Article

Regional integration in Southern Africa: Evidence from the Southern African Development Community (SADC)

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Abstract: This article provides for an informative review on regional integration in Southern Africa by drawing lessons and evidence from the Southern African Development Community (SADC). It provides for a review of literature on the SADC from a regional integration perspective. SADC has expanded into a more expansive regional organisation in response to the challenges faced in the 1990s, and it currently includes South Africa, the region’s superpower. Furthermore, trade integration is receiving more attention, despite not being a main debate point at the Southern African Development Co-Ordinating Conference (SADCC). The SADC Trade Protocol has been decisive in trade integration. The purpose of the Protocol is to ensure that companies operating in each of the nations in the region may fairly compete to service the 150 million customers that comprise the market as a whole. It is anticipated that regional free trade will increase the likelihood of economic growth, increase intra-SADC commercial activity, create jobs, and elevate the standard of living for SADC residents.

Keywords: SADC; regional integration; trade; Southern Africa

1. Introduction

The Southern African Advancement People group (SADC) is an intergovernmental organisation situated in Gaborone, Botswana. The objective of the Southern African Development Community (SADC) is to advance regional integration and socioeconomic cooperation as well as political and security cooperation among the 16 nations of southern Africa [1]. In spite of the fact that its essential targets are advancement, monetary development, and destitution easing, peacekeeping has become progressively important to the SADC. The beginnings of SADC are during the 1960s and 1970s, when the heads of larger part governed nations and public freedom developments composed their political, strategic and military battles to stop apartheid in southern Africa [2]. The immediate forerunner of the political and security cooperation wing of today’s SADC was the informal Frontline States (FLS) grouping. It was formed in 1980. The Southern African Development Coordination Conference (SADCC) was the forerunner of the socioeconomic cooperation wing of today’s SADC. The adoption by nine majority-ruled southern African countries of the Lusaka declaration on 1 April 1980 paved the way for the formal establishment of SADCC in April 1980 [3].

With the passage of the Windhoek declaration and treaty establishing SADC by the founding members of SADCC and Namibia’s newfound independence on 17 August 1992, SADCC became SADC. Political, security, and socioeconomic cooperation were all included in the 1992 SADC agreement. Actually, the FLS was not officially dissolved until 1994—that is, following the country’s first democratic...
elections [4]. Attempts to establish political and security cooperation within the SADC on a stable institutional foundation were unsuccessful. The 1992 SADC treaty was revised on 14 August 2001. The amendment marked the beginning of an ongoing initiative to revamp SADC’s structures, rules, and processes. One of the modifications is the institutionalisation of security and political cooperation within the main SADC organisation, the Organ on Politics, Defence and Security (OPDS). The leaders of state and government that make up the Summit, the organisation’s highest body, have authority over it.

In Southern Africa, regional integration underwent a transformation in the 1990s. The completion of the Uruguay Round trade negotiations, South Africa’s democratisation, and advancements in regional integration in the European Union and North America have all contributed to the revitalisation of regional integration initiatives in Southern Africa [5]. Diversity in terms of size and development status has been extensively reported as a potential obstacle to regional integration attempts. The region’s variety draws attention to the conflicts and synergies between national development and economic growth objectives and regional integration.

2. Review of literature on the SADC

In response to the issues faced in the 1990s, SADC has grown into a more expansive regional organisation that now includes South Africa, the region’s superpower. Additionally, there is a renewed emphasis on trade integration, which was not a major topic of discussion at the Southern African Development Co-Ordinating Conference (SADCC), its predecessor [6]. The struggles of freedom and the effects of South Africa’s apartheid on the Southern African continent gave rise to SADCC. In addition to its attempts to create a Constellation of Southern African States, South Africa also used military operations against targets in neighbouring countries and other destabilising tactics to try and assert its influence in the region during the height of apartheid [7].

