

# ECONOMIC INTEGRATION FOR DEVELOPMENT IN EASTERN AND SOUTHERN AFRICA: ASSESSMENT AND PROSPECTS

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## 1 REGIONAL INTEGRATION: THE CONTEXTUAL FRAMEWORK

Eastern and Southern Africa (ESA) has in the past three decades witnessed different levels of, and attempts to, build economic integration. Economic Cooperation has been widely seen as a step towards the Organization of African Unity (OAU) goal of political and economic union. However the economic integration experience leaves much to be desired. The once moderately advanced example of multi-purpose integration, the East African Community, collapsed in 1977. The Economic Community of the Central African States (ECCs) and the Communauté Economique des Pays des Grands Lacs (CEPGL) have stagnated to the extent of failing to pay staff. SADC is, despite its infrastructural and food security coordination and development credentials, too dependent on external financial backing. The Inter-government Authority on Drought and Development (IGADD) and the Indian Ocean Commission (IOC) have been effectively non-functional. PTA while slow to start operations, particularly tangible projects; has begun to gain momentum in some aspects of fiscal and bureaucratic trade barrier<sup>1</sup> reduction and associated areas. The global and sub-regional changes have given rise to new concerns, added impetus and a sense of urgency leading to:

i the June 1991 Abuja OAU Summit declaration establishing a hypothetical institutional framework for the phased development over a 34 year period of a pan-African Economic community (AEC) initially based on sub-regional economic groupings such as the PTA, SADC and ECOWAS. By June 1993, a total of 28 OUA member states had ratified the Treaty.

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<sup>1</sup> For example, the PTA Trade and Development Bank, the PTA Clearing House and the PTA Reinsurance Company (ZEP-RE), the strongest of which is the Clearing House for intra-regional transactions based in the Reserve Bank of Zimbabwe.

<sup>2</sup> Most seem largely oblivious to the dismal economic performance of South Africa for more than a decade as well as the major domestic economic as well as socio-political transition problems facing it.

ii Namibian independence and the collapse of apartheid, opening the possibility of South Africa playing a 'normal' role in a post-apartheid Southern Africa with its economy integrated into the sub-regional economy<sup>2</sup> leading to on-going AFDB (African Development Bank) SADC and other reviews in Africa as well as review of donor strategies for support to the sub-region.

iii recent trends to liberalize, deregulate and privatize the public sector, allow market forces to allocate resources and subject them to national and international competition. The speed at which countries are pursuing IMF/World Bank Structural Adjustment Programmes (SAP), e.g. sweeping tariff reduction pose problems as, e.g., the PTA preferences in phased tariff cuts for example may be overtaken by the swift country reforms.<sup>3</sup>

iv the August 1992 transformation of the SADCC (Southern African Development Coordination Conference) from an inter-governmental coordination exercise into a more formalized and strengthened Southern African Development Community (SADC).

v the on-going review of the PTA Treaty intended to usher in a Common Market for Eastern and Southern Africa (COMESA).

vi current efforts to revive the East African Community and to merge SADC and PTA - each tending to be carried out without much reference to other initiatives.<sup>4</sup>

vii increased efforts for greater South-South Cooperation through the Non-Aligned Movement

<sup>3</sup> See, Boidin (1988); Blayo (1992); Mwase (1992). This is exacerbated by World Bank-supported on-going initiatives to establish a regime of trade liberalization and cross-border investment within the PTA/SADC area with no coordination with either SADC or PTA initiatives.

<sup>4</sup> The SADC/PTA basic issue is whether detailed sectoral integration is practicable at this time over a Khartoum to Capetown span as in practice the two bodies do not compete operationally. The EAC revival (which has rather more political rhetoric than substantial proposals to date) is harder to fit in - Kenya and Uganda accession to SADC or Tanzanian withdrawal - neither likely - would seem to be necessary if more than a loose consultative group with a few joint programmes is envisaged.

(NAM) and in particular the South Commission and its Geneva-based South Centre. The Commissions' Report (1990) shows how the present world's trade, financial and technological regimes handicap the South.

viii a new political environment calling for democratization, transparency and accountability in public affairs. We could note however, the resurgence of strong pockets of conservatism in Eastern Europe and the ex-USSR republics threatening the on-going international democratization process.

