTA is developing a macroeconomic and sectoral policy programme of its own. Fiscal policy harmonisation and the development of appropriate monetary institutions and instruments in PTA are well known. As SADCC proceeds, the potential for competition and conflict will be real as all members of SADCC (except Botswana and Namibia) are also members of PTA. But one should not be dogmatic about this until SADCC's programme has been unveiled.

Should SADCC transform itself into another free trade area, then the possibility of duplication in tariff policy may arise. The adoption of a customs union or common market-type of programme would avoid duplication in the field of tariff policy. Otherwise, until the two institutions have rationalised their activities or merged, there is need to consult on and, if necessary, co-ordinate policy on industrial incentives. The two institutions may also have to adopt a common approach on the co-ordination of structural adjustment programmes.

With regard to monetary harmonisation, if PTA goes ahead with its proposed programme, SADCC may wish to work closely with PTA to establish a common currency or to ensure convertibility of currencies of SADCC member states that are not members of PTA. If PTA fails, SADCC may wish to go ahead with its own plan to establish a common currency or a system of convertible national currencies. With or without monetary harmonisation, SADCC may take the initiative to address liberalisation of several aspects of the exchange and payments systems which are not being fully addressed now.

PTA does not have a programme to develop the financial markets of member states. Thus, SADCC involvement in this field would not be in competition with PTA. Even the establishment of a SADCC development fund or bank would not strictly be in competition with the PTA bank to the extent that different projects would be funded and membership in the two institutions is not strictly uniform.

Unlike SADCC, the PTA was established in 1982 by means of legal instrument which was enacted in 1981. The bureaucratic machinery of PTA is centralised, but chairmanship of the PTA Authority rotates among Heads of member states. Decisions in the various councils are made by consensus. Given the large membership of the organisation, this can lead to delays in taking decisions or to no decision at all being made.

With emphasis on fiscal harmonisation, the development of appropriate monetary institutions and instruments, and in future monetary harmonisation, the activities of the PTA are seen as complementing those of SADCC. Nevertheless, duplication may have occurred in the development of agriculture, natural resources, industry and energy, and in certain approaches to the development of industry and trade, for instance, the promotion of regional business councils.

With respect to trade liberalisation in PTA, progress in reducing quantitative restrictions on trade has been slight, but reasonable progress has been achieved in reducing tariffs. The list of commodities that receives preferential treatment now exceeds 700, and on over 400 of which some countries have actually reduced customs duties. However, further progress is proving difficult to achieve.

Questions have also been raised about the design and structure of tariff reductions. The common tariff reductions that have been adopted are 70 per cent for capital goods and developmental consumer items; 65 per cent and 60 per cent for intermediate goods and agricultural raw materials, respectively; 10 per cent for luxuries and 30 per cent for foodstuffs. Since regional preferences are established as a percentage, and not as an absolute amount, which would be less expeditious, intra-PTA preference margins decline if a country reduces the average level of its most favoured nation (MFN) customs tariffs or when it extends to its external partners all or some of the concessions reserved for its PTA partners.

The relatively low percentage tariff reduction for luxuries is difficult to explain. Considering that normally high tariff rates are imposed on luxury imports, and that the region faces stiff competition from overseas suppliers, the 10 per cent tariff concession is hardly adequate, as has been argued by Ng'andwe (1987). Furthermore, the production of luxuries can reap economies of scale if the industry serves the large PTA market rather than the smaller national market.

Equally puzzling is the low tariff reduction on foodstuffs. The motive for establishing this seems to have been to discourage intra-PTA trade and encourage national self-sufficiency. Many countries in the region certainly have the potential to be self-sufficient in food, but it is not all. In any case, even those that produce enough foodstuffs do not always do so. They may import foodstuffs from the region more cheaply if tariff concessions are granted. Here is an area where consultation between PTA and SADCC might have assisted.

The establishment of the PTA Clearing House in 1984 and the Trade and Development Bank, and the introduction of the Unit of Account of the PTA and travellers cheques have so far been the most notable achievements of the PTA. As of 1988, 41.6 per cent of the total intra-PTA trade was being channelled through the Clearing House. Of the total amount, 58.7 per cent was settled in local currencies, thus, along with travellers cheques, saving foreign exchange and permitting limited convertibility of these currencies. Only 41.3 per cent of trade had to be settled in hard currencies. The use of the Clearing House should have been higher had it not been:

(a) for the tendency of participating countries to channel imports rather than exports through the scheme;

(b) insistence of some on receipt of convertible currencies for their exports; and

(c) traditional barriers like licences, and practical problems of opening correspondent accounts on the part of commercial banks.

The inability of member countries to subscribe capital to the Trade and Development Bank in convertible currencies limited the share capital to US $400 million, which is hardly adequate. The use of local currencies could have enabled member countries to contribute more to the share capital of the bank. But this method of making contributions was not favoured.

IMPACT OF COMPETITIVE TRADE LIBERALIZATION AND DEVALUATION

Structural adjustment has entailed liberalisation of foreign trade, aimed at facilitating imports and stimulating exports. Trade liberalisation is also expected to stimulate industrial development which should, other things being equal, increase business with neighbouring countries in the long run. Specific details of trade liberalisation have varied from country to country. But the following have been common features: decontrol of prices, movement away from quantitative controls (quotas) on imports to (reduced) tariffs, increasing the list of commodities on the Open General Licence, and increasing allocation of foreign exchange. Not many countries (perhaps Malawi is the only exception) have completed the process of trade liberalisation as detailed above. Characteristically, structural adjustment programmes in all countries have not addressed other features of restrictive exchange and payments systems, which they should, such as prescription of acceptable currencies, the requirement that all foreign currency receipts must be surrendered to authorised dealers within a given period, authorization for funds in respect of payment for invisible transactions and restrictions on outward capital transfers.

Furthermore, according to Boidin (1988), trade liberalisation measures may have reduced the size of preferential margins and hence encouraged trade outside the SADCC and PTA rather than within these blocks. At the same time, because they have been decided unilaterally, trade liberalisation measures may have increased the asymmetry of access systems and missed the opportunity of increasing reciprocal trade among member states.

In addition, structural adjustment programmes have involved a reduction in the role of the state in economic activity and greater reliance on private enterprise in productive investment in PTA and SADCC member states. Official planning of industrial development has led to the development of industries that are similar and competitive because it has not been properly coordinated. Using private enterprise to plan industrial development may lead to different choices and, therefore, to production structures that are more complementary and more consistent with the development of trade in the long term.

Almost all structural adjustment and stabilisation programmes have aimed at improving the balance of payments. The result of the measures that have been adopted, including currency devaluation, have so far not been very satisfactory. Either there has been minimal improvement or there has been satisfactory improvement, but not sustained improvement. Competitive edge gained by one country has been offset by subsequent devaluations of other countries. In addition, given low elasticities of supply of exports, devaluation has not had the intended effect. Protectionism, growing competition from other developing regions and the emergence of a service economy in developed countries have all made it difficult to find markets for exports. Import-substitution industrialisation has led to further imports of capital and intermediate goods rather than to a reduction in imports. In the long run, what will be needed is to reduce the predominance of the commercial and trading activities in the regional economies, and to develop intermediate goods industries and to raise productivity in raw materials producing sectors.

Lastly, reduction in the rate of inflation, which rarely featured in earlier IMF and World Bank supported programmes, now features prominently. In the reform programme where currency devaluation is a key policy measure, the programme itself generates inflation until it is completed. Nonetheless, the inflation expectations that are created in this process can be reduced by taking measures to reduce hoarding of goods, price hedging, and others.

TRADE DIVERSION AND TRADE CREATION

SADCC efforts to increase intra-regional trade have been limited to multi-year purchase agreements and other bilateral barter deals of which there have not been many. Export pre-financing revolving funds in countries that lack such funds and an export credit facility have yet to be established, while a sector to co-ordinate trade was identified only a few years ago.

Total formal intra-SADCC regional trade has barely increased and remains at less than 5 per cent of the total foreign trade of the group. (Since informal trade is significant - may be up to 40 per cent of the total foreign trade of some member states - the actual level of intra-SADCC regional trade is higher and has probably increased due to causes other than SADCC). There is evidence of trade diversion and trade creation, but these may have occurred less because of SADCC efforts and more because of PTA and SACU policies.

Trade data for the early years of life of PTA indicates that the overall impact of trade liberalisation and promoting measures has been limited. Between 1984 and 1987, the volume and value (at constant UAPTA exchange rate) of total intra-PTA trade did not change. However, significant shifts in intra-PTA trade shares occurred. Burundi, Rwanda, Swaziland, Zambia and Zimbabwe experienced gains in their import and export trade shares. Djibouti, Ethiopia, Malawi, Mauritius, Somalia and Uganda saw their import and export trade shares fall. The rest had export and import shares moving in opposite directions or not moving at all.

The countries that have experienced gains in their exports to the region are generally those with comparatively large manufacturing sectors. Mauritius should have been in this group, but non-tariff barriers to its exports have been erected. Those that did not experience gains in their exports to the region either had small, uncompetitive manufacturing sectors or faced non-tariff barriers from other countries in the region.

These shifts in trade illustrate the familiar costs of economic integration that are bound to occur as SADCC starts co-ordinating fiscal policies to promote intra-regional trade. One major economic cost is the terms-of-trade effect whereby some member countries pay more in buying from within the region at higher prices than the ones they would pay external sources. Other major economic costs are the loss in customs duty revenue that arises from trade diversion, and the unequal distribution of income and excise duty revenue arising from an unfair pattern of distribution of manufacturing industries. To compensate for loss of revenue, it is necessary to institute arrangements to collect customs and excise duty revenue into a common pool from which each country should receive a share based on the volume of its trade. To deal with uneven industrial development, policies should be adopted to enable each raw material producing member country carry out beneficiation within its boundaries, to allow for the imposition of specific protective tariffs on goods originating outside the region, and to allow member countries to impose protective duties against goods originating within the region. Sales taxes might be designed by individual member countries in such a way as to serve the same purpose. In addition, the establishment of financial institutions to fund the industrial development of the least developed member states, a common means of approaching this problem, must be pursued by SADCC.

SACU, (made up of Botswana, Lesotho, Namibia, South Africa, and Swaziland) represents a more advanced form of economic integration compared to PTA. The common external tariff and the absence of tariff barriers within the union have facilitated trade diversion and trade creation. But the benefits of this process have been uneven. The smaller member states obtain almost all their imports from South Africa, where most of the industrial plants are located. When South Africa was under sanctions, a number of industries were established in the smaller member countries, but as a result of the changing socio-political conditions, they are now closing down.

South Africa compensates the other member states for the loss in revenue. Although substantial tax revenue flows from the arrangement, there is a substantial opportunity cost involved. This includes the payment of higher than world prices for goods from South African sources, and a loss of ability to develop manufacturing industries. During the first half of the last decade, the opportunity cost to Botswana, Lesotho and Swaziland may have been estimated to be US$340 million, according to SADCC Survey (1986). In addition, there is a loss in fiscal discretion, which is not readily quantifiable. The net fiscal gain is not necessarily large because the arrangements provide for payment in arrears after the revenue has been eroded by inflation and (in Lesotho, Namibia and Swaziland) by rand depreciation.

HARMONISATION OF MACROECONOMIC AND SECTORAL POLICIES

Around 1986 SADCC decided to give more emphasis directly to productive sectors. Raising production in these sectors would, if production structures were complementary, lead to an increase in intra-regional trade. At the same time, it would lead to more effective use of the transport infrastructure that was being rehabilitated.

Following the above decision, seminars were held with businessmen (Victoria Falls 1986, Gaborone 1987 and Harare 1988) as a means of obtaining the support of the business community for the Programme of Action. As a result, a SADCC business council has been established at regional level. Furthermore, meetings with the region's businessmen have been held at sectoral levels to determine how they could become more actively involved in the implementation of the regional programme.

The 1987 Gaborone identified the following as major impediments to investment and production in the region:

(a) foreign exchange shortages which discourage investment by limiting the ability of businessmen to import inputs, and hence leading to capacity under-utilization;

(b) over-valued exchange rates which distort relative prices and encourage consumption rather than production;

(c) unfavourable attitudes towards local and foreign business enterprises whose profit motive is frowned upon;

(d) bureaucratic red tape which delays or frustrates the implementation of business projects;

(e) high import duties for capital goods which undermine financial viability;

(f) restrictions on repatriation of dividends which are a major disincentive in high risk and long gestation projects;

(g) lack of realistic pricing policies in agriculture that would favour produced and lack of suitable finance for agriculture;

(h) heavy foreign debt obligations that make many countries unattractive to investors; and

(i) lack of good transport and communications systems, educated and trained manpower.

With regard to policies, the seminar recommended that member states should:

(a) revise and harmonise their investment codes to make them realistic and uniform;

(b) improve investment incentives especially for long gestation projects; and

(c) fix realistic exchange rates and commodity prices.

While with respect to mobilisation of resources, the seminar proposed, among other things that:

(a) a mechanism should be established for making equity capital available to investors;

(b) more resources should be channelled into the productive sector; and

(c) member states should facilitate the free movement of capital and management skills within the region (SADCC, 1987).

REGIONAL AND NATIONAL INVESTMENT POLICIES

SADCC has taken steps to harmonise the investment policies of member states with a view to ensuring that:

(a) appropriate incentives are being offered to potential investors;

(b) competition among member states is minimised; and

(c) uniformity in incentives to ensure that ultimately investment decisions on where to locate should be based on comparative advantage, even though fiscal incentives would play in important role in attracting investors to the region. SADCC has also taken steps to facilitate the freer movement of business in the region and to promote cross-border investment.

The process of improving investment incentives and harmonisation of those incentives has started, but is far from complete. Of the SADCC member states, Botswana and Malawi have the lowest company income tax rate of 35 per cent as compared to 45 per cent in Zimbabwe and 40 per cent in Zambia. Under structural adjustment programmes, these tax rates are subject to review. Botswana has an additional branch tax set at 15 per cent of net profit. Of the other countries, Lesotho and Swaziland have done the most to come close to Botswana, while Tanzania is similar to Zambia. Malawi has introduced further generous tax concessions for Export Processing Zones and for manufacturing under bond.

Several countries discriminate against foreign investment by maintaining withholding taxes on remittances of dividends or interest. In Botswana, these taxes vary from 10 per cent to 25 per cent. Zambia has higher withholding tax rates of 20 per cent on dividends and 30 per cent on interest and other remittances. Other countries have lower rates of 15 per cent, for instance Malawi, and 10 - 15 per cent for Lesotho and Swaziland. Such discriminatory treatment of foreign investment must surely act as a disincentive to investors.

Almost all the member states offer tax and capital allowances. However, the application of these allowances is, in number of cases, discriminatory. The recent investment act in Zambia extends these benefits to small-scale enterprises, but existing large-scale enterprises were originally excluded. In other countries, it is not clear that these incentives will apply to small-scale enterprises. In Lesotho, these incentives apply mainly to foreign enterprises. To have the maximum effect, member countries should ensure that they apply to all enterprises, irrespective of size and age of the business and of the residential status of investors.

Tax holidays are used only by Zambia (7 years for dividend and 5 years for profit taxation), Malawi and Swaziland (5 years). Also rarely used are export subsidies (Zimbabwe), foreign exchange retention schemes (Angola, Mozambique, Tanzania, Zambia and Zimbabwe) and an export guarantee scheme (Zimbabwe). Also not applied throughout the region are double taxation agreements, investment insurance and investment guarantee.

In support of economic reform programmes, both bilateral and multilateral donors have made more foreign exchange available to most of the countries in the region. But this falls short of demand. In an attempt to generate more foreign exchange for themselves, a number of countries have introduced foreign exchange retention schemes as stated above. While in an attempt to provide more foreign exchange for export-oriented activity, export pre-financing funds have been set up. But these programmes are not meeting the whole demand for foreign exchange. Besides, they are confined to a few countries, as mentioned above.

With regard to overvaluation of exchange rates, Lesotho, Swaziland, Namibia and South Africa have avoided overvaluation of their exchange rates. Zimbabwe corrected the overvaluation of its exchange rate through a 40 per cent downward adjustment later in 1991. Zambia has just carried out a 30 per cent adjustment of its exchange rate which also reduces overvaluation. Tanzania and Mozambique also pursue an active exchange rate policy. The rest of the countries in the region need to reduce the overvaluation of their currencies through depreciation.