The Southern African countries’ reliance on South Africa, which effectively went back to the early days of colonialism in the area, was intended to be explicitly reduced with the founding of SADCC in 1980. Angola, Botswana, Lesotho, Swaziland (the last three of which are known as the BLS countries), Malawi, Mozambique, Tanzania, Zambia, and Zimbabwe were the nine nations that signed the SADCC at its founding. This implied that the BLS nations, which were a part of SACU (see below), were suddenly included in the effort to lessen reliance on South Africa—quite an unusual situation considering how SACU functions. Rather than focusing on promoting intraregional trade, the founding texts of SADCC prioritized the promotion of sectoral collaboration [8]. The SADCC Programme of Action (SPA) initially placed a strong emphasis on communications and transportation because of the significant reliance on South Africa in these areas. Energy and food security also emerged as major areas of concern. Trade and industry came after under the motto Let Production Push Trade.

The project-based strategy was modified in 1985 with a greater emphasis on sectoral plans and program coordination. The purpose of this modification was to make it easier to prioritize projects and programs and to make the standards for
gauging progress more clear. At least one sector has been assigned to each member state. A sector coordinating unit was created for each sector under the supervision of the relevant ministry to handle its coordinating duties with resources of its own. Nominal attempts to include the private sector were made in 1987 with the establishment of the SADCC Business Council. Nonetheless, it stayed outside of the official SADCC structures and did not represent a serious effort to involve the private sector in regional integration [9].

It became evident by 1989 that the SPA’s expansion and number of sectors had overtaken SADC’s ability to organize and deploy resources for its implementation. Furthermore, there was no established hierarchy of priority within and within sectors, which resulted in projects having a surface-level influence. Therefore, in order to assist the consolidation of efforts within existing sectors, the Council of Ministers announced a moratorium on the development of new sectors in August 1990. Additionally, a comprehensive study of the SPA was ordered. This review brought to light several important issues, such as: (1) the SPA funded about 90% of its external financing through international cooperating partners, with member states covering the remaining 10% as they stood to gain from each specific regional program; (2) by 1989, the SPA had 500 projects, some of which were of questionable regional importance or viability because of SADC institutions’ shortcomings in project processing; and (3) the SPA's size was unrelated to member states’ national development policies and strategies and the availability of resources [10].

The fields of collaboration have kept growing in spite of the sector establishment moratorium and the SPA review’s conclusions. The number of cooperating areas increased from 14 to 18 by 1995. The SPA is still being implemented with the help of outside funds, and it has not yet addressed the trend away from the coordination of individual projects and toward regional integration. The early 1990s saw the awareness that apartheid was about to fall and that this would open up new possibilities for Southern African regional integration. This meant that closer, more interactive relationships would replace the BLNS1 countries’ “at arm’s length from South Africa” operations, according to SACU. Appointing a Customs Union Task Team (CUTT) to look into SACU’s operations and suggest amendments to the agreement was done in late 1994 [11].

The impending democratic transition in South Africa required SADCC to realign its goals and priorities. The result was the August 1992 Treaty of Windhoek, which made the Southern African Development Community (SADCC) the new entity. The PTA, which was the model for the Common Market for Eastern and Southern Africa, is more like the SADC. A topic document that suggested shifting from project cooperation to close political cooperation in order to create the conditions for fair trade integration was also discussed during the August meeting. Trade integration was now a pressing problem for SADC.

The SADC treaty focused on

- The alignment of member state political and socioeconomic agendas and policies.
- the promotion of regional economic, social, and cultural links.
- the creation of laws intended to gradually remove barriers to the free flow of people, products, and services, as well as capital and labor, between member
states.

- The development of human resources.
- The promotion of the development and transfer of technology.
- Enhancing economic performance and management via regional collaboration.
- The encouragement of member state harmonization in their international interactions.
- The encouragement of global cooperation, understanding, and support in order to mobilize the influx of both public and private resources into the region.