### 1.1 Regional integration benefits

Successful regional economic integration can help the sub-region attain greater economies of scale, widen markets, enhance industrial efficiency, reduce the sub-region's external dependence and enhance Pan-Africanist and South-South 'collective self-reliance' as well as providing a scale and experience base for increasing global market competitiveness. Furthermore, regional integration can provide the following benefits:<sup>5</sup>

- i greater bargaining power vis-à-vis the outside world. As Green and Seidman (1968) argued, joint inter-state projects would enhance prospects for overcoming Africa's dependence on Metropoles;
- ii minimization of duplication, thin spreading of resources and wasteful competition via excess capacity creation;
- iii a cheaper and more efficient transportation and communications system;
- iv reorientation of enterprises to utilize and develop new markets and sources within the region;
- v greater division of labour and specialization in production;
- vi greater prospects for technological advance and innovation;
- vii expansion of trade, incomes and employment due to the free movement of goods, services, labour and capital;
- viii increased foreign investment;

ix enhanced political solidarity. As the UN Economic Commission for Africa (UN/ECA) has argued, 'the dominance of the subsistence sector in most African economies, the fragmented national markets, the underutilization of resources and the excessive external orientation of African economies all combine to make economic cooperation indispensable for the rapid and self-reliant transformation of Africa' (1977: 2).

### 1.2 Distribution of benefits

Economic integration among partner states with geographical proximity and differential levels of underdevelopment reflected in industrial imbalances and trade deficits exhibit polarization effects with greater gains accruing to the partner state with superior economic and social infrastructure, more attractive to foreign investment. More crucial, these may be so severe that other states are net losers (as Tanzania and Uganda probably were in the pre-1977 East African Common Market and associated institutions). A number of devices to check and redress unduly unequal benefits are available in the literature. These include joint projects (e.g. regional enterprises) as well as to more standard compensation and market intervention measures. Individual partner states view joint projects and revenues differently. Joint ventures can be viewed as:

- i entirely external entities.
- ii one half internal and the other external.
- iii internal, provided own revenue shares (i.e. the cost and revenues), are attributed to each country.

Theoretically imbalances in enterprises and more generally could be resolved through:

- i proportional distribution of benefits according to the economic sizes of the national economies;
- ii 'uncontrolled' sharing of benefits, with more accruals to the strongest and fastest growing economies and a danger of net losses to the weakest;
- iii the redistribution of benefits in favour of the poorer and slower growing economies;
- iv the literally equal distribution of benefits irrespective of economic size or growth rate.

<sup>5</sup> For an elaboration of these benefits see Robson (1983).

The East African Community for example adopted option (iii), above. In addition to the transfer tax allowing to a partner state facing intra-regional balance of payments deficits, the imbalances were partially redressed through decentralization of community institutions and via the East African Development Bank (EADB) which had allocation principles favourable via the less industrialized partners. Until the EADB charter was altered in 1980, Tanzania and Uganda were targeted to receive 38.75 per cent of the loans with Kenya left with 22.5 per cent.<sup>6</sup>

ECOWAS maintains a fund for cooperation, compensation and development to finance projects in poorer member states, and to compensate for losses caused by the establishment of Community enterprises or by the process of trade liberalization. Both the PTA Development Strategy for the 1990s and the proposed Treaty for a Common Market for Eastern and Southern Africa (COMESA) provide for special emphasis on the development of the PTA's economically depressed areas. In practice, literal transfer payments do not work – recipients believe them far too small and providers far too large, a pattern of perception effecting West, Central and South African arrangements not just EAC.

## **2 THE INSTITUTIONAL SETTING-PTA, SADC AND OTHER COORDINATING ORGANS**

Regional integration in ESA is dominated by PTA and SADC. The PTA is the second largest economic grouping in Africa after ECOWAS (or the third if the South African Customs Union Arrangements are included). The objectives and provisions of the PTA (1980) Treaty go beyond a normal 'Preferential Trade Area' more or less copying the EEC Treaties with clauses from the Andean Pact thrown in. It provides not only for trade liberalization and promotion through removal of tariff and non-tariff barriers but also sector policy coordination, harmonization, and cooperation in agriculture, industry transport and communications, money and banking and joint investment programmes. The PTA Trade and Development Bank with trade and development windows, and the PTA Clearing House are to increase cost-effectiveness in foreign exchange utilization.