Attitudes towards a free enterprise economy have improved in all the countries. Private enterprise is welcome and its sought after. The profit motive is not frowned upon. Along with this, bureaucratic red tape which used to delay the implementation of business projects has been reduced. One-stop investment centres have been established in several countries, including Zambia, Zimbabwe and Malawi. Those that have not done so, are in the process of setting up such centres.

On the taxation of imported producer goods, the narrow tax base forces many countries to tax them. Admittedly, such taxation may jeopardise the financial viability of enterprises, especially those with long gestation periods. Import duties on capital goods and raw materials have been reduced in a number of countries. Others may do well to follow their lead.

Concerning exchange control regulation, normally there are no restrictions on inward transfers of capital. However, in a few countries, Angola and Tanzania, there are restrictions on the type of investment that foreign enterprises can undertake. Outward transfers of capital are restricted, except where capital is being repatriated to its country of origin. There are several degrees of restriction. Within CMA, there are virtually no restrictions. But only South Africa is fairly liberal even in terms of movement of capital to countries outside the CMA.

Member countries of the CMA are quite liberal with regard to foreign exchange allowances for business and tourist travel, and for remittance of dividends and expatriate salaries. Outside of the CMA, Zambia is fairly generous with regard to allowances for business travel, Malawi and Zimbabwe are generous with allowances for the remittance of dividends. Only Mozambique and Malawi are generous with allowances for remittance of expatriate salaries. On the whole then, the region has restrictive exchange control regimes.

As indicated in Table 2, levels of foreign debt are onerous in Angola, Zambia, Mozambique and Tanzania, high in Zimbabwe and Malawi, and modest in the rest of the SADCC. In absolute terms, South Africa's foreign debt is large, amounting to US $21 billion, which is about 66 percent of SADCC's total external debt. A large proportion of foreign exchange earnings continued to be absorbed in debt servicing. The debt service ratios are particularly large for Zimbabwe, Malawi, Mozambique and Tanzania. The debt service ratios are comparable low for Angola, Botswana, Lesotho, Swaziland, and probably South Africa.

Table 2: <u>DEBT INDICATORS 1990</u>

Country	Total Debt (US$ Million	EDT/GNP	TDS/XGS
Angola	7,710	115.2[1]	7.5[1]
Botswana	516	20.6	4.4
Lesotho	390	43.9	2.[illegible]
Malawi	1,544	85.6	27.3
Mozambique	4,718	384.5	14.4
Swaziland	272	40.1	5.9
Tanzania	5,866	264.2	25.8
Zambia	7,223	216.2	12.8
Zimbabwe	3,199	54.8	24.4
South Africa	20,597	22.7	..

1 Refers to 1989 date

<u>Notes</u>: EDT/GNP - Total External Debt to Gross National Product.

TDS/XGS - Total Debt Service to Exports of Goods and Services, also called the debt service ratio.

<u>Source</u>: World Bank, <u>World Debt Tables. 1991-92</u>

A number of debt-relief measures have been proposed and some have even implemented. But it is widely agreed now that these measures are inadequate for the poorest member countries. Under the so-called Toronto Terms, up to one-third of the value of debt may be written-off, with two-thirds rescheduled at commercial rates of interest over 14 years. So far, only a handful of low-income countries have rescheduled their debts under these terms. The multiple options are criticised for creating discrepancies in the level of sacrifice among creditors, and for the time consuming and the costly annual rescheduling. More significantly, although debt servicing has been made easier, the stock of debt and the interest bill have continued to rise as more arrears of built-up interest are capitalised in subsequent rescheduling. No wonder that the annual benefit to Sub-Saharan Africa has been a meagre US$100 million. For this reason, the Paris Club has been urged to extend concessionality beyond Toronto Terms. The alternative to the Toronto Pact may be the Trinidad Terms under which two-thirds of the debt would be written off and the balance rescheduled over 25 years. The entire eligible stock of debt would be reschedule at once.

The criteria for rescheduling, which included qualification under Toronto Terms, pursuit of IMF policies, GNP per capita of less than US$610, and a debt-service ratio of 25 per cent or more imply that several indebted Southern African countries may not qualify. For some, such as Mozambique, the foreign debt burden is so onerous that even the Trinidad Terms would not solve the problem. Furthermore, a significant proportion of the debt is owed to multilateral institutions, mainly the IMF and World Bank. Under their rules, this debt cannot be rescheduled. Debt owing to private institutions would also not be affected by the Trinidad Terms. A World Bank scheme for countries to buy back their debt has had limited impact. The IMF has a scheme of assist borrowers in arrears only, not those that are servicing their debt to it. Concern has also been expressed that Trinidad rescheduling may be lead to a reduction in the flow of new aid.

In view of what has been expressed above, there is need for other measures to solve the debt crisis. One such measure is the cancellation of all official bilateral and semi-official debt, and the writing down of commercial debt at rates that are commensurate with the discounted level of these debts in secondary markets. The other is that multilateral debt should be reduced through means that the international community should find.

On the issue of agricultural pricing and credit, most member states have taken steps to adjust producer prices upward, the most recent being those that have been taken in Zambia and Zimbabwe. The provision of agricultural credit, especially to smallholder farmers, continues to be inadequate. Foreign funding of agricultural credit scheme is inadequate. Recovery of loans is unsatisfactory except where group credit schemes are in place. There may be need to involve more financial institutions, formal, semi-formal and informal, in the delivery of farm credit and to place more reliance on the use of locally mobilised resources.

Lastly, as regards lack of good transport and communications, the SADCC programme in transport has largely entailed rehabilitation of existing harbours and railways rather than creation of new facilities. Several countries in the region have also been concerned with the maintenance of the existing stock of roads and other transport infrastructure rather than with improving or creating new ones. In other sectors, such as telecommunications and energy, new assets have been created under the auspices of SADCC, but these are not necessarily operated efficiently.

FREE MOVEMENT OF FACTORS OF PRODUCTION

The movement of factors of production across national frontiers substitutes for the movement of goods. To the receiving country, the receipt of factors of production from other countries enable it to raise production and income as this does not displace local factors of production. To the sending country, there can be a net increase in income (from remittances) if it has a surplus of factors of production. If it is short of factors of production, the net benefit from the exodus of factors of production may not be significant. Otherwise, the intra-regional movement of factors of production should, in theory, help to promote efficient allocation of resources and to reduce inequality in factor earnings.

Nevertheless, there are good arguments against allowing completely free movement of certain factors of production, especially labour. First, given high rates of unemployment in the region, it is desirable to safeguard employment for nationals, on which the social stability of the host country may depend. Second, uncontrolled migration of labour may exacerbate an already high rate of unemployment in the host country, which represents a waste of human resources. Third, labour migration may worsen existing problem of shortages of urban housing and other urban facilities. Should the rate of unemployment decline to the bare minimum in the future, then it will be the time to liberalise the movement of labour.

The movement of capital, which is not subject to the same problems as the movement of labour, can be liberalised much earlier. The movement of capital within the Common (now Multilateral) Monetary Area is relatively free. Elsewhere in the region, restrictive exchange control regulations and the absence of a common currency rule out free movement of capital. These problems must be addressed.

CONCLUDING REMARKS

To conclude, all member states of SADCC suffer from inflation. With a few exceptions for instance Botswana, member states also suffer from internal and external financial imbalances. These problems are partly rooted in the structural and institutional weaknesses of the economies of member states.

A number of these countries have adopted structural adjustment programmes to address their economic problems. In the absence of a federal-type political entity, and given differences in the nature, time and severity of the economic problems, the programmes have been formulated and implemented as national programmes.

Various policy reforms have attempted to improve the competitiveness of the member states. But without compensatory policy reforms in the other states, they have had the effect of reducing the overall competitiveness of the region or of encouraging competitive reforms which can be costly. In these particular cases, co-ordination of policy reforms is necessary, even though, because of the competitive nature of the regional economies, North-South relations and dependence on the North and the benefits from this will, in the short-term, be small. Some loss of national sovereignty cannot be avoided in attempting to coordinate policy reforms. What does all this imply for regional relations in post-apartheid?

For historical, geographical and other reasons, several national economies in Southern Africa are integrated with the South African economy. The SADCC region is the market for 10 per cent of South Africa's exports (40 per cent of gold is excluded). Trade between the SADCC region and South Africa is unbalanced to the extent that the latter is a market for only 7 per cent of the former's exports which is much smaller in volume terms. In terms of trade, the degree of integration among SADCC member countries is more limited, represented by less than 5 per cent of total external trade.

To further the integration of their economies, member states formed SADCC in 1980 and 8 out of 10 are members of PTA formed in 1982. Both organisations have not been in existence long enough to have a marked impact on economic integration. Besides, PTA tariff and non-tariff policies a direct involvement in the development of trade and key productive sectors have been inadequate. Total trade among PTA member states has not increased and remains at less than 5 per cent of their external trade. SADCC has been successful in rehabilitating railway lines and harbours, developing telecommunications and interconnecting national electricity grids. The effort to develop industry and trade has been inadequate. In addition, droughts, destabilisation and unfavourable regional and world economic conditions have all frustrated the efforts of SADCC. The decision taken in 1991 by SADCC to get involved in macroeconomic and sectoral policy planning and co-ordination reflects the realisation that stronger measures must be taken to increase regional economic integration.

Several problems lie ahead for SADCC. Structural and institutions features of Southern African Economies will pose problems if one of the free market approaches to economic integration is adopted. Several countries, for example, depend on taxes on international trade for a significant proportion of government revenue. For countries for which recent (1989) data has been made available by the World Bank (1991), the degree of dependence is 55.7 per cent in Lesotho, 15.8 per cent in Malawi and Zambia, 12.1 per cent in Botswana, 17.1 per cent in Zimbabwe and 3.8 per cent in South Africa. Thus, for the majority, the degree of dependence on trade taxes would make them reluctant to cut customs duties.

The weak balance of payments and foreign reserve position of most of the countries in the region would constrain intra-regional trade, unless arrangements that increase the availability of foreign exchange or save foreign exchange for promoting such trade were boosted. Based on the World Bank (1991), with the exception of South Africa and Botswana, all countries in the region incurred current account deficits on their balance of payments in 1989.

Historical relations with Europe, as Mandaza (1987) has explained, pose a serious constraint to regional economic integration as well. Southern African economies were from the 19th century developed as colonial economies to supply the mother European countries with raw materials and to provide markets for European goods. They were developed with European capital and expertise. Transport and communications were developed to link them with Europe, while financial institutions were established to finance colonial trade. These relations have been maintained after independence. For most of the SADCC member states, more than 50 per cent of total imports originate in the OECD member countries and more than 60 per cent of exports are sold to the same.

This historical pattern of trade has a number of adverse implications. First, it does imply that most of the Southern African countries produce similar raw materials. Several industrial products are also similar. Thus, to a significant extent they are competitive rather than complementary. Second, it is easier to trade with the OECD than with neighbouring countries because the physical and financial infrastructures have been developed to facilitate this rather than intra-regional trade. Third, Southern African consumers are more attached culturally to goods originating in the OECD member countries than to those that originating within the region.

North-South historical relations are reinforced by dependence created by foreign aid and technology. Most bilateral aid is tied to goods supplied by the donor countries. Recently, the value of imports of Southern African countries that originate in the OECD has increased significantly because of increased aid flows that represent structural adjustment co-financing with multilateral lending institutions.

Annex 1: Exchange Rates and Exchange Arrangements in Southern Africa, December 28. 1990.

Member (currency)	Currency Pegged to	Exchange Rate	Exchange Rate Otherwise Determined
Angola (Kwanza)	US$	29.99	
Botswana (Pula)	basket	1.87	
Lesotho (Loti)	rand	1.00	
Malawi (Kwacha)	basket	2.65	
Mozambique (Metical)[1]			
Namibia (Rand)			
Swaziland (Lilangeni)	rand	1.00	
Tanzania (Shilling)	basket	196.60	
Zambia (Kwacha) [1]		60.97	43.14
Zimbabwe (Dollar)	basket	2.64	
South Africa (Rand)[2]	basket		2.56

[1] Adjusted according to a set of indicators

[2] Floating

Source: IMF Survey, April 1, 1991, p.96

Annex 2 : Comparative Exchange Rate Performance in SADCC Member States, 1965 - 1990

(Over 100 denotes overvaluation, under 100 denotes under devaluation)

Year	Lesotho	Malawi	Swaziland	Tanzania	Zambia	Zimbabwe
1965	100.00	100.00	100.00	100.00	100.00	100.00
1966	98.83	101.61	100.20	90.90	138.85	99.7
1967	96.31	101.89	98.64	105.04	150.26	102.37
1968	96.82	114.69	100.37	111.27	196.37	100.5
1969	96.29	110.69	99.86	139.32	208.15	100.9
1970	93.53	127.90	97.83	128.87	205.01	101.5
1971	103.89	131.93	109.09	141.41	197.72	114.8
1972	88.72	127.06	92.50	152.66	176.44	96.9
1973	80.50	141.25	92.04	169.07	243.83	112.3
1974	85.76	175.64	102.99	173.97	202.08	121.1
1975	95.75	164.59	113.94	183.14	266.06	141.3
1976	84.17	153.15	94.31	211.26	245.23	140.2
1977	91.39	194.27	105.93	223.47	225.31	135.3
1978	93.12	164.38	103.12	215.28	180.11	125.9
1979	91.73	145.72	102.28	273.56	217.93	112.0
1980	87.38	127.60	99.90	307.83	165.85	114.1
1981	99.23	160.58	118.43	377.16	165.31	110.3
1982	85.81	142.04	104.35	398.79	228.57	116.7
1983	102.84	121.24	118.71	402.55	206.31	93.9
1984	122.45	167.57	143.39	314.78	161.96	102.5
1985	119.70	160.39	146.22	319.07	80.14	100.7
1986	103.66	139.72	120.79	195.55	55.46	90.6
1987	108.37	144.34	126.53	113.56	98.77	80.6
1988	113.02	146.33	135.71	96.03	135.25	99.6
1989	77.88	162.96	92.51	97.09	128.50	114.9
1990	80.02	175.51	90.91	104.03	113.46	124.6

Source: PTA (1990), p. 29.

Annex 3: State of Exchange Rate Disparities Between Member States and Required Adjustments Back of Equilibrium

Country	Index of Under valu-ation.	Adjustment (%)	Country	Index of Over valu-ation.	Adjustment (%)
1	2	3	4	5	6
Burundi	92.23	8.42	Ethiopia	168.62	-40.56
Lesotho	80.02	24.97	Kenya	123.62	-19.11
Somalia	50.74	97.08	Malawi	175.51	-43.02
Swaziland	90.91	10.00	Mauritius	102.25	-02.20
			Rwanda	291.63	-65.71
			Tanzania	104.03	-03.87
			Uganda	111.50	-10.31
			Zambia	113.46	-11.86
			Zimbabwe	124.61	-19.65

Source: PTA (1990), p.65

Annex 4: Estimated Levels of Stable Central Bank Credit to Central Government
(Based on 1970-1988 data, Inflation is assumed at 10%)
Simulated Annual Growth Rate of Real GDP

Country	1%	2%	Compare 3%	Present rate of credit expansion
Burundi	18.3%	18.4%	18.4%	8.6%
Ethiopia	16.3%	16.4%	16.5%	11.7%
Kenya	22.2%	22.4%	22.6%	20.8%
Lesotho	7.1%	7.3%	7.4%	22.1%
Malawi	20.7%	20.8%	20.9%	14.8%
Mauritius	14.6%	14.6%	14.7%	-56.3%
Rwanda	9.5%	9.5%	9.6%	21.7%
Somalia	18.4%	18.8%	19.0%	55.9%
Swaziland	21.3%	21.4%	21.5%	-19.8%
Tanzania	22.0%	22.1%	22.3%	27.3%
Uganda	21.2%	22.8%	24.1%	88.4%
Zambia	17.8%	17.8%	17.9%	27.8%
Zimbabwe	10.2%	10.4%	10.6%	10.6%

Source: PTA (1990), p.69

Annex 5: Central Bank Credit to Central Government (Simulated at 15% of Previous Year's Fiscal Revenue) Values in millions of National Currencies

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Burundi									
1. 15% of Previous Year's Revenue	1657	1716	1848	2107	1928	2453	2887	3470	3009
2. Actual Credit	5808	7959	9299	12355	14588	17119	16414	17161	15837
3. Difference	-4150	-6243	-7451	-10248	-12660	-14666	-13527	-13691	-12828
Swaziland									
1. 15% of Previous Year's Revenue	19	22	20	27	27	32	35	37	49
2. Actual Credit	5	6	7	7	20	26	32	12	4
3. Difference	14	16	13	20	7	6	3	25	45
Uganda									
1. 15% of Previous Year's Revenue	4	6	4	37	79	135	243	427	751
2. Actual Credit	127	232	328	866	334	2814	4736	6044	17605
3. Difference	-123	-226	-324	-829	-255	-2679	-4493	-5617	16845
Zambia									
1. 15% of Previous Year's Revenue	89	115	121	126	152	164	234	454	623
2. Actual Credit	1183	1394	1657	2009	2419	5327	6699	3966	6457
3. Difference	-1094	-1279	-1536	-1883	-2267	-5163	-6465	-3912	-5834
	92	124	169	227	280	305	320	378	441
	122	197	336	290	165	52	92	308	275
	-30	- 73	- 167	-63	115	268	228	70	166

Source: PTA (1990), p.70

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PROMOTING INTRA-SADC TRADE, FOOD SECURITY AND THE TRANSFER OF TECHNOLOGY

G.K. Kayira

INTRODUCTION

The Southern Africa Development Coordination Conference (SADCC) is entering the 1990s with mixed blessings. It is in the grip of one of the worst drought of this century with crops withering, livestock dying, and human life threatened. Moreover, many SADCC countries are in the midst of economic policy reforms to place their economies on sustainable growth paths and to reverse declining trends experienced in the 1980s. At the same time, if the process of change in South Africa is not to be marred by prolonged violence and instability and if durable peace can be attained in Angola and Mozambique, the Southern Africa region will be on the verge of unprecedented peace and stability. Without peace and stability in the region, trade flows will be hampered, the confidence of the investors will be undermined, and the full potential of the peoples of the region to carry out their economic activities will remain unfulfilled. These mixed blessings call for a re-evaluation of three important areas: trade and investment, agricultural production and food security, and the transfer of technology which form the focus of this paper.