The PTA has a wide membership. In Table 1), countries 1-10 are actual or potential PTA members which are also SADC members; 6-9 are countries which are also SACU (South African Customs Union) members and 10-12 are ex-EAC members. The PTA therefore brings together countries with different backgrounds and experiences, including island and landlocked countries.

The PTA includes all the SADC countries except Botswana, the ex-ECA countries, the Great Lakes countries except for Zaire which is in the process of joining. It also includes the Horn countries of Djibouti, Ethiopia, Somalia, and the Sudan is in the process of joining. In practice the PTA has not been operational in the Horn or Sudan because of the war ravaged context and because there were few pre-existing formal trade or transport links. In the Indian Ocean, Seychelles, Mauritius and Comoros are members but — for less evident reasons — no sub-regional programmes to serve their special subregional interest (e.g. as to shipping) have been begun.

The PTA sub-region suffers from minimal intra-sectoral linkages and from intra-PTA trade largely focusing on pre existing links around Kenya and Zimbabwe with very limited flows beyond those poles partly because high intra-PTA unit transport costs erode potential comparative advantages. Transport constraints include cumbersome vehicle licensing procedures, a multiplicity of transit fees including road tolls (both somewhat harmonized under the leadership of the UNCTAD centre in Malawi but more in the SADC and Tanzania-Rwanda-Burundi-Uganda sub-areas than for PTA as a whole) inefficiency, unreliability and operational inadequacies of transport services. Trade is also hampered by poor communication (beyond the SADC/ex-EAC range), lack of production complementarity and the PTA's unwieldy size. Trade is further hampered by a shortage of trained, experienced and competent manpower and an enterprise orientation to national and overseas not regional markets.<sup>7</sup>

A new PTA Trade and Development Strategy seeks to:

- i increase goods production through agro-industries.

inability of the Uganda side to act effectively on new production and market management proposals.

<sup>7</sup> Kenya, Zimbabwe, Malawi, Botswana and, probably, Mauritius are partial exceptions to that generalization.

<sup>6</sup> Preliminary data suggested that under the new arrangements Tanzania was a net gainer, as perhaps was Uganda. Neither the dynamics nor the stability of the system can be assessed because with the 1972 access to power of Idi Amin in Uganda forward progress was halted by irreconcilable political divergences and the

**TABLE 1: THE ECONOMIC INDICATORS OF THE INTEGRATING COUNTRIES IN EASTERN AND SOUTHERN AFRICA**

Proportion of GDP (%)								
	Area (km <sup>2</sup> , 000)	Population (million)	GDP (\$ million)	Agriculture (%)	Industry & mining (%)	Services (%)	Exports (\$ million)	Imports (\$ million)
1. Angola+	1,247	9.2	2,490	44	27	29	500	340
2. Malawi+	118	7.6	1,070	33	22	45	308	236
3. Mozambique+	783	14.5	1,800	40	15	45	236	719
4. Zambia+	553	7.6	2,293	45	41	14	796	861
5. Zimbabwe+	391	8.8	4,670	44	40	16	1,173	1,144
6. Botswana**	600	1.2	342	34.3	28.3	37.5	367	467
7. Swaziland+	17	0.5	411	33.3	35.7	30.8	223	41
8. Lesotho+	30	1.6	266	54.1	7.3	37.5	18	44
9. Namibia+	825	1.6	1,050	51	36	13	905	856
10. Tanzania+	945	23.0	5,623	39	21	45	345	1,161
11. Kenya	585	22.1	6,590	45	16	34	1,262	1,916
12. Uganda	236	16.6	1,389	38	7	55	309	510
13. Rwanda**	26	6.5	2,024	37	21	42	126	301
14. Burundi**	28	5.0	1,100	30	15	55	129	225
15. Ethiopia	1,251	44.8	4,045	43	24	33	414	1,267
16. Somalia	638	6.9	1,852	29	11	60	115	452
17. Madagascar	587	10.9	2,810	46	20	34	394	641
18. Djibouti	21.7	0.33	282	n.a.	n.a.	n.a.	39	288
19. Comoros	2.2	0.4	152	n.a.	n.a.	n.a.	18	82
20. Seychelles	00.44	0.7	100	n.a.	n.a.	n.a.	52	93
21. Mauritius	1,030	1.90	1,062	n.a.	n.a.	n.a.	304	441
22. Sudan**	2,506	23.9	11,240	52	15	33	486	1,223
23. Zaire**	2,345	33.4	6,470	35	34	31	2,207	1,954

+ SADCC member  
\* Not yet PTA member  
\*\* Joined under neighbouring state clause of PTA

Source: World Bank Economic Indicators (various years)

ii develop transport and communications particularly railways.

iii create an environment conducive to the private sector development.

iv promote intra-PTA technical assistance cooperation programmes and

v devise special programmes to assist the PTA least developed countries.