When SADCC was established in 1980, one of its main objectives was the reduction of economic dependency on South Africa (SA). Its dependence on SA, particularly in terms of trade, has increased rather than declined. Achieving this objective may no longer be relevant in the medium to long term with change of winds sweeping the region. Increasingly, primacy will have to be given to strengthening regional cooperation and integration. This is in line with the second original objective of SADCC aimed at forging of links to create a genuine and equitable regional integration. There are wide disparities in economic development among member states. For instance, GNP per capita in Mozambique is only US$80 (1990) while that of Botswana is US$2,040 (1990) and that of SA is US$2,530 (1990). Equitable integration will not be achieved if market forces alone are allowed to determine the outcome. Market-led cooperation and integration will need to be complemented by selective governmental interventions designed, among other things, to create enabling environments and to transfer resources from the rich to the poor member states. Experience shows that if the perception of some member states is that they are major losers, then efforts to integrate the economies will tend to falter.

Increasing intra-SADCC trade has so far proven to be fraught with problems. Attracting investment has proved difficult, and achieving food security has been intractable. The central questions are: what has been the pattern of trade and investment? Are SADCC economies competitive or complementary? What are prospects for achieving food security? This paper intends to reflect on some of the issues behind these questions and to provide some perspectives.

The rest of the structure of the paper is as follows: section II analyses trade and investment issues. Trade and Technology issues are also discussed. Section III analyses issues on agricultural production and food security. Section IV draws some conclusions.

PROMOTING INTRA-SADCC TRADE AND INVESTMENT

In the late 1980s, SADCC made a policy decision to encourage promotion of trade among the member states. Despite the efforts to increase intra-SADCC trade, it has remained dismally low, not exceeding 5 percent of the total external trade. A large proportion of this intra-SADCC trade is attributable to Zimbabwe, which has a relatively broader industrial base compared with other SADCC countries. This allows Zimbabwe to have comparative advantage over other SADCC countries.

While formal trade statistics indicate that there trade among SADCC countries is very low, qualitative observations would suggest that unrecorded transborder trade (UTT) is vibrant and probably modestly high. It could be a very large proportion of total foreign trade of some of the SADCC countries. Growth in UTT could be linked directly to policy distortions. Among these the major ones are overvalued exchange rates, lower prices paid to farmers which encourage diversion of production across borders, wide price differentials induced by inflation, and impediments to lawful international trade.

The volume of trade between South Africa and SADCC countries is larger than intra-SADCC trade. South Africa's export to SADCC region amount to about US$2 billion per annum, while its imports from the region are about US$350 million. At present, South Africa represents about 25-30 percent of total SADCC imports and 7 percent of SADCC's exports. The balance of trade has been in favour of South Africa.

Moreover, economies of Botswana, Lesotho, Namibia, and Swaziland have strong trade links with South Africa through the South Africa Customs Union created in 1910 (see **Table 1**). For Botswana, about 90 percent of imports come from South Africa, for Lesotho, at least 90 percent of total trade (imports and exports) is with South Africa, and for Swaziland around 85 percent of imports come from South Africa. And in terms of foreign investment - another indicator of the degree of dependence -- South African corporations are the largest investors in these three countries as well as in Namibia.

TABLE 1: PERCENTAGE COMPOSITION OF BLS TRADE WITH RSA

	BOTSWANA		LESOTHO		SWAZILAND	
Year	Import	Export	Import	Export	Import	Export
1980						
1981	87	7	99	64	77	24
1982	92	17	99	62	83	32
1983	91	12	99	64	83	35
1984	84	8	99	99	84	31
1985	88	10	99	99	91	31
1986	87	7	99	91	80	28
1987	93	7	99	92	90	36
Ave.	96	5	98	91	90	36
	90	9	99	83	85	32

Source : Hoohlo, 1991

Although the trade statistics are weak, the structure of SADCC's exports and imports suggests that there is a certain degree of diversity in among the economies. For Angola, crude oil and coffee account for close to 70 percent of total exports, with crude oil being the major commodity. For Botswana, diamonds, copper/nickel, and beef account for around 90 percent of total exports, with diamond being the leading export. For Lesotho, diamonds, mohair, and wool are the main exports accounting for around 45 percent of total exports with mohair being the major export. For Malawi tobacco, tea, and sugar are the main exports accounting for around 80 percent of total exports with tobacco being the major export. For Mozambique shell fish, base metal ores, and cashew nuts are the main exports. Namibia's leading exports are diamonds together with uranium and copper/lead/zinc accounting for over 80 percent of exports. For Tanzania coffee, cotton and tea are the main exports accounting for close to 60 percent of total export. Copper domains Zambia's export, accounting over 80 percent of exports while Zimbabwe's major exports are tobacco, asbestos and gold. Most of these commodities are exported to the world markets unprocessed or semi-processed, and thus they have low value added.

Table 2 below shows the commodity structure of imports. It is evident that machinery and transport equipment are the major category of imports for many of the SADCC countries. Food imports are also important for Angola, Botswana and Mozambique. Many of the SADCC economies do not have the capacity to produce machinery and transport equipment. These are imported from outside the SADCC region.

TABLE 2: STRUCTURE OF IMPORTS (% of Merchandise Imports), 1989

Country	Food	Fuels	Other Primary Commodities	Mach & Trans. Equipment	Other Manufacture
Angola	29	3	1	39	28
Botswana	14	6	4	38	38
Lesotho	..	..	..	..	..
Malawi	10	12	1	43	35
Mozambique	35	1	3	34	26
Namibia	..	..	..	..	..
Swaziland	..	..	..	..	..
Zambia	..	..	..	..	..
Zimbabwe	3	1	5	55	36

Source : World Bank, World Development Report, 1991
.. Data not available

REGIONAL TRADE IN POST-APARTHEID ERA

For the post-apartheid era, the assumption in this paper is that SADCC and South Africa will enter into a regional integration arrangement that would lead to the creation of a common market. In this common market, to contribute towards a competitive environment, tariff levels should be lower than the ones presently existing in SACU. In parallel, no-tariff barriers to trade should also be reduced. The central question is whether there will be more trade creation or trade diversion in the regional economy.

Trade creation would imply that SADCC countries would increase their imports from South Africa and reduce their imports from other SADCC countries. The assumption would be that goods from South Africa would be cheaper than those produced in SADCC countries because of: (a) reduction of tariffs; (b) unit cost of production in South Africa may be lower than in SADCC countries; and (c) opening trade links as a result of lifting of sanctions.

Trade diversion would imply that SADCC countries would reduce their imports from a low cost supplier from the rest of the world and increase their imports from South Africa or other SADCC member countries, even though the cost of production could be higher in South Africa or in SADCC than the rest of the world. This could be primarily due to imposing high tariffs on imports.

In practice, there would be both trade-creating effects and trade diversion effects. It is generally presumed that if trade creation dominates, efficiency will be increased; and if trade diversion dominates, efficiency would fall. However, judging the performance of a regional integration by this criterion would be an oversimplification as Paul Wonnacott and Marl Lutz (1989, p 28) suggest. They point out, "The idea that trade diversion is economically undesirable is based on the assumption that tariffs constitute the prevailing barrier to trade. However, as quotas and voluntary export restraints (and other non-tariff barriers) become more prominent feature of the protective framework, it is no longer clear that trade diversion will reduce efficiency."

Flow of trade within the region has been hampered by both tariff and non-tariff barriers. The tendency to replace tariff with non-tariff barriers (such as cumbersome licensing requirements, work and residence permits, administrative foreign exchange allocation, police road blocks, and others) have frustrated trade.

Economies of large scale in production provides a powerful reason why there may be improvements in efficiency, even if initially trade diversion may predominate. With South Africa and SADCC markets integrated, firms will be able to achieve higher levels of capacity utilization or expand their productive capacity and will be able to exploit economies of scale, and, thus, become cost competitive by international standards. Initially, production costs of these firms may be relatively higher than world standards, but over time they could come down -- these are the dynamic aspects of integration.

It is also important to note that exchange rate misalignments and balance of payments disequilibria may suggest that imports from low cost supplier in monetary terms may not reflect the economic costs. It is well known that overvalued exchange rates distort relative prices and stifle efforts to increase intra-regional trade. Exporters in countries with overvalued currencies tend to get penalized. Policies to move towards market determined exchange rates will be critical to increase intra-regional trade in post-apartheid era.

Many SADCC member states are undertaking trade liberalization policies. In South Africa, however, in the short to medium term, there appears to be resistance to deepening of trade liberalization.[22] For instance, in South Africa's textile industry there is a growing apprehension of the industry getting marginalized in the face of competition from the East. In the past 18 months, the industry had to retrench 20,000 workers. The industry employed 5000,000 workers from growing cotton through spinning, weaving, knitting, to making textiles and retailing of clothes. With a deep recession and prospects for more job losses, employers and

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22 In support of this proposition, see Trevor Bell, "Should South Africa Further Liberalize Its Foreign Trade?" Economic Trends Research Group, Working Paper no 16, Rhodes University.

the South African Clothing and Textile Workers' Union (SACTWU) reached an agreement on limiting the damaging impact of the cheap textiles from the East by means of a tariff-quota system. The approach would be in phases. The first phase would permit imports at the current rates of duty in quantities agreed by various sectors. Imports above the agreed quantities would be subject to higher duties. In the second phase, the industry will formulate long term growth plans to make it internationally competitive.

CONSTRAINTS TO INTER-SADCC TRADE

The central question is: what are the constraints to intra-SADCC trade? Identification of these constraints is critical to formulation and coordination of those policies designed to promote regional trade. So far there has been no coordination of trade policies among SADCC countries. Each country has pursued independent trade policies.

There are many constraints to intra-SADCC trade. A few are highlighted here, and these are:

(a) **inappropriate macroeconomic policies** - overvalued exchange rates are probably the most important inhibition to increased trade. It becomes difficult to price exports at the official rate from the country with great overvaluation;

(b) **unwillingness to reduce barriers** - both high tariffs and non-tariff barriers constrain expansion of trade;

(c) **barriers to cross border investment** - allowing free movement of investment is important to facilitating regional trade;

(d) **fear of economic domination** - mercantilistic trade practices (export more and import less) get pursued for fear of economic domination. Fear of economic domination retards integration;

(e) **market access** - information about the market opportunities tends to lack among the business community, although the SADCC Chambers of Commerce and Industry are making commendable efforts to correct the weakness; and

(f) **lack of currency convertibility** - many local businesses have a lot of local liquidity, but to import goods they must wait for the central banks to allocate them foreign exchange.

DIRECT FOREIGN INVESTMENT

In many SADCC countries, gross domestic savings have declined, even in certain cases they have become negative. To bridge resource gaps, foreign direct investment could play a useful role. However, in the 1980s, direct foreign investment in SADCC declined. On the average it fell by about 6 percent from an aggregate of US$907 million in 1980-84 period to 678 million in 1985-89 period. In this latter period, Angola and Zimbabwe experienced severe disinvestments. Despite policy efforts by many SADCC governments to offer attractive terms to investors, little or no new investment took place. (See Table 3).

TABLE 3: FOREIGN DIRECT INVESTMENT

(Total for the period, in $mn)

Country	1980-84	1985 - 89
Angola	373.6	-27.5
Botswana	307.1	354.2
Lesotho	19.4	37.5
Malawi	13.2	1.0
Mozambique	6.3	1.7
Namibia	..	..
Swaziland	47.7	192.3
Tanzania	33.9	10.1
Zambia	106.0	128.8
Zimbabwe	-0.2	-20.1
SADCC Total	907.0	678.0
South Africa	944.0	-453.0

Source : C. Stoneman and C. B. Thompson "Southern Africa After Apartheid" in UN 'Africa Recovery', Vol. 6 No 1 December, 1991, p 6.

TRADE AND TECHNOLOGY

OVERVIEW

There are important links between trade, production and technology. Technology determines the production process and the range of products to be produced. These in turn determine the composition of trade and the nature of comparative advantages.

A SIMPLE MODEL

$$\begin{tikzcd} \text{TECHNOLOGY} \arrow[r] & \text{PRODUCTION} \arrow[d] \\ \text{MARKET SIGNALS} \arrow[u] & \text{TRADE} \arrow[l] \end{tikzcd}$$

Within the regional context, trade in technology between South Africa and the SADCC economies will be critical in narrowing the gap in economic development. The importance of technology to the process of economic development, and especially to industrial growth, is universally recognised.

The manufacturing industry offers a wide array of applications of new technology to production. Technological development is central to increases in productivity. This can be achieved through shifts from low-productivity, traditional activities to high productivity modern, dynamic activities, and thus, leading to structural transformation. Although the precise workings of the technological forces in the development process are not clearly comprehended, some studies have shown that about 40-90 percent of economic growth in developed countries is directly attributable to application of science and technology.[23] It should be pointed out that major innovations have been one source of increases in productivity in manufacturing, however, 'minor' innovations, defined as efforts to gain complete mastery of given technologies, adapting them and making incremental improvements have been equally important.

Investment in research and development (R & D), leading to innovations (shifts in the production possibility curve), is considered the main determinant in technological progress. Since SADCC countries spend very little on indigenous R & D, they lag dismally behind the international technological frontiers in many productive activities. To the extent that in SADCC there is dearth of technology innovators, technological progress will depend increasingly on the transfer of existing and new technologies in the form of equipment (disembodied technology), know-how and skills (embodied technology) from industrialized and the newly industrialized countries. The capacity to absorb technology will determine the choice of the technology to be imported. Technological absorption will in turn require the recipients to allocate adequate resources in acquiring new skills and knowledge, and in building new institutional structures which will rapidly respond to new global innovations. Irrespective of the level of development, application of science and technology (whether in industry, agriculture, transport, communication, and others) constitutes a major driving force behind long term economic growth and development.

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23 J.B Clark, "The Intra-regional Transfer of Technology," in Africa Insight Vol 21 no 1 1991 p 19.

The process of technological assimilation, which generally leads to adaptations and improvements, is by necessity a firm-level process. Technology transfer will not take place if firms lack the capacity to select the technologies they need; if they lack the technical and managerial capabilities to implement the technology that has been transferred; if they lack the knowledge of the right combinations of the technical packages; and even worse, they may not even pay the right price for the technology due to ignorance. It is useful for analytical and policy purposes to focus at the firm level.

When the new technologies (i.e. new products, processes or scale of operations) will be transferred from the new South Africa to the SADCC region, gaining of mastery of that technology will be critical. It will require enterprises to develop new skills technical as well as managerial and organizational skills. In many cases, the formal bases for skills acquisition will be human resources development (say, graduate engineers in relevant fields) in parallel with a great deal of on-the-job or formal training, research, experimentation, design, standardization of components and other related functions. Dynamic efficiency implies continuous adaptations to the technology to cope with changing conditions in the product and factor markets. This, in turn, requires improvements and additions to new product lines, applying different process technologies or raw materials, diversifying the scope of the operations all in the quest to increase efficiency and productivity.

SPENDING ON R & D

Spending on R & D is a measure of the efforts to innovate and shift the production frontiers. Industrialized countries spend close to 3 percent of their gross domestic product (GDP) on research and development. While South Africa spends close to 1 percent of its GDP on R & D, qualitative estimates seem to suggest that SADCC countries spend much less. In contrast, South Korea spends more on R & D than the USA, in relative terms. By the turn of the century, South Korea plans to spend in excess of 4.5 percent of its GDP on R & D. The central issue is the capacity to increase expenditure on R & D to accelerate industrial development.

In SADCC countries a large share of expenditure on R & D is undertaken by the public sector; the private sector plays a very insignificant role. Even, in South Africa, government spending on R & D is 72 percent of the total expenditure, while the private sector spends only 28 percent. In contrast, countries such as Japan, USA, UK and Germany, the private sector accounts for 60 to 80 percent of the expenditure, and the government makes up the balance. It is important to note that at present South Africa spends about 60 percent of the total research and development money spent on the African continent. The dominance of investment in R & D in South Africa implies that there is a large potential intra-regional technology transfer in the Southern Africa region (Clark, p 20).

TRADE BASED ON TECHNOLOGICAL INTENSITIES

Trade in technology between South Africa and the SADCC countries will also take place as an integral part of goods traded within the region and foreign investment. It is useful to classify the goods traded by the level of technology intensities. The high technology part of industry comprise aerospace, office equipment and machines, electronic components, instruments, electrical machinery and others. Medium technology part of industry refers to automobile industry, chemicals, non-electrical machinery, rubber, plastics, and non-ferrous metals. Low technology part of industry refers to stone, clay, and glass industries, and food, beverages, and tobacco processing, textiles, shipbuilding and petroleum refining, and assembly type of activities.

Intra-regional trading patterns, based on technology intensities, reflect the level of technological development (see Table 4). South Africa's exports to the SADCC region have predominantly fallen in the medium technology category, with some activity on the low technology, and little in the high technology category. As a reflection of the low level of technological capabilities existing in SADCC, its exports to South Africa have been mostly in the low level category.

TABLE 4: PATTERNS OF SOUTH AFRICA EXPORTS TO SELECTED SADCC Countries Based On Technological Intensities, 1985

A. Tech	Low Tech.	Medium Tech.	High
Zimbabwe	70%	25%	5%
Zambia	32%	86%	0%
Malawi	40%	55%	5%
Swaziland	85%	15%	0%

PATTERNS OF SOUTH AFRICA'S IMPORTS FROM SELECTED COUNTRIES BASED ON TECHNOLOGICAL INTENSITIES, 1985

B. Tech	Low Tech.	Medium Tech.	High
Zimbabwe	87%	12%	1%
Zambia	100%	0%	0%
Malawi	100%	0%	0%
Swaziland	85%	5%	0%

Source: J.P. Clark, "Intra-regional Transfer of Technology" in Africa Insight vol. 21 no 1, 1991 p.23-24.

THE CHALLENGE TO IMPROVING FOOD SECURITY

Increasing SADCC's capacity to feed itself has been one of the highest priorities. Yet the crisis in SADCC's agricultural production continues. In many SADCC countries food production has either stagnated or declined, resulting in cereal imports. For many SADCC countries cereal imports have increased by more than four fold between 1974 and 1989. This has contributed to diversion of valuable foreign exchange from investment and other expenditures which are critical to long-term development. For instance, in Angola cereal imports rose from 149,000 metric tons in 1974 to 248,000 metric tonnes in 1989. Correspondingly, Angola's food aid cereals imports rose from zero in 1974 to 79,00 metric tonnes in 1989. (See Table 5).

The rate of population has been growing faster than that of food production. As a result the index of food production per capita in all SADCC countries has declined. If this trend is not reversed, the food plight of SADCC will likely worsen. In the early 1980s, SADCC focused on food self-sufficiency. It became apparent that this objective could not be achieved - witness the growth in cereal imports. In the late 1980s, SADCC policy shifted to food security, which can be defined as access by all people at all times to sufficient food for an active and healthy population. The essential elements of the programmes of food security include increasing in food production and distribution, and raising of incomes in both rural and urban areas. SADCC has yet to achieve food security.

The current drought has placed food security on high priority and has demonstrated the need for efficient food security coordination. It has put the SADCC early warning system to an acid test. There is an open question on the effectiveness of this early warning system.

According to UN Food and Agricultural Organisation (FAO) estimates, the region's total food input requirements could exceed 8 million tonnes of grain over the coming year, which is four times than normal (see **Table 6**). Part of these imports will come from commercial purchases. But given the limited financial capabilities of most countries, they will be forced to appeal to donors for more food aid. This is coming at the time when traditional source of aid are overburdened by commitments to other regions such as the Horn of Africa and former Soviet Union.

TABLE 5: SADCC AGRICULTURE AND FOOD

Country	Value added in agriculture (millions US$) 1970	1989	Cereal imports (metric tons '000s)		Food Aid in cereal ('000s of metric tons)		Average index of food production per capita (1979 - 81=100) 1987 - 89
Angola	-	-	149.00	248.00	0.00	79.00	94.00
Botswana+	28.00	75.00	21.00	77.00	5.00	33.00	68.00
Lesotho	23.00	83.00*	45.00	140.00	14.00	34.00	80.00
Malawi	119.00	498.00	17.00	86.00	0.00	217.00	85.00
Mozambique	-	704.00	62.00	400.00	34.00	424.00	83.00
Namibia	-	187.00	-	0.00	-	-	95.00
Swaziland	-	-	-	-	-	-	-
Tanzania	473.00	1795.00*	431.00	83.00	148.00	76.00	90.00
Zambia+	191.00	617.00	93.00	123.00	5.00	66.00	97.00
Zimbabwe	214.00	664.00	56.00	52.00	0.00	0.00	90.00

Source : World Bank, <u>World Development Report</u> 1991, pp 210 - 211

Note : + Value added in agriculture data are at purchaser values

* Figures are for years other than those specified.

TABLE 6: SOUTHERN AFRICA'S FOOD GAP

Angola	270
Botswana	200
Lesotho	230
Malawi	500*
Mozambique	1,000
Namibia	100
South Africa	4,000
Swaziland	100
Zambia	6,800
Zimbabwe	1,250

* Does not include food aid for Mozambique refugees.

Note: Based on FAO estimates as of March 1992.

Source: United Nations, Africa Recovery, Vol. 6 No 1 April, 1992.

Hardest hit by drought are Zimbabwe and South Africa, which traditionally are the largest grain exporters. Large parts of Botswana, Lesotho, Malawi, and Mozambique have also been affected by drought. All these countries are expected to incur serious crop losses. President Nujoma of Namibia has warned that his country faces a crisis of unprecedented proportions, and declared a national drought emergency.

Although other regions have experienced crop failure, Tanzania has recently benefited from widespread rains in the major crop producing areas. Tanzania's estimates of possible import requirements over the next year are not yet available. On the overall, rainfall has been favourable in Angola. But the efforts to resettle more than one million Angolans displaced by the war will contribute to 270,000 tonnes of food import requirements.

As a result of the exceptionally larger volume of food imports into the region, there is a serious congestion on the region's transport routes and bottlenecks at the ports. Regional cooperation and coordination within SADCC itself and with South Africa will be absolutely essential. A recent meeting of Ministers of Agriculture and Transport and Communication held in Lusaka attests to this need.

An important agricultural policy with significant implications on food security is the balance between cash crop production and food crop production. It has been asserted that shift from food crop production to cash crop production may be contributing to food insecurity. For instance, in some SADCC countries there has been a shift from maize production used to feed the local population to growing of exotic flowers for the European market.

Agricultural pricing policies have also contributed to poor crop production. In most SADCC countries marketing boards extracted large surpluses from the farmers the differentials between producer prices and selling prices. There is hardly any coordination of agricultural production policies at regional level. But regional efforts on agricultural research have been commendable (such as Southern Africa Coordinating Council for Agricultural Research - SACCAR). However, it appears that the linkages between research findings and field application are weak. SADCC needs a Green Revolution to quadruple food production.

In conclusion, concerted efforts is required to increase agricultural production and improve food security. This calls for:

(a) better pricing policies to stimulate production in parallel with free marketing of agricultural products;

(b) private sector investment in the production, processing of agricultural products, and supplying of farm inputs should be encouraged rather stifled by excessive regulation and controls;

(c) efforts should be made to achieve an appropriate balance between food and cash crops; and

(d) dissemination of research findings should be intensified, and linkages between research institutions and extensions services, both at regional and national levels, should be strengthened.

CONCLUSION

SADCC should move boldly and quickly to work out a regional arrangement with South Africa, which should form a basis for increasing intra-regional trade. Intra-SADCC trade is currently less than 5 percent of total trade. However, if unrecorded UTT were included, the volume of intra-SADCC trade could be much higher. Greater efforts in mobilizing domestic savings and attracting foreign investment will be needed to finance development and growth.

The current drought has placed in sharp focus food security issues. It has put into question the effectiveness of the SADCC early warning system. The gap in food imports for 1992 - 93 will be about 8 million tonnes, four times than the normal. The challenge for SADCC is to improve its capacity to feed itself through increases in production or through increase in the aggregate level of incomes so that SADCC will have the financial capacity to import food rather than depending on food aid.

The transfer of technology and the acquisition of technological capabilities would be crucial to increasing SADCC's activity in agricultural and industrial sectors. There is a large potential for the transfer of technology between SADCC member states and South Africa. It should however, be noted that there has been little expenditure on R & D in SADCC compared to South Africa. SADCC member states will need to design and coordinate technological policies if technology has to play a critical role in regional integration.

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ENHANCING THE ROLE OF WOMEN IN ACTIVITIES

G.K. Kayira and A.G. Luhanga

OVERVIEW

In the Southern African Development Coordinating Conference (SADCC), the role of women in productive activities has increasingly received attention. This is in part to address the problems of deepening economic crisis which have deepened. In general, women in SADCC make significant contribution towards the process of socio-economic transformation and development. It would be difficult to implement programmes for economic transformation and improvement without the participation of women. In many SADCC countries over 60 percent of households are headed by women. (The World's Women : Trends and Statistics 1970 - 90 UN, 1991). Women are involved in the mainstream of agricultural production as well as commercial activities. Upliftment of women through better access to credit, farm inputs, marketing systems, and secure land tenure systems will be central to sustainable rural development. Based on social and cultural values prevailing within SADCC, women should increasingly be involved in all the critical stages in designing and formulating policies and programmes that are intended to benefit them. Women have significant potential for accepting new concepts, techniques and technological changes. In view of this participation of women in decision-making is critical to changes in attitudes and to increasing their productivity. (SAFICIOS - ROTHSHILD).

Women are the major food producers. They manage the environment, and they also generate a large part of cash income through commercial activities. Most women are involved in unpaid work which is a vital contribution to the economy of most households and also to the economy as a whole. In effect, women's unpaid work compensates for inadequate services to the community. However, it does not figure in national accounts. (Women - Challenges to the Year 2000, 1991. Women in the Work Places in Developing countries - World Bank Finance and Development Journal - June 1992). It is perceived that unpaid non-working women are primarily consumers of social welfare, which is a gross misconception - they are in fact unpaid producers of social welfare.

This misconception is a child of cultural attitudes. It creates discrimination against women, relating them to a status of inferiority submissiveness and weakness vis-a-vis the status of males. Indeed, in the face of such indomitable hurdles, the role of the women in development is severely frustrated and restricted.

If women's contribution to development is to be meaningful at all, they should increasingly be involved in all the critical stages in designing and formulating policies and programmes that are intended to benefit not only them but also their families, communities, nations and the region.

There is a need to reconsider and eliminate any factors which militate against women's involvement in development, if they are expected to play a vital role. The underlining factor for women contribution to development, is their status as perceived by the mankind.

THE STATUS OF WOMEN

Generally, the status of women is determined by attitudes in the respective communities. Attitudes may be reflected legislatively, administratively and by the behaviour of the people. Traditionally, in the SADC region, a woman is inferior to a man. That is, she is discriminated upon Discrimination means "any distinction, exclusion or restriction made on the basis of sex which has the effect or purpose of impairing or nullifying the recognition, enjoyment or exercise by women, irrespective of their marital status". (The United Nations Convention on the Elimination of all Forms of Discrimination Against Women, 1979).

The status of women is one of the factors that contributes to economic growth. The status of women can be assessed by the performance of women in the following fields:

(a) education;
(b) employment opportunities and labour practices;
(c) health and fertility control;
(d) legal capacity and access to resources; and
(f) leadership and decision making.

EDUCATION

Education is key to women empowerment. In today's technological word, skills and education are much more important to economic growth than the sheer quantity of labour power. The World Bank (1991) examined some of the reasons behind differences in economic performance in developing countries. One of the factors that proved significant to economic growth is education. Where an average adult had more than 3.33 years schooling, the country's GDP grew at 5.5 percent a year between 1965 and 1987. Where the schooling average was about 3.50 years, GDP grew at 3.8 percent. Overall increasing the average level of schooling by 3 years was associated with 27 percent increase in the country's rate of economic growth in the countries. Similarly, increasing education by 6 years lifted economic growth rates by 39 percent.

Education begins its economic impact at the level of individual families and enterprises. It broadens horizons beyond habit and tradition, encouraging innovation and entrepreneurship. For example, literate people can read information and instructions. They can calculate doses of fertilisers and pesticides, and keep of expenses and income. It has been observed that one extra year of schooling has been found to increase wages by orders of magnitude from 7 to 25 percent. It can even boost farm output by orders of magnitude from 2 to 5 percent (World Bank 1992b). And again, education for women is associated with lower fertility. It is the link between economic growth and slower population growth (World Bank Report, 1991a).

Indeed, it is clear that there is a direct correlation between literacy, health, and economic growth. Education decisively determined everyone's access to paid employment, earning capacity and the overall health. Also it helps one to take control of ones life and assume a status and identity . As for an education women, the status and identity go beyond child bearing thereby allowing them to participate fully in the public life of their communities. Education, also plays a crucial role in child survival. It opens up wider horizons, and creates new opportunities, especially with regard the study of science which enables one to take an active role in technological development.

However, according to the 1990 United Nations Educational Scientific and Cultural Organization (UNESCO) statistics, 50% of adult women in sub-Saharan Africa (excluding South Africa) were illiterate. For these women, illiteracy compounds their other problems, contributing to their marginalization within their families, the workplace and public life. They have not benefited from socio-economic and technological progress. They are invariably caught in a vicious circle of poverty, repeated child bearing, ill health and powerlessness.

At independence most governments in the region adopted education policies which did not discriminate on the basis of sex. However, female education is not a priority among families in most countries especially in the rural areas.
The financially hard-pressed parents tend to take their girls out of school to help them with domestic work. They have to work in order to ensure the survival of the family or else they get married for a profit. This is aggravated by some of the social customs which dictate that girls do not need education since they will marry and raise children rather than work outside the home. However, this is increasingly changing.

EMPLOYMENT OPPORTUNITIES AND LABOUR PRACTICES

The equality of access between men and women to employment opportunities is crucial for realising women's full productive potential. Labour practices which are discriminatory against women contribute towards reducing the output of women. As Table I shows, as a percentage of formal employment, women are in minority in all SADC countries. However, in countries such as Lesotho, Swaziland, Malawi, Mozambique, and Tanzania, at least 40% of the labour force is represented by females.