The Southern African Development Coordination Conference (SADCC) - now Development Community (SADC) was established to:

i reduce economic dependence especially, but not only, on South Africa.

ii forge links to create an equitable sub-regional

economic grouping.

iii mobilize resources to promote and implement sub-regional integration policies.

iv secure international co-operation for economic liberation and 'collective self-reliance'.

Can it continue to play its original role in the evolving post-apartheid situation? This concern has been addressed through the decision to transform SADCC into an economic community. SADCC took a sector coordination approach, beginning with emphasis on transport and food security broadly defined, increasingly stressing production (especially by the private sector) and of late promoting intra-regional trade, which stands at 4 per cent of the sub-region's overall trade. The SADC includes the Maputo-based Southern African Transport and Communications Commission (SATCC)

whose priority sectoral programme includes surface transport, civil aviation, telecommunications, energy and manpower development projects. Despite its disengagement thrust, SADC has been characterized - like most of its Member States - by over dependence on foreign aid. Of the 201 transport and communications projects nominally costing US\$ 5.07 billion under implementation in 1989/90, US\$ 4.58 billion or 80 per cent was externally sourced.<sup>8</sup>

The SADC has a unique structure and development role in the sub-region. SADC sectoral programmes are coordinated by member states. Transport and communication is coordinated by Mozambique, the main transit country. Zimbabwe with the most advanced agricultural sector has been entrusted with overall coordination of the agricultural related activities with sub-units for specialized topics in Botswana, Malawi and Lesotho as well as in Zimbabwe. Other sectors are coordinated as follows: Mining (Zambia), Energy (Angola), Trade and Industries (Tanzania), Manpower Development (Swaziland), Off-Shore Fishing (Namibia) and Information (Mozambique). Distribution of SADC coordinating units avoids heavy and expensive centralized bureaucracy not linked to substantive operations, enhances national commitment and involvement in identification, formulation and implementation of SADC.

SADC projects are essentially country initiated and jointly sectoral unit/governmental representatives accepted (or rejected) and prioritized. The project selection and implementation system is innovative. First, the sector coordinating country through the Sector Coordinating Unit prepares the prioritized sectoral plan of regional SADC projects (submitted by Member States) benefiting more than two SADC countries with approval by the Sectoral Committees of Officials and Ministers. The sectoral proposals are submitted to, and approved by, the Council of Ministers before presentation to donors. Despite this arrangement donors have formal and informal ways of advancing their agenda upon Governments

<sup>8</sup> This is slightly misleading as local resource inputs are in some cases not fully covered. The basic causes of the imbalance are, a) collapse of earned import capacity from 1979 parallel to SADCC's development; b) the (inevitable for inter-state projects in transport and communication) large size and high import content of the bulk of the expenditure on SADCC coordinated projects; c) the use of SADCC to mobilize resources - especially in transport and communications - for states with particular problems in securing them in purely bilateral contexts (Mozambique, Angola, for different reasons Zimbabwe).

and sub-regional institutions, albeit less so than if no regionally backed prioritized sectoral proposals were presented. Detailed preparation and execution of project(s), is done by the respective SADC countries which are responsible for projects under their jurisdiction including loan repayments, though in Transport and Communication substantial SATCC technical assistance is frequently provided.