TABLE 1: EMPLOYMENT IN SADC

Country	Labour Force (as % of Total Pop.) 1988-90	Women in Labour Force (as % of Total Labour Force) 1988-90	Agric. 1986-89	Ind. 1986-89	Ser. 86-89
Angola	41	34	74	9	17
Botswana	35	36	43	5	52
Lesotho	46	44	23	33	44
Malawi	42	42	82	3	15
Mozambique	55	48	85	7	8
Namibia	29	24	43	22	35
Swaziland	36	40	74	9	17
Tanzania	47	48	86	4	10
Zambia	32	29	38	8	55
Zimbabwe	41	35	65	5	30
South Africa	36	33	14	24	62

Source: UNDP, Human Development Report 1991, New York: Oxford University Press, 1992, P.158 and 159.

In the majority of SADC countries, the agricultural sector employees over 70 percent of the labour force. This is a reflection of the dominance of this section in the structures of these economies. As a result of agricultural policy distortions, weak linkages between agriculture and other sectors, and the under-developed nature of the technological applications, incomes in the agricultural sector are relatively smaller than in other sectors, and in many SADC countries have declined. Women are predominantly engaged in the agricultural sector. Women who are in the formal sector, mostly are not paid the same wages and benefits as their male counterparts. From a gender perspective and for cultural reasons, income distribution is skewed in favour of males.

HEALTH AND FERTILITY CONTROL

Family planning and health services help women in improving their overall health status and that of children, and increasing their opportunities to take an expanded role in society. Throughout life, women's concerns about their health differ from men's, and they face different threats. Child bearing exposes women to a particular array of health risks, and in SADC region the complications from pregnancy and childbirth are a major cause of death for women.

However, such complications may be avoided if good health and family planning services are made readily available. Women are given opportunities to choose whether they will have children, when and how many. It has been recognised that access to family planning services opens the way to many other benefits, to such an extent that a woman's control over her own fertility has been called "the freedom from which other freedoms flow."

LEGAL CAPACITY AND ACCESS TO RESOURCES

Women have limited legal capacity and access to resources. This limitation makes it difficult for women to enter into contracts particularly under customary law and the Roman-Dutch common law. Consequently, women have limited access to financial resources which are critical determinants for overall development, equitable income distribution and social upliftment of women.

Access limitations to financial credit, which adversely affect women are:

(a) lack of equity or collateral;
(b) poor identification and appraisal of bankable projects;
(c) lack of appropriate skills;
(d) lack of proper business guidance and advisory services tailored to meet the needs of women entrepreneurs; and
(e) lack of confidence and trust by financial institutions in local women entrepreneurs.

LEADERSHIP AND DECISION MAKING

Limited participation of women in labour unions, political parties and decision-making positions reduces their ability to influence decisions affecting their living conditions. This lack of participation arises from traditional attitudes, customs, lifestyles, and social structures. Changes in these mitigating factors will be important in enhancing the leadership roles of women.

PROGRESS TOWARDS WOMEN IN DEVELOPMENT

GLOBAL

Since 1945, the United Nations has been instrumental in improving the status of women. This has been through spearheading change and raising awareness of women situation throughout the world. Unfortunately, discrimination against women, still is deep-rooted in cultural beliefs and traditional practices throughout out of the world. To draw attention to these obstacles, the UN declared 1975 as the International Women's Year. And also, in the same year, the first World Conference of the International Women Year was convened in Mexico City. The Conference produced the first World Plan of Action for the Advancement of Women to be implemented by Governments and non-governmental organisations (NGOs). It identified key areas of national action, including political participation, education and training, employment, health, the family and population.

Appreciating the growing global importance of women's issues, the UN General Assembly proclaimed 1976 - 1985 as "the United Nations Decade for Women Equality, Development and Peace." It marked the start of an international effort to right the wrongs of history. The combination of the Year and the Decade succeeded in putting women's concerns, in particular gender equality, and full integration of women in the development process into global perspective.

Furthermore, in 1979, the UN General Assembly adopted the "Convention On The Elimination Of All Forms Of Discrimination Against Women." This is sometimes referred to as the Women's BILL OF RIGHTS". The Convention commits governments to take all appropriate measures to ensure the full development and advancement of women.

Again in 1985, in Nairobi, Kenya, the UN held a World Conference to Review and Appraise the Achievements of the United Nations Decade for Women. The Conference adopted "The Nairobi Forward - Looking Strategies For The Advancement Of Women To The Year 2000", a blueprint which identified areas for action by Governments and NGOs to improve the status of women by the year 2000.

In 1990, "the Commission on the Status of Women" undertook a five-year review and appraisal of the implementation of the Nairobi blueprint. However, the results were discouraging. The Commission found that "the situation of women had deteriorated in many parts of the world, especially in developing countries where economic stagnation or negative growth, continued population increases, the growing burden of debt and the reduction of public expenditures for social programmes had further constrained opportunities for women to improve their situation. There was evidence of an alarming regression in the status of women in the spheres of education, employment and health. Too often the issue of the advancement of women had received only low priority".

The Commission warned that the cost to societies of failure to achieve true gender equality would be high in terms of slowed economic and social development, misuse of human resources and reduced progress for society as a whole. (Women : Challenges to the Year 2000, UN, 1991 P2. Another review will take place around 1995.

AFRICA REGION

The African Charter on Human and People's Rights was adopted in 1981. It provides for the improvement of the status of women in Africa. This theme has been debated in several forums by leaders who have expressed the need to improve the status of women as a vehicle to the improvement of the economies of the continent. Prior to this in 1975, the Economic Commission for Africa (ECA) Human Resources Development Division established the African Training and Research Centre for women even before the UN Decade for Women was declared. One of the primary objectives was to promote the full use of the combined human resources - male and female - for development in the countries of Africa by the year 2000.

Focus was on integrating African women more effectively into the development efforts by offering them more extensive education and training facilities, and by involving them more actively in the planning and execution of national development projects.

The former Executive Secretary of the ECA, Adebayo Adedeji, when addressing the issue of Africa's progress into self-sufficiency through coordinated development, said:

> "We have come rather late to a realisation of how effective women could be in re-shaping our society to bring immeasurably greater benefits to vastly bigger numbers of our people. (Underline is the authors) We have had occasion in recent years to re-think our values, and recast our traditional approaches to the problems we face, and the outcome has been the recognition that our women, given the training and incentives, can lead and achieve in all areas as skilfully, if not better than men. Now, the door has been thrown wide open to them in the interests of a better life for all of us in Africa - and elsewhere.
>
> Under the United Nations Decade for Women, the worldwide call is for men and women to devote their considerable reservoir of talents towards, creating, - if not a new heaven, then certainly, a new earth!"

(ECA/ATRCW WOMEN IN AFRICA - United Nations Decade for Women 1976 - 1985 by United Nations Information Service ECA).

THE SADC REGION

There are several indicators which show sharp divides between females and males in the SADC society (see Table 2). It is not a society that is based on principles of discrimination enshrined in the constitutions but on cultural and social beliefs. By divine design, women tend on the average to live longer than men. Longer life expectancy for women suggests that they have potentially longer productive lives than men.

Access to better employment opportunities depends primarily on the level of literacy and overall educational capabilities. In most SADC countries men achieve higher levels of literacy mean years of schooling primary secondary and tertiary enrolment. It is important to note that while the gap between females and males is narrow at primary school level, it tends to widen progressively at tertiary level. However, it must be pointed out that in Lesotho and Swaziland, women have made major strides into high level management.

TABLE 2: SADC COUNTRIES: FEMALE-MALE GAPS

FEMALES AS A PERCENTAGE OF MALES

Country	Life Expectancy 1990	Pop.1990	Literacy 1970	Literacy 90	Mean years of schooling	Primary Enrolment 1960	Primary Enrolment 88-89	Secondary Enrolment 1988-89	Tertiary Enrolment 1988-89	Parliament 1990
Angola	107	103	44	51	52	--	82	--	--	17
Botswana	111	109	119	78	97	137	107	111	76	5
Lesotho	117	108	151	--	147	162	119	148	--	--
Malawi	103	103	43	--	46	--	96	60	27	11
Mozambique	107	103	48	47	54	60	84	67	33	19
Namibia	104	101	--	--	95	--	--	--	--	7
Swaziland	107	103	--	--	82	--	105	96	70	--
Tanzania	107	102	38	--	45	55	100	100	33	12
Zambia	104	103	56	81	45	67	98	54	38	5
Zimbabwe	106	102	75	82	40	--	100	68	60	14
S. Africa	110	101	--	--	90	90	--	--	--	3

Note: All figures are expressed in relation to the male average which is indexed to equal 100. The smaller the figure the bigger the gap, the closer the figure to 100 the smaller the gap, and a figure above 100 indicates that the female average is higher than the male.

Source: U.N., Human Development Report, 1992 pp 144-145

The world of politics has remained the domain of men. Women are grossly under represented in parliaments. The lowest representations are in Botswana and Zambia where females members of parliament account for 5 percent of the male counterpart. The highest representations are in Mozambique and Zimbabwe where female members of parliament account for 17 percent and 14 percent of the male counterpart, respectively. This is a reflection of the role of women played in the liberation wars of political independence. Even then these representations are small, and the implications are that women may not be able to form effective pressure groups to promote their interests.

WOMEN AND STRUCTURAL ADJUSTMENT PROGRAMMES

In the 1980s, which have been characterized as "the lost decade", many SADC countries experienced economic turbulence, shocks, and disequilibria. This resulted in decline in per capita incomes and deepening of poverty. With fiscal deficits widening and balance of payments becoming unsustainable, it became imperative to cut expenditures. Experience has shown that in the quest to reduce these deficits, cost in expenditure for social services, particularly health education, have aggregated the welfare of the most vulnerable groups in the social strata - women and children. And yet, as pointed above, in many SADC countries about 60 percent of households are headed by women. Reduction in social spending has direct impact on the welfare of women and children.

Participation of women in design and formulation of structural adjustment and stabilization policies and programmes should be encouraged. There should be a growing sensitivity, both by the donors and aid recipient countries, to implications of social dimension of adjustment, particularly their impact on the welfare of children and women. As United Nations Children Fund (UNICEF) appropriately observed, structural adjustment programmes should have "a human face". In the design of structural adjustment programmes, reducing poverty among the most vulnerable group women and children should be given priority.

THE CHALLENGE TO ENHANCING THE PRODUCTIVE CAPACITY OF WOMEN

The major challenge is a better global understanding of the importance of women in the socio-economic development of the SADC society. It is increasingly recognised that women have a critical role to play in the dynamic changes in the fabric of society. Particularly in the rural areas, programmes on poverty alleviation can only succeed with active participation of women.

Increasing access of women to resources is a challenge that must be overcome. It will require innovative approaches to be championed by women. For instance, there may be need to create banking institutions which will lend exclusively to women. Or formation of professional associations to enhance the knowledge based capabilities of women, since knowledge is power. This would enhance access to productive resources. These kinds of changes will not take place if women remain passive. Women will need to assert their powers to ensure there is an increased access to financial and real resources on equitable terms.

It becomes imperative that specific policies and programmes be directed towards women. These include:

(a) placing issues of women as priority at the SADC level of consultations;

(b) creating a SADC-wide awareness of the rural women's economic constraints, contribution and potential, and bringing into sharp focus the links between gender, rural poverty, family welfare and national development; and

(c) mobilising action and financial and technical resources at national and regional levels that will help improve rural women's socio-economic position.

Collective action on all these fronts will be critical to improve the welfare of women and their productive capacity.

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V PROSPECTS FOR REGIONALISM IN SOUTHERN AFRICA

POST-APARTHEID IMPLICATIONS FOR SADC AND THE DRIVE TOWARDS ECONOMIC INTEGRATION

By DOMINIC Mulaisho

INTRODUCTION

To anyone coming fresh to it, the subject of African Economic Integration and Cooperation, whether at a pan-African, sub-regional or lower level, can easily seem bewildering. For at least thirty years there has been widespread agreement that most of the continent's national economies and markets are too small and that all countries could gain benefits if they could somehow integrate or at least cooperate effectively in the economic sphere. Such benefits would most obviously take the form of economies of scale, which could often make the difference between a market large enough to justify the establishment of a particular industry and one that was just too small for it ever to be viable. Another kind of benefit could be greater market power in dealing with third parties. The list of potential gains is a long one.

HISTORICAL BACKGROUND

The attractions of possibilities like these are so strong that since the very beginning of the independence era and even earlier, a wide variety of proposals for market integration and other forms of cross-border economic cooperation have been discussed at international gatherings. They have ranged, in descending order of ambition and difficulty, from a full integration pan-African economic union to the setting up of bodies for very specific functional cooperation such as locust control, and river basin development which might involve as few as two countries. There are over 200 international organizations of one kind or another in Africa, of which about 160 are intergovernmental. In addition, certain organizations were already in existence during the colonial period, and of these some that once seemed very important, such as the East African Community or the Central African Federation of Rhodesia and Nyasaland (currently Malawi, Zambia and Zimbabwe), turned out to be unworkable for one reason or another, usually political, and were dismantled.

There has thus been no absence of two conditions commonly regarded as necessary - although clearly not sufficient - for successful cooperation. One of these is high-level political goodwill, at least as signalled by the number of presidential issued at the end of summit meetings. The other is the existence of international bodies, most of them with their own staff, and entailing as stately (and expensive) a procession of ministerial and official meetings, drafting of treaties, protocols, principles and memorandum of association, commissioning of reports and expert studies, holding of seminars and workshops, recording of decisions, and preparing and duplicating a vast quantity of documentation. Indeed, it seems likely that there are too many bodies rather than too few, and it would be surprising if there is anyone who could list them all without doing a substantial amount of research.

Two other factors, however, have been in shorter supply. The first is the kind of political will that is expressed not so much in speech making about the beauties of cooperation as in implementing agreed decisions, promptly and effectively - deeds rather than words. The second is evidence of concrete benefits generated by the massive apparatus of international cooperation machinery.

Despite signs of progress in certain well-defined areas - telecommunications in most of the SADC region, to take one example - the general impression is not, as in Europe, of national boundaries steadily becoming less important and less of a hindrance to travel, to business, to the transfer of money, but rather of a continent which remains strikingly unintegrated.

Ministers and officials may be able to fly freely to other countries to attend intergovernmental meetings. But the ordinary businessman finds it no easier than he used to, to buy and sell goods across frontiers, to transport them reliably, cheaply and without burdensome paperwork, to pay and be paid in a currency accessible and acceptable to both sides, and to obtain credit. The same applies to the average citizen who might wish to travel to a neighbouring country for a holiday, to visit a friend or relatives, to study, or even - Heaven forbid - to take up a job. All along the line he is likely to have difficulties in obtaining a visa or work permit, in paying for his tickets with a currency he is allowed to possess, and in taking any useful money with him to keep himself alive. Yet all this, surely, is what cooperation must be about.

Barriers such as these may be impossible to measure statistically, but most people find from bitter experience that they are getting tougher, not easier. What can be measured is the volume of trade, or at least the trade that passes through customs, and this shows that little or no progress has been made towards market integration, with intra-African trade accounting for much the same low share to total trade as it did twenty years ago.

Within the Preferential Trade Area for Eastern and Southern African (PTA), the volume of intra-PTA trade as a proportion of the sub-region's total world trade actually decreased between 1982 and 1989, from 5.6 per cent to 4.6 per cent. There was a significant growth in total world exports by the PTA countries during this period, from US $11.7 billion in 1982 to US $14.2 billion in 1989, but exports within the group failed to increase, only just maintaining their level at US $579 million in 1989 against US $552 million in 1982.

It is very important to qualify this by noting that all such figures refer only to official trade. The volume of unofficial or unrecorded or illegal trade, which by definition cannot be measured, is undoubtedly large, with some studies suggesting that it may well equal or exceed that of official trade.[24] Whatever its precise extent, it clearly indicates that in reality African economies are more integrated than the official figures suggest. The question is ho far this trade reflects genuine comparative advantage between producers on different sides of a given border, and how far it simply reflects market distortions caused by factors such as overvalued exchange rates - more so on one side of a border than on the other - or other artificially manipulated prices.

Clearly both factors are involved in different cases. The existence of this large under-the-counter trade carries two implications. First, the scope for an increase in trade and production based on an international division of labour and specialisation is greater than might be implied by the official figures. Second, the removal of policy distortions will be crucial if that scope is to be realised. What would be wrong would be to regard this phenomenon as a simple problem of smuggling that needs to be stamped out by tougher police action. As well as being ineffective, that would be to ignore the causes that have brought it into existence. It is these that must be addressed.