There is nominally substantial duplication and overlapping of roles between SADC and PTA. The transformation of SADCC into SADC potentially sharpens the overlap between SADC and PTA, for it allows SADC to expand its activities into the fiscal barriers to trade areas in which the PTA is already active. Whereas it would be irrational to have nine countries with two institutions running more or less similar programmes, we could note that potential PTA programmes in the non-SADC, PTA members do not in any way duplicate those of SADC while PTA's non-trade and clearing functions do not in practice cover the SADC area, and SADC's sectoral coordination focus is not, in practice, paralleled by PTA.<sup>9</sup>

There are substantial differences between the two organizations. The PTA builds upon EC-type neo-liberal free trade principles, whereas the SADC has concentrated on limited sectoral planning and coordination. The SADCC grew out of the coordinated efforts by the Front Line States to liberate Southern Africa and to protect against South African aggression in contrast to PTA which grew out of the UNECA's plans for a pan-African Common Market. Furthermore, SADC is smaller and more manageable, PTA is larger and includes members with virtually no actual or immediate potential trade links. The fact of negligible actual operational overlap can be argued as a factor facilitating merger or a reason for cooperative parallel existence. However, the political changes in Southern Africa have called into question the continued maintenance of both SADC and PTA in post-apartheid Southern Africa, if South

<sup>9</sup> In practice PTA's nominal SADC area transport and communications proposals (from the Secretariat) are a distraction - SATCC is the operative body. Similarly, in the 1991-1993 drought/famine crisis SADC's Food Security Unit was instrumental in global mobilisation for its Member States while PTA's parallel unit limited itself to exhortations with no evident impact in respect to the SADC area or, more seriously non-SADC PTA Member needs (which, in practice, their non functional specialist drought and disaster group IGADD, did not serve either).

Africa prefers to be a member of a single body. The general consensus emerging amongst donors and, less uniformly, in ESA is a SADC/PTA merger.

The prevalent emphasis on national as against sub-regional projects is due to donor preferences in financing infrastructural projects on a bilateral basis and of SADC's view that separate national management of the components of cross-border projects usually works better, a pattern accentuated by submission to donors of some national projects with rather tenuous sub-regional focus/impact. With Governments submitting sub-regional project priorities to different donors via different sub-regional organizations, coordination at national, sub-regional and donor level becomes difficult particularly in the PTA case which lacks the SADC-type 'annual consultative conferences' and in which the Secretariat in practice dominates resolution formulation, but not state action.

An analysis of alternative regional integration framework in ESA must be juxtaposed against vested interests in favour of existing groupings, e.g. greater Southern African integration in the context of an enlarged SACU in a post-apartheid Southern Africa or a negotiated SACU/SADC merger. Or one can cite the current frenetic attempts to 'revive the East African Community' in the face of the strong competing desires to strengthen PTA and SADC.

A PTA-initiated sub-regional organizations integration study was undertaken in 1988/89 but its recommendations were not implemented largely because PTA could hardly be seen as an impartial arbiter. Revisiting, up-dating and implementing the recommendations of the study under less partisan auspices would do away with some organizations (potentially including PTA), reduce duplication and increase complementarity. It could also decentralize functions from headquarters to field offices, e.g. from ECA to MULPOCs and to Governments (or within PTA with MULPOC wound up as 99 per cent non-functional and 100 per cent duplicative of either SADC or PTA or both).

A framework and procedures for PTA/SADC cooperation through information sharing, consulta-

tion, coordination and joint programming was agreed by the two Secretariat in March 1991. However the potential duplication in physical infrastructure, energy, basic industries, trade, monetary harmonization and insurance schemes, convinced the PTA Secretariat that harmonization of activities is unattainable without a merger, particularly given a post-apartheid scenario and donor anxieties. Hence the January 1992 PTA Summit (with nine SADC countries represented) opted for a merger. However, there are fears in some quarters that the merger would give rise to a large, unwieldy grouping of sharply divergent characteristics that would complicate rather than facilitate the integration process. Against this background and especially the transformation of SADCC into SADC, the PTA Authority at their January 1993 Summit revisited their earlier decision and set up a PTA/SADC Ministerial Committee to review the situation and make recommendations on the rationalization of the activities of both organizations.<sup>10</sup>

### **3 ECONOMIC INDEPENDENCE: THE SOUTH AFRICAN DIMENSION**

The end of apartheid provides great scope for economic cooperation in Southern Africa. South Africa is in, and of, Africa. Geographical proximity, communal interests, colonial practice and economic laws have bound it solidly with ESA. With the strongest economy in Africa (albeit one of the poorest in recent performance) and the end of sanctions and disinvestment, it stands to benefit from easier access to the African market replacing in some cases European and North American suppliers. With industrial and technological advance, South Africa can provide a bridge between ESA and the industrialized world. South Africa's modern sectors (mining, industrial complexes, business and financial houses) are integrally linked with Western Europe, the USA and of late, the newly industrializing countries of the Far East.