Around the late 1970s events such as the collapse of the East African Community and the lack of progress in reducing tariffs and other trade barriers in the economic community of West African States (ECOWAS) led to some disillusionment with the market-integration approach. Many felt in the light of such experiences that the degree of effective political will was not such that the well-known problems of economic integration between states at different levels of development could be resolved. These problems include the fears of the less-developed parts that a disproportionate share of the benefits will go to the areas already most developed, and that any arrangements for compensation will be inadequate to offset this. They also include a reluctance on the part of member state to implement agreed decisions aimed at generating long-term benefits for the group as a whole, if such decisions involve short-term costs, for example the possible closure of an uneconomic state-owned industry.

In terms of political institutions, genuine market integration almost certainly requires a supranational body or bodies with a power to enforce common policies that is recognised as binding by the government of member states. Experience, particularly in East Africa where common institutions were most highly developed, seemed to suggest that it might be unrealistic to think that any such system could be made to work. It might be better to aim at a form of cooperation that did not involve any surrender of sovereignty.

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[24] See for instance "Unrecorded Transborder Trade in Sub-Saharan Africa and its implications for Regional Economic Integration" by R. Ballad - Background Paper Series for the Long-Term Perspective Study of Sub-Saharan Africa Vol. 4 Proceedings of a Workshop on Regional Integration and Cooperation, World Bank, Washington, D.C. 1990.

All this was part of the background against which the Southern African Development Coordination Conference (SADC) was created in 1980. Its founders deliberately eschewed setting up a supranational organization with powers of its own. Instead they created a structure for cooperation focused on specific functional sectors. All projects for inclusion on the SADC list would require the specific approval of each member state involved, while the brunt of the implementation would fall not on the small SADC Secretariat but on the member state with functional responsibility for the sector. The advantage of this approach included not just the avoidance of an expensive new bureaucracy, but a reduction in the danger that decisions taken by the SADC Council of Ministers would be repudiated or quietly shelved by national governments. Its disadvantages, if they can be called that, arise simply from the fact that it was never intended as a mechanism for integrating markets, which has meant that it has not had the capacity nor the authority to tackle many of the barriers to trade.

More recent developments, both in Africa and in the world as a whole, have generated a renewed interest in regional cooperation and integration. The failure of African economies in the 1980s has lent new urgency to the search for ways of overcoming market fragmentation. The growing division of the world into a few powerful trading blocs raises the fear that without new initiatives Africa will become increasingly marginalised.

The renewed vigour of the drive towards European integration, highlighted by the development of the European Community into a single market, has focused attention on the need for Africa to draw what lessons it can from the European experience. The end of the Cold War and the radical changes underway in Eastern, Europe and the former Soviet Union have reduced Africa's strategic significance for the West. It has also increased the competition for scarce aid funds, making it clearer than ever that Africa must look to trade than aid if imminent end of another Cold Water in Africa itself poses a specific challenge: the irreversible political changes now going on in South Africa mean that although it is not yet possible to say what policies the next government there will follow in regard to regional economic relations, the old habit of seeking to isolate South Africa and excluding it from all African initiatives will no longer make sense and a new relationship will need to be defined.

LESSONS FROM EXPERIENCE

How then can Africa learn from its own past and largely unsuccessful record, as well as from the experience of others, and start out afresh on the road to regional cooperation with a greater chance of success this time round?

The need, it seems clear, is not so much for any grand new blueprint as for the step-by-step implementation of measures that have largely been agreed. Looking at the European experience, there are many divergences between the situation of Western Europe after the Second World War, when the foundations of the present European community were first laid and that of Africa today. Both the level of pre-existing development and the extent of intra-regional trade were far greater in Europe then than they are in African now. But three elements of the European experience may be worth singling out as relevant lessons in the African context.

First, the basic political will towards integration has been matched by the willingness of governments to set specific and manageable targets and stick to them. The pace of the deepening of integration has varied from time to time, but there has never been any backsliding. That is in sharp contrast with Africa, where ambitious targets have been set but have not been achieved. The difference is that in Europe, success in reaching agreed, even ambitious targets can be met. In Africa the reverse has occurred: failure to meet targets has created a sense of unreality and reinforced the doomsday feeling that it is not worth trying.

The implication is clear: there is no point in setting new and more ambitious targets and timetables - indeed it will be confusing, demoralising and, therefore, counter-productive to do so-until the reasons why existing, less ambitious targets have not been met, have not been properly identified and measures taken to deal with them. It is fine to sign a treaty establishing the African Economic Community, as the Organization of Africa Unity (OAU) did in Abuja last year(1991). However, this is not likely to make much practical difference until the reasons why sub-regional cooperation has not worked as it was supposed to have been tackled.

Already there are more than enough such reasons to be getting on with. Within the PTA, for example, it was originally thought that there would be free trade between members within ten years after the treaty came into force, that is by September this year, (1992), but this deadline has now been put forward to the year 2000. The need, therefore, is to examine why there has been this slippage.

In fact, many of the chief constraints are fairly obvious. One is simply that some member states have not implemented the successive preferential tariff reductions on selected commodities that were agreed under the treaty.

Another reason is that some countries still operate highly restrictive import licensing regimes, together with foreign exchange allocation procedures that are incompatible with the scheduled for preferential treatment must be placed on Open General Import Licence (OGIL) and importers must be able to pay for imports of these commodities. Unless this is done, there is no chance that targets can be met. A third basic constraint is that more currencies in the PTA sub-region are unrealistically high and importers will prefer to buy from countries with more realistic exchange rates.

There are only three of the more obvious and serious inhibitions to free - or freer - trade within PTA. They point to a second basic lesson to be learnt from the European experience, namely that market integration requires that all member states pursue reasonably liberal trade regimes, at least towards a fellow members, with correspondingly liberal payments arrangements for current transactions. Leaving aside the question of a possible common external tariff, which was a major feature of the original trade arrangements in europe but which is evidently a good way down the road in the PTA, there is no point in talking about preferences for member states if import licensing or foreign exchange regimes make it impossible or too expensive to trade.

In Europe, countries are only eligible for membership of the Community if their economies function on market lines. The logical of integration is then such that countries find it increasingly necessary to pursue convergent economic policies, including monetary and fiscal policies, in order to remain competitive within the system. Circumstances in Africa are different, but the same fundamental logic applies for any level of integration that is aimed at the alternative of a fully managed trade system of the kind that used to be operated through Comencon in the former Soviet block is no longer an option.

If divergent political systems, such as those represented by the Unilateral Declaration of Independence (UDI) in Rhodesia and the rest of majority - ruled black Africa, brought any trade and other economic relations with Rhodesia to a halt during the UDI, is there any reason why irreconcilable economic systems should someway or other not have the same effect of stultifying the development of trade between countries with divergent economic policies?

It is important to note that countries that do not find it possible to liberalise to a sufficient degree are not going to be able to play their part as full members of any free trade area. Since there is no likelihood for political and diplomatic reasons that such countries will be expelled, and since for the same reasons there is little prospect of the introduction of a formal two- speed arrangement under which countries are excluded from reciprocal concessions unless they met certain minimum criteria in their own policies, it appears inescapable that if countries persist in applying restrictive policies they will slow down the movement of the whole group towards integration.

It may well be that of all the reasons why Africa's experience of integration and cooperation has so far been disappointing, the most fundamental has been the prevalence of highly restrictive inward-looking policies. The political will, however sincere it may have been when leaders attended international gatherings, has not in itself been sufficient to change the whole thrust of economic policy. Thus, at the same time as governments entered into treaty obligations to reduce trade barriers, they have continued with policies that have worked in the opposite direction.

Fortunately, there are now clear signs that for their own internal reasons - the only ones that in the final analysis determine the actions of national governments - most, if not all countries, are changing their policies in the right direction, towards greater openness and liberalisation. In considering the prospects for a renewed integration drive, this is by far the most promising factor on the scene. Since the aim is to integrate and, thereby, expand markets, the spread of market-friendly policies is a necessary precondition.

Looking again at the European experience - and this is the third lesson - it is notable that success in integration has been achieved against a background of generally rising prosperity, and many observers believe it would not have been possible otherwise. Economic growth provides resources that can be used to compensate those who lose out from the integration process. It also creates confidence in the individual member states that the process is beneficial to them,; it creates conditions in which there are more winners than iosers.

Unfortunately, integrative efforts of Africa, over the last 30 years, have been pursued against a background of diminishing, rather than growing economies. The 1970s and 1980s were not only wasted decades in the "Adedejian" sense of deepening misery: they were also wasted decades in as far as they were, on that account, an inhospitable environment for regional cooperation. This has been despite the high - profile efforts of Africa's statesmen represented by such milestones as the launching of the East African Economic Community; Economic Community of West African States (ECOWAS); the Lagos Plan of Action and the Final Act of Lagos; the PTA for Eastern and Southern Africa; SADC and, latterly, the formal launching of the African Common Market to be achieved by 2034.

In Africa, it is the domestic failure of inward - looking policies rather than any international obligations, that has led governments to begin changing those policies. Whether they came to their own conclusion that change was necessary or whether they were forced to it by outside circumstances such as debt, the fact remains that they are doing it. And by doing it, whether they intended this consequence or not, they are setting conditions under which, for the first time, steps towards closer integration have a genuine change of success and are not going to be short-circuited by basic cases, but they are much less prevalent that they were, and there is every reason to think that this beneficent process will continue.

Given this change in the overall policy environment, the task ahead is, in principle, quite straightforward. It is to tackle, step by step, the specific barriers and constraints for market integration. As already mentioned above, three of the most important of these are:

(a) the failure to implement already agreed preferential tariff reductions;

(b) the continuation of highly restrictive import licensing arrangements; and

(c) the largely over-valued currencies. There are a great many more.

It is very important that governments pay close attention to the messages they receive from the private sector. The problems of doing business across borders are best identified by those who are actually trying to do the business, and the things that businessmen complain about most frequently are likely to provide the most reliable guide to the priorities among the various constraints.

In shifting the thrust of their policies towards the market, governments are acknowledging the central role of the private sector, which will actually create the growth that the governments hope for. The job of governments is not to tell the private sector what to do, but to facilitate their doing it. This requires a change of attitude on the part of ministers and officials towards private sector business. In many countries the habit of regarding private business as a somewhat inconvenient and not full respectable element is deeply entrenched. Some have actually seen the private sector as a transitional feature that would fade away in due course, as scientific socialism progressively took over its functions. They now have to see it not just as a permanent development but also as the central economic agent. All this constitutes a true test of political will - and a stiff one.

The ever - growing volume of literature on African economic integration suggests that the private sector can be an integrative catalyst and therefore, urgent reforms are needed to restore its vibrant role. The private sector is not necessarily created by simply decontrolling prices of all types and by the government withdrawing from the face of the earth: it will be created by establishing the institutional framework so often absent in the economies of countries, which have endured decades of centralised control. for such economies, the tendency has been for one man, usually the president or chairman, to be the moving parliament, judiciary, chief executive of the banking system and indeed of every business in the land, including also the allocation of land. In short a kind of Poobah of Gilbert and Sullivan - the sole descendant of the protoplasmic primordial atomic globule.

To strengthen the private sector and promote regional economic cooperation, it will be important to take several policy initiatives. Governments should curtail their monopoly in the use of resources in order to make more of them available to the private sector. Old laws should be replaced with new ones which are market-friendly. Financial services systems should be streamlined so that they can serve the ever growing diversity of needs inherent in a free economy. Opportunities for the collateralisation of assets should be created so that the ability to borrow comes within the reach of an increasing number of people.

As mentioned above, the relative failure of earlier integration efforts contributed to some degree to disillusionment. There may also have been a pessimistic feeling that African integration raised an intractable problem of the chicken-and-egg variety. On the one hand, it was agreed that the economic prospects of individual African countries were blighted by their existing poverty, as well as other hand, it seemed that all attempts at integration feel foul of the very factors - particularly the inward-looking policies - that were responsible in large part for perpetuating the poverty.

This vicious circle no longer exists. The way out of it is be to found in policy changes that are desirable both for domestic and for integrationist reasons. As more and more countries turn to outward looking policies that favour markets, and as they accept the financial disciplines that this new approach requires, they will automatically be tackling the most important distortions that have inhibited the growth of trade. This gives the key to steady, incremental progress in removing constraints. By analogy, having unlocked the door, success will depend on pushing it open and walking through it in the desired direction.

Some policy makers see a conflict between the type of functional cooperation for which SADC was designed, and the market integration approach of the PTA and ultimately of the African Economic Community. There is no need for any such conflict, provided neither organisation tries to encroach on the territory of the other. The fact that Botswana, Lesotho, Namibia and Swaziland belong to SADC and are also partners with South Africa in the Southern African Customs Union (SACU) has not caused any serious difficulty.

This does not apply in the case of the countries - currently Lesotho and Swaziland - that are members of both the PTA and SACU, since the rules of SACU do not allow them to implement the tariff reductions required by the PTA. So far the PTA has accepted this position on a temporary basis and has granted them derogations that expire at the end of this year (1992). What happens then will form part of the much wider question about South Africa's future economic relations with the rest of Africa.

POST - APARTHEID SADC

On that subject, the ball is currently in the South African court and will remain there for some time, until a democratic government has taken office and formulated its economic strategies. Both SADC and the PTA have said that South Africa will be welcome to join once there is a government that is truly representative of the people. In the case of SADC, there would appear to be no great difficulty, in principle, given the flexibility of the SADC structure and particularly the built-in safety factor that cooperative projects only go ahead with the specific approval of each member state affected. SADC would presumably redraft its objectives, as there would no longer be any political motive for reducing dependence on South Africa. All members would want to ensure that the benefits of cooperation would be shared round and would not flow only to South Africa as by far the largest, most developed and most powerful member.

So far, the benefits of that cooperation have been the aid which SADC member states have collectively and individually enjoyed from the West, making SADC an exclusively aid-driven development agency. Will this programme and project aid continue much beyond the end of apartheid? This is a pertinent question. Given current trends, the likelihood is that while initially aid to SADC may even increase as a result of a special donor effect beamed at post-apartheid South Africa, it will tail off sooner than later as the major reason for the West coming to the aid of SADC in the first instance - the anti-apartheid sentiment - ceases to apply.

This fact - that the aid tap will gradually but surely be turned off - is what must influence SADC's thinking about its future as much as considerations of the impact of the post-apartheid South Africa. For as presently constituted - being wholly dependent on aid - a SADC without aid is a contradiction in terms. And SADC is actively re-thinking its future.

At its Maputo Consultative Meeting early this year 1992, SADC launched its theme for 1992 - Economic Integration, and since then its Executive Secretary has been hopping to

SADC capitals to explain the significance of the new strategy which has, apparently, the blessing of the African National Congress (ANC).

Whatever the sentiments of an individual political party in South Africa may be, it is clear that ultimately South Africa will only joint SADC either if it is so economically innocuous that it does not harm to do so for good neighbourliness' sake or because it is genuinely useful. In its newly declared goal of regional (meaning SADC and South Africa) integration, SADC planners clearly intend it to be useful to all its members. If that is so, then it becomes important to take the South Africa situation fully into account. That situation is that:

(a) the larger part of the Gross Domestic Project (GDP) of Southern Africa (SADC plus South Africa) is generated within SACU whose member states have no trade barriers between them and who enjoy a common tariff to the rest of the world;

(b) for all intents and purposes, the whole SACU area has a single currency - the Rand - with the Rand enjoying as free convertibility in Botswana, a non-member of the rand monetary area (RMA) as in Swaziland for example; and

(c) taken together, the SACU and RMA have already progressed beyond the preferential tariff stage, and are in fact at a more advanced stage in as far as the single currency state and as far as the implied, more appropriately enforced, synchronisation of macro-economic policies goes, more than even the EC.

Taking South Africa on board as SADC intends doing, implies taking note of this situation and, at least, meeting with South Africa, a country whose economy is already at least three times larger than the SADC states, some way. To cause the present SADC member states to lower quantitative restrictions to trade and tariffs among themselves in an orderly manner until they are completely eliminated, to cause them, thereafter, to become a kind of customs union which adopts a common external tariff; to get them to move towards the free convertibility of their currencies and ultimately to a de facto one currency which the Rand is for SACU and the RMA, assumes that parallel policy developments can take place in SADC. This would ensure that each market achieves real growth at a desirable rate.

The incorporation of the SADC economy with the South African by fiat - which was the case with SACU and RMA and the BLS countries - can only be a prescription for disaster. The whole SADC would become merely the backyard squatter economy of South Africa. The challenge for SADC is whether it can systematically induce more positive policies among its members as it seeks economic integration for the region and this implies meeting South Africa some way.

Under present arrangements in which trade is the domain of the PTA, SADC would be precluded from responding to the challenge of incorporating South Africa in this way. The question is whether it would be at all still realistic to expect a SADC which with South Africa would account for more than 70 per cent of Sub-Sahara Africa's output - not just of the PTA - to continue to be passive on trade matters. Is the PTA, in fact, not already much too large, (18 countries) and inchoate to function properly? It can benefit from a break-up into two PTA's - SADC with South Africa as one, and the rest as the other - which would both be concerned with trade and development. There is no reason why these two could not be separate pillars or sub-regional groups to the eventual African Economic Community.

South Africa's membership of the PTA raises much more complex issues, since PTA members commit themselves in advance to binding treaty obligations of a general nature. If South Africa joins, it will completely transform the nature of the PTA region. South Africa's GDP is about 60 per cent greater than that of all the present members combined, while its exports to the PTA would be likely to exceed the intra-PTA exports of all the other members by an even greater margin. The trade would be highly unbalanced in South Africa's favour.

It is clear that if South Africa applied to join, the other members would have to reassess their positions before entering into what would effectively be a very different commitment. Since the trade benefits would accrue disproportionably to South Africa, it would be necessary to set up compensatory arrangements. These already apply within SACU, where the smaller members receive more than their pro rata share of the common pool of customs revenues to compensate for the fact that South Africa is better placed to reap the developmental benefits of the union. To work out a formula that would be fair to all the members of the PTA would be a formidable undertaking.

CONCLUSION

What all this suggests is that when the time comes to negotiate the precise form of South Africa's future association with the rest of the sub-region, this will have to be done in a flexible frame of mind. Existing institutions will need modification to receive this massive new presence. There will certainly be a great deal of political goodwill on both sides, and a warm welcome for South Africa as it comes in from the cold. Equally certainly, a democratic South Africa can bring new economic strength to the region and to Africa as a whole, provided that its relations with the other countries are established on a sensible and sustainable basis.

It is important finally to remember that South Africa, for all the strength and diversity of its economy, is far from being a rich country. The standard of living of most of its people is far from comfortable. The overriding priority of the government will be to raise standards for the many in its own country who are poor. This will not be at all easy and will absorb all available resources. South Africa can be an immensely valuable new partner for the present members of SADC and the PTA: it will, however, not be a fairy godmother.

THE LEGAL FRAMEWORK OF SADC IN RELATION TO OTHER REGIONAL ORGANISATIONS WITHIN THE POST APARTHEID SOUTH AFRICA

David M. Zamchiya

INTRODUCTION

This paper deals with the legal framework of SADC in relation to other regional organisations within the post-apartheid South Africa.

In the preparation of this paper, various assumptions have been made, the most important of which are:

(a) the participants to this seminar are top executives who have more than a working knowledge of the history, essential characteristics and operational problems experienced by recent African attempts at regional cooperation through organisations (both defunct and existing); and

(b) what is of the greatest value is to raise questions for discussions to promote thought towards the search for a fast way towards an Africa Economic Community.

HISTORICAL DEVELOPMENT OF THE LEGAL FRAMEWORK OF SADC

NAME OF THE ORGANISATION

The Lusaka Declaration of 1 April, 1980, "Southern Africa, Toward Economic Liberation", did not name the organisation which the nine leaders were creating. By the time the Memorandum of Understanding (MOU) which set it up was adopted in Harare in July, 1981, the leaders were already calling themselves "Heads of State of Government of the member states of the Southern African Development Coordination Conference". The MOU does not, otherwise, name the organisation and doubt exists as to when, where and how the name was decided upon . Yet it may be asked, what is in a name?. Traditionally this may not have much but, in this case, it has a great deal of implications. First, why call the organisation a "conference". Was it to be limited to a forum for discussion and leaving the action somewhere else? Second, the name suggests that the thrust of the organisation is the "co-ordination" of development. SADC's role, seen in this light, is to co-ordinate development which is initiated and carried out by other agencies within the region, the governments of members states. Third, the choice of "development" as part of the name of the organisation raises considerable debate as to the essential character of SADC. In particular, the question arises whether trade is at the centre of the organisation or only one of the facets implied in development. In any event, what is the direction and target of the development? Fourth, the name carries an undefined geographical restriction to the membership of the organisation. What constitutes "Southern Africa"?

The choice of the present name, SADC for this Africa regional organisation, gave rise to conceptual, institutional and operational questions regarding the mission of the organisation. What is SADC about, where is it going, is it an end in itself or a step towards a continental body? What are its legal or structural relationships with the Organisation of African Unity (OAU) or other organisations in Africa?

LEGAL INSTRUMENTS OF SADC

SADC operated with no treaty, charter, convention, or other formal legal instrument governing the relationships of its member countries. The nearest to a treaty was the MOU OF 1981 but this document was short, sketchy and inexhaustive. Among some of the more serious issues which were not adequately covered are:

(a) the MOU does not formally establish the organisation nor define its aims and objectives;

(b) the legal status of the organisation was conditional upon the laws of each member state;

(c) the legal capacity, privileges and immunities of SADC as an organisation and that of its main institutions and functionaries were very much a matter for conjecture;

(d) no judicial body was set up to deal with conflict resolution at an operational as opposed to a policy or political level or to interpret the MOU or other SADC instruments;

(e) provisions for the funding of the organisation and its institutions, and how resources were to be mobilised and husbander were left out, and budgetary, audit and other financial arrangements received a bare mention.

(f) no sanctions were indicated for the breach of any obligations under, or failure to comply with, the MOU;

(g) the structural relationships with organs of the member states were not clearly defined; and

(h) there were no provisions on new members or withdrawal from membership.

SADC has operated since 1980 on the basis of its being a loose association of countries, led by leaders who know and understand each other and whose personal friendships and goodwill towards one another have provided the necessary bonds among them. Basically, it was the voluntary willingness of the member states to support the organisation, for whatever reason, which has kept SADC going. However, as the volume of work increased over the years and as some of the founding fathers left the scene, it became clear that SADC needed a more formal basis with a legally binding instrument and a firm legal status to govern its relationships, not only with member states but also with other organisations and countries throughout the world. Further, the organisation's functionaries, spearheaded by the SADC Secretariat, were advising their leaders that the organisation could no longer function satisfactorily. It was a highly decentralised body which has no rigid rules and regulations to bring to bear on those responsible for translating policy statements into concrete action.

It was against this background that the SADC Council of Ministers was instructed by the Harare Summit of August 1989

" .... to formalise SADC and give an appropriate legal status, taking into account the need to replace the Memorandum of Understanding with an Agreement, Charter or Treaty."

STRUCTURE OF SADC

The MOU provided the following structure of SADC:

a) The Summit of Heads of State or Government;
b) The Council of Ministers;
c) Sectoral Commissions;
d) The Standing Committee of Officials; and
e) The Secretariat

In addition to the above, the organisation developed linkages with member countries through a national contact point in each member state. The work of developing the region was carried out in and by each country, with every member state being allocated an area of sectoral developmental responsibility. Ministers responsible for the sector (say, energy) meet as a Committee under the chairmanship of the Minister of the country responsible for co-ordinating the sector (Angola).

The ground work in the sector was carried out for the region by the Angolan Government through a special unit, the Sector Co-ordinating Unit (SCU). Angola paid for this work and provided the manpower, infrastructure and control of the SCU. There were no minimum requirements or guidelines by SADC to each of the member States. Each country did its bets!

Below the Council of Ministers, lines of responsibility to and communications with the Secretariat were unclear and weak. Ministerial Committees serviced by the Standing Committee of Officials, report to the Council, while at the sharp end of co-ordination, at the SCU, functional responsibility was to the Council through home governments while close administrative liaison was maintained with the Secretariat.

LESSONS FROM LEGAL FRAMEWORK IN OTHER AFRICAN REGIONAL ORGANISATIONS

Criticism of how SADC was structured by reference to other organisations such as the now defunct East African Community (EAC), the Preferential Trade Africa for Eastern and Southern Africa (PTA) or the Economic Community of West African States (ECOWAS) would be unhelpful unless two questions were first addressed. These are:

(a) was SADC a regional organisation as now understood within the context of the OAU?; and

(b) was SADC intended to lead the region into an economic community?

Recent debate within the PTA, culminating in the decision taken by PTA Heads in Lusaka in January 1992 to absorb SADC into the PTA, appeared to pay little attention to the five regions of Africa according to the OAU, namely Northern Africa, Western Africa, Central Africa, Eastern Africa and Southern Africa.[26] Likewise, SADC could not legitimately call itself a Southern Africa regional organisation while Angola and Tanzania were part of it.

As regards the second question, one has to look at the Lusaka Declaration to find references to the main objectives of SADC. These were the co-ordination of economic development, which was stressed as a primary mandate, and the equitable integration of the economies of the countries of the region. However, was it possible to achieve equitable integration through mere co-ordination? Added to that, could a legal framework primarily intended to facilitate co-ordination promote integration?

The authors of both the Lusaka Declaration and the MOU did not address these questions at the time, perhaps because the need to do so was not apparent.

A further complication was that while the Lusaka Declaration was being made, the EAC was still being dismantled. Memories, sad ones, of regional co-operation under a treaty were still very fresh. Africa and, particularly, the Frontline States of Southern Africa were being pushed to find a solution for avoiding being swallowed by a South African sponsored constellation of Southern African States.[27]

It could be concluded that the legal framework of SADC then reflected an uneasy balance between the political pressures of the early 1980s, and the then not so pressing long-term need for economic integration of the region and the continent.

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26 These are the regions in the June,1991 Abuja Treaty for the creation of the African Economic Community.

27 The bantustans of Bophuthatswana, Ciskei, Transkei and Venda were part of this concept.

However, the past twelve years since SADC was formed, many changes have taken place, which have dictated the need for the organisation to take a fresh look at its constitutions.

Political successes, notably the attainment of independence by Namibia in 1990 and the current developments in South Africa towards the democratization and international recognition of that country, mean that Frontline States were no longer threatened by South African destabilization. Examples from such areas as trade agreements between Canada, the United States of America and Mexico; the cooperation efforts in countries of Asia and between Australia and New Zealand have impacted on SADC. The collapse of communism in Eastern Europe and the disintegration of the former Soviet Union also helped in SADC by reducing the disparity in the political and economic ideologies which member states pursued. Agreements become easier to reach on common goals for the region in specific terms.

Flexibility of SADC arrangements, necessary and promotive of success over the last twelve years, needed to be adjusted or replaced to focus closely on economic integration under tighter rules and regulations through a treaty.

Since SADC changed its main mandate to the economic integration of the region, it become vital for the organisation to adopt a new legal framework, a treaty, which would bring about the achievement of that new purpose on a firmer footing. As the 1992 SADC Theme Document states" ... the real question is not whether some form of regional integration arrangements will be attempted in Southern Africa, but rather on what principles and terms". In the search for these "principles and terms" the EAC Treaty and the ECOWAS Treaty would be instructive.

The East African Community was created by the Treaty for East African Co-operation signed at Kampala, Uganda on June 6, 1967. The treaty had its history in the British colonial administration Orders In Council which sought to administer these three High Commission territories as one economic unit. The treaty, interestingly, created a community and a common market - clearly to highlight the stages to be travelled on the route to an economic community. Other parts of the Treaty provided for aims of the community, an East African Development Bank, co-operation in such areas as tax matters through a tax board, legal services under a counsel to the community and specialised councils such as the common market Council and the Economic Consultative and Planning Council. Specific corporations to regulate such areas of co-operation as railways, harbours, post and telecommunications and airway travel were created as instruments of the community.

Judicial organs to adjudicate over trade and industrial disputes were provided for as well as the Court of Appeal for East Africa to hear appeals from courts of the member states as might be provided for by the laws of each such state. There was also a chapter detailing financial matters and procedures. Noteworthy also was Article 4 of the Treaty which gave a general undertaking as to implementation and read as follows, "The Partner States shall make every effort to plan and direct their policies with a view to creating conditions favourable for the development of the Common Market and the achievement of the aims of the Community and shall co-ordinate, through the institutions of the Community, their economic policies to the extent necessary to achieve such aims and shall abstain from any measure likely to jeopardize the achievement thereof."

External trade and intra East African trade were extensively and separately covered under articles dealing with the East African Common Market.

The EAC collapsed in 1977 for a number of reasons, which illustrate the need for something more than a legal document to keep institutions intact. There were perceived inequalities in the distribution of benefits among the three countries, pressures from outside the region on Kenya to go it alone and, towards the end, political differences between the governments of the partner states. However, the underlying cause for the collapse of the East African Community was that the leaders of the newly independent member states saw Uganda, Kenya and Tanzania as the first priority and the community as a second best. C.K. Nkulu observed in an article titled "The East African Experience in Integration", and published in the African Economic Digest 1991 suggested that "The major weakness of the Community treaty was that, while it established adjudicative mechanisms to resolve disputes, their legal competence was rendered almost impotent by the reluctance of the signatories to surrender the necessary degree of sovereignty." It was perhaps a case of the leaders community, their own creations, the authority needed to keep the regional organisation going. This, notwithstanding their undertaking in Article 4 of the Treaty! There are here many lessons for SADC and all other regional organisations in Africa.

THE WEST AFRICAN EXAMPLE

The most comprehensive African regional co-operation agreement, so far, has been the Treaty of the Economic Community of West African States (ECOWAS) of 1975 which was signed by fifteen countries of that region. The treaty covers the same areas as outlines above in relation to the EAC treaty but the following aspects attract attention.

(a) Membership of other regional or sub-regional associations and relations with non-ECOWAS countries are specifically allowed (Article 59). Within the context of the OAU, allowing any African State to belong to more than one regional organisation raises difficulties. Apart from issues of loyalty, it would be questionable whether some African States could shoulder the economic burden of fully supporting two or more such organisations.

(b) Under Chapter III dealing with trade, provisions for compensating member states which suffer loss of revenue because of the operations of the Treaty were made. Similarly, the South African Customs Union (SACU) Agreement of 1969, provides for South Africa to compensate, according to an agreed formula, any of the other SACU countries (Botswana, Lesotho, Namibia and Swaziland) for loss of customs revenue.

(c) There are very welcome provisions granting citizens of member States the citizenship of the ECOWAS Community, with freedom of residence and movement, including freedom from work permits, visas and others. In SADC, citizens of Angola and Mozambique still need visas to enter the other countries. Entry, residence and work permit requirements apply to SADC and non - SADC personnel alike, and there are no "SADC Citizens" entry points at the national borders.

(d) Provisions for industrial development and harmonisation of the region were clearly stated and areas of co-operation specified. These included economic matters, agriculture and natural resources, transport and communications, monetary and financial policies, energy and social and cultural matters. SADC's Lusaka Declaration and MOU dealt specifically with only two areas of priority: transport and communications under the Southern Africa Transport and Communications Commission (SATCC), and agriculture through the Southern African Centre for Co-operation in Agricultural Research (SACCAR). For some unclear reason the Maputo-based SATCC was established by a Convention, while SACCAR in Gaborone was set up under a less formal memorandum of understanding.

(e) Articles regarding the Fund for Co-operation, Compensation and Development also provided better scope for own-fund generation and security than the case in SADC.

THE SOUTH AFRICAN DIMENSION

SADC, therefore, needed a treaty in place sooner than later, which would accommodate South Africa as a member with SACU as a sub-regional organisation within SADC. What would avoid placing South Africa into the situation Southern Rhodesia was in the Federation of Rhodesia and Nyasaland or Kenya was in the East African Community is to have in place and running a SADC Community Treaty which learns from the EAC and ECOWAS experiences - well before South African membership of SADC is finalised.

OAU TREATY ESTABLISHING THE AFRICAN ECONOMIC COMMUNITY

The above Treaty, referred to here as the Abuja Treaty, benefitted from experience elsewhere in Africa and beyond and represented a very comprehensive document in proper legal form. It incorporated all the positive provisions of the EAC and ECOWAS, and covered additional areas such as customs union, women and development, and relations with other organisations within and outside Africa both state and non-governmental. These provisions were very sound and welcome and, given the determination by member states to implement them faithfully, should lead to an African Economic Community eventually.