The SADC countries have substantial trade and transport links with, and dependency on, South Africa. Zimbabwe is the PTA's strongest economy. Zimbabwe, for instance, currently runs a substantial trade surplus within the PTA. Although this is partly

<sup>10</sup> This slightly curious pattern of voting by SADC Member States, who are a majority in PTA, appears to relate to the PTA process of Secretariat drafted resolutions which are subject to limited discussion or amendment versus a SADC Council of Ministers/Heads of State Summit pattern of usually nationally drafted and virtually always

heavily debated and amended resolutions on basic policy issues. Given the historic hostility of ECA/PTA to SADC (only partially reciprocated) no initiative by PTA (or for that matter ECA or SADC) acting unilaterally can be expected to be fruitful.

because of the short-term credit advances under the PTA Clearing House, given the relative strength of Zimbabwe's economy, it would exist anyway. Despite this Zimbabwe is very dependent on South Africa as market, middleman, supplier and carrier (albeit prior to South African trade discrimination Zimbabwe had a growing trade surplus with South Africa in textiles-steel rod-wood products-leather products and prior to Rhodesia's illegal declaration of independence used Mozambican not South African ports for global trade). South Africa has a rail network of 23,740 kms and handles about 170 million tons of cargo per annum as against Zimbabwe's 3,394 kms and 12-13 million tons per year. As of 1993, 60 per cent of Zimbabwe's trade went through South Africa albeit the pre-Rhodesian 'independence' level was 10 per cent excluding trade with South Africa. Others are even more dependent: 90 per cent of Malawi's external trade goes through Durban, South Africa though purely as a result of South African inspired destruction of the much shorter, lower cost routes to Nacala and Beira. The sub-region's future is closely linked with that of South Africa albeit the patterns of links by 2000 is unclear because recent changes relate so integrally to destabilization and the underlying South African goods for migrant labour plus hard currency format is in fact not acceptable in the medium term to either side.

#### **4 INTEGRATION PROGRAMMES BETWEEN SOUTH AFRICA AND HER NEIGHBOURS**

i **The South African Customs Union (SACU)** includes the absence of trade barriers within the Customs Union and a common external tariff. In SACU trade creation has benefited the exporters, primarily South Africa, the main source of imports by its SACU partners. Trade diversion lowers welfare for the latter if imports are diverted from more efficient, cost competitive world market sources to expensive substitutes from less efficient SACU partners, as appears to be the case for up to three quarters of present trade<sup>11</sup> – at least at the prices South African enterprises have charged captive markets. The SACU arrangements have had other drawbacks:

i large trade imbalances between South Africa and her less industrialized SACU partners basically

settled from extra regional hard currency export earnings (except for Lesotho's which represent largely the counterpart of migrant worker earnings);

ii unequal distribution of benefits in favour of South Africa;

iii loss by the BLS countries of control over fiscal policy especially indirect taxation. The tariff is - with a few exceptions, e.g. soda ash - directed by Pretoria's socio-economic needs and philosophy.

Research effort has sought to find out whether:

i the revenue-sharing formula adequately compensates the BLS countries for polarization and other adverse effects

ii the BLS countries would raise the same revenue if they withdrew from SACU and imposed their own tariffs.

Selwyn (1975) concluded that Botswana and Swaziland might not fare worse with respect to lost revenue and customs duties if they left SACU. The question is hardly worth exploring in the case of Lesotho which is entirely surrounded by South Africa. However, the BLS countries perceive tangible economic benefits. These benefits include substantial access to the South African money, capital and labour markets. This is acknowledged in Article 30, Annex XII of the PTA Treaty which granted the BLS countries 'temporary exemptions from the full application of certain provisions of the Treaty'. However, by 1994 Namibia and Botswana would probably have left SACU had not the internal changes in South Africa justified a broader, more extended review of their options.

The greatest potential for integration between South Africa and the rest of Africa is in trade. Pretoria has been trading with nearly all African countries; in some cases under contractual links such as the Zimbabwe and Malawi trade agreements of 1964 and 1967 respectively (both since amended in South Africa's favour, *de facto* unilaterally). South Africa's latest thrust has been in the development of trade links with key African countries particularly Kenya, Egypt, Nigeria and Cote d'Ivoire.