The immediate question should be when and how. Article 6 of the Abuja Treaty envisaged that this could be done in six stages covering a total period of not more that 34 years (ie not beyond the year 2025). The stages could overlap. Yet by requiring the formation of new regional economic communities (as opposed to requiring member states to join and strengthen the existing ones), Africa, through the Abuja Treaty, risked proliferating structures which would be reluctant to dissolve or merge into larger ones. Mechanisms for policing the stage by stage development towards the African Economic Community, including the proposed Pan African Parliament, could be of doubtful efficacy.

What would determine Africa's pace toward continental development would be the commitment of the national leaders of the day, of make every regional community strong and lasting, thus ensuring large and durable building blocks for the continental community. African leaders must be prepared to surrender part of their sovereignty in favour of a wider platform than national boundaries on which to found their efforts to improve the standard of life of the ordinary African by implementing regional integration.

Regrettably, the Abuja Treaty did not define the regions of Africa in order to limit the number of regional organisations. It would have been better to see the Treaty requiring each African State to belong to only one regional community. Some states cannot afford, politically or economically, to belong to more than one region and each state has to make a choice.

REFLECTIONS ON THE LEGAL FRAMEWORK OF THE FUTURE SADC

One of the major obstacles to change in SADC was that SADC existed. It had succeeded in attracting a great deal of attention to itself - from its citizens, the international community, and other African regional organisations. It had an existing structure with organs and people in positions within those organs - people who would not take too kindly to being asked to make substantial changes. Yet change to the constitution of SADC was inevitable, and had been ordered by the Summit. The change would have been easier had SADC's original framework been designed with the mind to create a regional economic community rather than a conference for development co-ordination. To service the future SADC better, a legal framework should be a treaty along the lines of the Abuja Treaty. In particular, having regard to experiences over the past 12 years, SADC's new treaty should provide for:

(a) definitions of SADC's relationship with the African Economic Community;

(b) a requirement that member states may not belong to more than one African regional economic organisation;

(c) regional councils or corporations to carry out the work of implementing the SADC programme of action to replace the existing complex, irregular, non uniform and cumbersome arrangements such as the Sector Co-ordinating Units and sectoral committees;

(d) emphasis of the new SADC to be not an organisation of governments, but rather on the people of the member states, whose business, professional, social, cultural and political self-expression should be at the centre of the organisation - with governments as facilitators rather than chief actors; and

(e) the need for national laws to take into account the regional statute.

Attitudes in SADC member states have changed towards greater political accountability and democratic government, and towards economic ideologies which recognise that governments could not and should not try to provide everything. There has been a better realization that the struggle for political freedom for the states of the region was based on the desire to achieve the freedom of the individuals whose human rights and freedoms governments should be duty- bound to uphold, protect and improve. Progress should be in the direction of transcending the pettiness of limiting the African stature to these national boundaries which, after all, were the legacy of the colonial rulers.

In view of its history and drawing on the experiences from other regional groupings, SADC has been poised to become a large building block for the African economic unity. A treaty should facilitate this process. The key to success, however, would lie in the commitment of the leadership, governments, and peoples of the member states to ensure that regional economic integration becomes a reality.

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SUMMARY OF PROCEEDINGS AND CONCLUDING OBSERVATIONS - SADC FROM RESOLUTIONS TO ACTION

A.G. Luhanga, P.N.L. Walakira

The scope of topics covered was diverse in nature and hence many different opinions were expressed. However, it should be underscored that there was a large degree of convergence on substantive issues than divergence among the delegates' deliberations. On a number of important issues apparent agreement was reached and recommendations made which could provide a solid basis for further building of consensus and action. The main theme of the seminar was strengthening regional cooperation and integration among SADC member states.

The sub-themes identified were:

(a) Balanced and Equitable Development within the community; and Enhancing the Role of the Private Sector;

(b) Modalities for Implementing Economic Integration with focus on:

- (i) Barriers to intra-regional trade,
- (ii) Role of Women in Development in SADC,
- (iii) Food Security; and
- (iv) Transfer of Technology;

(c) Mechanisms for Financing the Programme of the Community; and

(d) Legal Framework for the Community.

The major issues that were discussed and observations made under each sub-theme are summarised below.

MEASURES TO ENSURE BALANCED AND EQUITABLE ECONOMIC DEVELOPMENT WITHIN THE COMMUNITY AND ENHANCING THE ROLE OF THE PRIVATE SECTOR

The present inadequacy of the private sector full participation in the integration effort was recognised and noted. It was underscored that the existing unbalanced and inequitable economic development among the member states frustrate progress towards market integration. Often, the perception that some member states benefit disproportionately more than others from integration has contributed to failures in regional integration.

First, there was consensus among the delegate, that commitments to ensure balanced and equitable economic development be undertaken. There should be harmonisation of economic policies and decisions taken at national and regional levels to allow convergence in the pace of development. In this context, it should be emphasised that structural adjustment policies and programmes should take a broader regional rather than the narrow national dimension. Furthermore, equitable distribution of programmes and net benefits should be encouraged, mechanisms to compensate less developed member states should be devised and policy harmonisation on fiscal, investment, monetary and trade should be undertaken.

Second, expanding the role of the private sector through creating an enabling environment for foreign, local and cross-border investment and trade should be catalytic to strengthening efforts towards economic integration. The would entail freer movement of capita, goods and labour through the SADC region than is the current practice. To this effect, transport and communication systems need to be improved to promote efficient regional movement of goods and services.

Third, top-down approach to integration should be avoided and instead bottom-up approach should be encouraged, involving the common SADC citizenry.

MODALITIES FOR IMPLEMENTING ECONOMIC INTEGRATION

Recognising SADC's shift in emphasis from projects and programmes coordination in the last four years to accord priority to issues relating to promotion of trade, investment and production, the delegates turned their attention to modalities for implementing economic integration. There was general agreement that SADC is posed to move rapidly towards an integrated market. Its strategy is based on a "development integration" approach. However, there were serious concerns that SADC has not reached even the rudimental level of market integration - preferential trade area. Yet, four members of SADC are also members of the Southern Africa Customs Union (SACU), which is a relatively advanced level of economic integration. To complicate the picture, eight members of SADC are also members of the Preferential Trade Area for Eastern and Southern Africa (PTA) - which is at a rudimental level of market integration. All these factors combined raise the problem of how SADC should progress towards an economically integrated market. It was further considered imperative that SADC should move rapidly towards a common market. Failuruld be supported in each member state.

MECHANISMS FOR FINANCING THE PROGRAMMES OF THE COMMUNITY

It was noted, with great concern, that SADC has been over-dependent on external financial resources for its projects and programmes. SADC has been donor-driven. Its capacity to mobilise resources within the region has so far been limited. In view of global competition for resources, the external generosity to the Sub-Saharan regions, and SADC in particular, would be running out. The delegates considered that it would be imperative to find creating means of mobilizing regional resources to finance programmes of a SADC economic community. In this regard Governments should urgently consider establishing a Regional Development Bank. Furthermore, resources available to SADC members from regional and international lending institutions should be used to complement the efforts of the SADC Regional Bank once created.

In view of the scarcity of financial resources, the delegates suggested that priorities should be re-ordered in favour of:

(a) Ensuring food security;

(b) Proper maintenance of existing infra-structure;

(c) Enhancing of human resources development; and

(d) Development of integrated regional infrastructure.

In this respect, it was agreed that, as the security situation in the regional continues to improve, there should be peace dividends, Governments spending on defence should correspondingly be reduced, thus making more resources available for development.

From policy and strategy perspectives, the consensus was that, first, the current economic reforms being undertaken in SADC member states should be continued and strengthened to improve the pre-conditions for regional integration. Second, Governments should devise financial policies that increase domestic savings. Measures, therefore, should be considered to establish a regional stock exchange as well as money and capital markets. Third, long-term development strategies should be based on investment and trade with export-oriented production for the regional and world markets.

LEGAL FRAMEWORK OF THE FUTURE SADC

The delegates gave considerable time on the legal entity of the future SADC, which formed into "The Southern Africa Development Community". Nothing both SADC's shift in emphasis from project and programme coordination to economic integration and also the inadequacy of the then existing SADC legal framework, and being aware that there were already efforts to formalise SADC, the delegates suggested that the new legal framework of the entity to be created should be based on a <u>TREATY</u>. The treaty of the

Southern Africa Development Community", concluded in August, 1992 in Windhoek, Namibia, the delegates suggested, among others, that the Treaty should be specific in its provisions in addressing the following crucial areas:

(a) Formal relationships between the organisation and its member states;

(b) Definition of the main institutions and the relationships towards each other and member states;

(c) Provisions for the institutions of the organisation to be responsible for the implementation of the programme of action instead of the individual member states;

(d) Provision for judicial mechanism for conflict resolution and its main institutions;

(e) Definition of the relationships of the organisation with the African Economic Community and other regional organisations;

(f) Provisions to facilitate freedom of movement of persons, labour, goods, services and capital;

(g) Provisions for national lows to take into account regional legal instruments;

(h) Provisions for ensuring balanced and equitable economic development among member states; and

(i) The undertaking to create conditions favourable for the implementation for the programmes of the organisation and attainment of its aims and objectives.

All in all, the delegates agreed that progress towards an economic development community would, to a great extent, depend on the pace of implementing the legal instruments enshrined in the Treaty and various protocols.

NOTES ON THE CONTRIBUTORS

1.	Chinyamata Chipeta	:	Professor and Head Economic Department, Chancellor College University of Malawi, Zomba, Malawi
2.	Gladson Kayira	:	Director Ministry of Commerce and Industry Gaborone, Botswana
3.	Amy Grace Luhanga	:	Lecturer/Consultant, Institute of Development Management (IDM) Botswana, Lesotho and Swaziland, Gaborone, Botswana.
4.	Dominic Mulaisho	:	Governor, Reserve Bank of Zambia Lusaka, Zambia
5.	P.N.L. Walakira	:	Principal Lecturer/Consultant, Head of Business Management, Institute of Development Management (IDM), Botswana, Lesotho and Swaziland, Maseru, Lesotho.
6.	David Zamchiya	:	Managing Director Randells Holdings Harare, Zimbabwe

TOP EXECUTIVE SEMINAR ON REGIONAL COOPERATION AND INTEGRATION AMONG SADCC COUNTRIES COORDINATION OF POLICIES AND PROGRAMMES TOWARDS ECONOMIC INTEGRATION

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PARTICIPANTS LIST

Name of Participation	Position	Organisation and Address
M. Neto	Economist	Ministry of Industry Luanda, Angola
A. Maria	Lawyer, Director National for Promotion and Development	Ministry of Women Development Luanda, Angola
D.C.V. Lopes	SADC National Contact Point	Ministry of External Relations P.O. Box 1500 Luanda Angola
S.C. Luquinda	Director	Ministry of Labour Luanda, Angola
J.F. Caetano	Chief of Sector	Secretariat of State of Culture, Luanda Angola
C.F. De Sousa	Chief of Sector	State Secretariat of Mining and Geology C.P. 1260C, Luanda Angola
R. Antonio	Chief Cabinet	MIREX, Luanda, Angola
M. Tshico	Senior Trade Officer	Ministry of Commerce P.O. Box 885 Luanda, Angola
E.M. Maphanyana	Chief Economist	SADCC Secretriat Botswana P/Bag 0095 Gaborone, Botswana

Name of Participation	Position	Organisation and Address
T. Mpeta	Principal Consultant	Ministry of Water, Energy and Mining P.O. Box 772 Maseru, Lesotho
F.M. Borotho	Director of Research	Central Bank Maseru, Lesotho
M. Makhalanyane	Deputy Director	Food Management Unit P.O. Box 998 Maseru, Lesotho
M. Moeketsi	Economic Planner	Ministry of Agriculture Cooperatives and Marketing P.O. Box 24 Maseru, Lesotho
P.W. Mamba	Division Chief, Statistics Department	Reserve Bank of Malawi P.O. Box 30063 Lilongwe, Malawi
W.P. Amani	General Manager	ESCOM P.O. Box 2047 Lilongwe, Malawi
O. Mtambo	Principal Economist	Ministry of Trade and Industry, P.O. Box 30366 Lilongwe, Malawi
H.l. Ng'ombe	Principal Treasury Economist	Ministry of Finance P.O. Box 30049
P.M. Mangoaela	Director	Southern African Transport and Communications Commission Maputo, Mozambique

Name of Participation	Position	Organisation and Address
A. Namitete	Chairman and National Director	SATCC MTC - Maputo Mozambique
P.M. Figueiredo	Director of Planning	CFM - Mozambique Ports and Railways Administration P.O. Box 2158 Maputo, Mozambique Maseru, Lesotho
A.A. Fortuna	National Director	Ministry for Cooperation Maputo, Mozambique
G.R. Katjimune	Government and Public Affairs Manager	BP Namibia Ltd P.O. Box 3594 Windhoek, Namibia
E. Nicolaisen	Junior Professional Officer	UNDP Private Bag 13329 Windhoek, Namibia
P.M. Elago	Principal Trade Promotion Officer	Ministry of Trade & Industry Private Bag 13340 Windhoek, Namibia
T. Gurirab	Permanent Secretary	Ministry of Trade and Industry, Private Bag 13340 Windhoek, Namibia
P.S. Mngomezulu	Permanent Secretary	Ministry of Justice P.O. Box 924 Mbabane, Swaziland
M. Khoza	UN/ITC Project Coordinator	c/o UNDP P.O. Box 261 Mbabane, Swaziland
G.T. Marechera	Director	Post and Telecom Corporation P.O. Box 8061 Causeway, Harare Zimbabwe
S.J. Chitanje	Under Secretary	Ministry of Industry and Commerce Private Bag 7708 Causeway, Harare Zimbabwe
Jan Cedergren	Advisor	SIDA Swedish Embassy Private Bag 0017 Gaborone, Botswana

Moen Baine	Consultant Southern Africa Office	NORAD Norway

Name of Participation	Position	Organisation and Address
E.S. Nkambule	Director Regional Training Council (RTC)	Ministry of Economic Planning and Statistics P.O. Box 62 Mbabane, Swaziland
J.N. Mapala	Trades Executive	Zambia Export and Import Bank Ltd. P.O. Box 33046 Lusaka, Zambia
N. Mukutu	Permanent Secretary	Ministry of Agriculture Food and Fisheries P.O. Box 50197 Lusaka, Zambia
J.M. Mwamlima	Manager Trade	Export Board of Zambia P.O. Box 30064 Lusaka, Zambia
D.E. Greenberg	Trade and Investment Advisor	USAID Southern African Regional Office Harare, Zimbabwe
T.D. Morse	Director	USAID Southern African Regional Office Harare, Zimbabwe
D.L. Mandaza	Chief Law Officer	Attorney-General's Office Private Bag 7751 Causeway, Harare Zimbabwe
G.T. Marechera	Director	Post and Telecom Corporation P.O. Box 8061 Causeway, Harare Zimbabwe
S.J. Chitanje	Under Secretary	Ministry of Industry and Commerce Private Bag 7708 Causeway, Harare
G.T. Marechera	Director	Post and Telecom Corporation P.O. Box 8061 Causeway, Harare Zimbabwe

S.J. Chitanje	Under Secretary	Ministry of Industry and Commerce Private Bag 7708 Causeway, Harare Zimbabwe

Name of Participation	Position	Organisation and Address
G.A. Luhanga	Senior Lecturer/ Consultant	Institute of Development Management P.O. Box 1357 Gaborone, Botswana
P.W. Mukurasi	Principal Lecturer/ Consultant	Institute of Development Management P.O. Box 1357 Gaborone, Botswana
S. Buckens	Senior Lecturer/ Consultant	Institute of Development Management P.O. Box 1357 Gaborone, Botswana
G.K. Kayira	Director	Ministry of Commerce & Industry Private Bag 00252 Gaborone, Botswana
P.N.L. Walakira	Principal Lecturer/ Consultant	Institute of Development Management P.O. Box 1357 Gaborone, Botswana
C. Chipeta	Professor of Economics	Chancellor College P.O. Box 280 Zomba, Malawi
D. Mulaisho	Governor	Reserve Bank of Zambia Lusaka, Zambia
D.M. Zamchiya	Managing Director	Randells Holdings Harare - Zimbabwe
F.D. Yamba	Managing Director	Engineering Services Corporation Lusaka, Zambia