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<sup>11</sup> Appears because South African suppliers usually change domestic - not export prices. In the absence of protection, some could and would meet global prices foregoing excess profits (customs union rents) rather than markets.

South Africa supplies substantial electric power to its neighbours. It supplies nearly 100 per cent and 65 per cent of Lesotho and Swaziland requirements respectively. However, Mozambique's Cahora Bassa and Namibia's Ruacana Falls dams in turn were designed to meet substantial power needs of South Africa. The Pretoria financed Lesotho Highland Water Project could provide substantial HEP to South Africa, albeit its chief export product is water. In the medium term South Africa is a hydro power and water deficit country.

South and Central African countries currently depend extensively on South African ports, railways, highways, airports and other transit transport facilities albeit, except for Lesotho, history (not least that of violent destabilization), not underlying economic logic, accounts for the bulk of the use. South Africa rolling stock has served as far north as Zaire, and presently Kenya. In some years, a daily average of 8,000 SATS rail trucks and 40 locomotives were on SADC rail lines. South Africa was in the past very dependent on the port of Maputo which remains the logical outlet for much of the Rand Triangle once rehabilitation and modernization are complete and – when Trans Kalahari highway links are improved – Walvis Bay (now reincorporated in Namibia) is likely to become a not insignificant Atlantic access port for the Rand.

Migrant labour, and of late skilled personnel from independent Africa, have worked in South African mines, other enterprises and educational institutions. Worker remittances contributes as much as 50 per cent of foreign exchange earnings and 15 per cent of Government revenue in Lesotho and Swaziland respectively. This will be affected by post-apartheid adjustments, except perhaps for Lesotho which logically should seek economic union with post-apartheid South Africa.

## 5 POTENTIAL COOPERATION AREAS

Areas of cooperation between South Africa and her neighbours include cross-border investment, joint river basis development, environmental conservation, and tourism development. Major recent new South Africa investments in SADC include Botswana's Sua Pan industrial complex. Economic liberalization and privatization open avenues for

South African investments. Having battled with neighbours over national river frontiers, e.g. the Orange river, South Africa is now likely to turn to joint initiatives to develop such river basins.<sup>12</sup> UNEP is active in this regard. Given South Africa's advanced natural resource management capability, Mozambican and Tanzanian national parks for example could benefit by advisory services from the Kruger National Park. And so would the tourist industry in South Africa's neighbours.

## 6 CONCLUSION

Given the geographical proximity and recent histories of integrating states the potential for conflict thrives. Many national decisions have effects, incidental or otherwise, on regional issues and options. In this regard, Wamalwa has argued, 'The correct attitude to regional cooperation should be tinged with realism. Such demand for equality in the absolute sense and exact identity were factors that we should dispense with' (1986). Regional groupings are easier if premised on a relatively common socio-economic and political framework albeit there is little to be done about divergence if it does exist. Otherwise persistent pressures threaten their stability and survival. The collapse of the East African Community is a case in point albeit the rise of a violent, expansionist military dictatorship in Uganda post-dated the EAC Treaty and was not readily predictable. The pre-requisites for viable regional groupings include:

- i fair distribution of costs and benefits as perceived by Member States;
- ii a common economic strategy at least on issues crucial to regional coordination/integration<sup>13</sup>;
- iii a reasonably common macro-economic policy framework.

Given the peculiar features of ESA, the design of a SADC integration scheme is significantly different from conventional European models. Despite SADC's strategy of reduction of dependency especially on South Africa, in practice SADC has deepened dependence on the industrialized countries although basically because of earned import capacity declines since 1979 which forced a

<sup>12</sup> Assuming the pending downstream water rights issues with Namibia, Swaziland and Mozambique can be resolved which may not be simple or speedy even with goodwill.

<sup>13</sup> Including some plausibility of official exchange rates.



choice between external funding and no substantial infrastructure projects. The challenge before SADC is to ensure foreign aid complements sub-regional resources by raising the proportion of the latter. Regional groupings should not overstretch their financial and managerial resources over too many activities, some of which could best be handled by Member States and certainly not waste staff and

resources on sectors in which there are neither substantive activities nor member demand for them. Emphasis should be on programmes with tangible benefits especially building from those already in operation. Which ones is a contextual issue with non-self evident answers e.g. SADC's food security and agricultural research area successes.

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