Namibia joined the SADC as its tenth member in 1990 upon gaining its independence. After joining in August 1994, South Africa was given responsibility for the finance and investment portfolio under the SADC mission of functional collaboration and responsibility sharing for the member states’ chosen areas of cooperation. In 1995, Mauritius joined the SADC as its twelfth member. The richest nation in Africa, the Seychelles, and the third-poorest nation, the Democratic Republic of the Congo, were admitted in September 1997. The latter two’s entry expands the SADC’s market to about 60% of sub-Saharan Africa’s GDP [12], but it reduces the region’s per capita GDP to $990, which is still twice that of sub-Saharan Africa as a whole. With the accession of the Congo, this most recent SADC expansion carries both benefits and challenges. The country may suffer greatly from the lack of support from the donor community and financing from the IMF and World Bank as a result of President Kabila’s initial resistance to work with the UN in its investigations into claims of ethnic cleansing carried out by his army. Therefore, the dangers associated with this new member state could substantially undermine its vast economic potential, and SADC could bear a heavy financial burden from these expenditures.

The insufficiency or inappropriateness of the SPA, its policies, and the underlying tactics to tackle the contemporary difficulties confronting the region has been affirmed by several significant trends and recent advancements. These include the competition among the states of Eastern Europe for limited resources, the conclusion of the Uruguay Round trade negotiations, and the increasing tendency worldwide toward the formation of economic blocs in order to benefit from economies of scale and integration. It is consequently imperative that the SPA be changed to better align with the SADC’s vision. This entails switching the focus of funding from international cooperating partners to member states, giving the SPA significant weight in creating jobs, determining a clear path for sectoral prioritisation, and making an effort to correct the disparities in the region’s economic development.

3. A discussion on trade integration: The SADC trade protocol

At the Maseru Summit in August 1996, the SADC Trade Protocol was signed, which was a significant step toward the creation of a free trade area (FTA). The discord that existed prior to the protocol’s signature, namely about entry to South Africa’s markets, was not encouraging for the process of putting it into effect. The protocol’s goal is to guarantee that businesses in all of the region’s nations may compete fairly to serve the 150 million consumers who make up the collective market. Regional free trade is expected to improve chances for economic growth,
boost intra-SADC commercial activity, generate jobs, and raise SADC citizens’ standards of life (SADC Executive Secretary, Harare Summit on Trade and Investment, 1997). During the same summit, South African President Nelson Mandela talked about the expected advantages of a unified regional force in a “world characterized by fierce competition for limited resources.” On the other hand, these high hopes might be beyond the reach of the SADC regional integration arrangement [13].

Ten of its members, with the exception of Botswana and South Africa, had already implemented tariff reductions of seventy percent through the COMESA commerce Liberalization Program at the time of the Trade Protocol’s signature. The Trade Protocol calls for the gradual liberalization of intraregional commerce. The SADC Trade Protocol’s implementation may be hampered by the overlap in membership of the various arrangements in the region.

The following goals of trade integration, as outlined in the SADC Trade Protocol [14], are to liberalize intraregional commerce in products and services on the foundation of just, equitable, and mutually advantageous trade agreements, which are supplemented by other protocols; to make sure that SADC produces effectively, taking into account each member’s comparative and dynamic advantage; to help make the environment more favorable for domestic cross-border investment; to promote the region’s industrialization, diversification, and economic growth; to create a free trade agreement (FTA) between SADC members.

The Protocol calls for the removal of trade obstacles within the SADC in order to achieve these goals. More precisely, with the exception of a few circumstances listed in Article 9 of the Protocol, import and export tariffs, non-tariff obstacles, and new barriers shall all be removed. These exclusions consider international agreements, environmental preservation, the preservation of finite natural resources, and other considerations. The Protocol’s guiding principles, which called for a progressive decrease in trade barriers, have been superseded by a recent directive to Imani Development to compile a list of sensitive products and a report on tariff reduction schedules. The FTA may be finished by 2006 if negotiations over these start in 1998 and the protocol is approved that year. A joint stance on the tariff reductions is presently being prepared by the SACU nations.

Trade between SADC nations that are also COMESA members will take place under the COMESA arrangement since, at least until 2006, the SADC tariffs will be higher than the COMESA duties. The SADC Trade Protocol will only genuinely apply to non-COMESA SADC members, as importers will undoubtedly opt to pay the reduced customs duty rates offered by COMESA. Rules of origin must be followed in order for products to receive SADC preferential status. If a product meets these requirements, it will be recognised as coming from the SADC: (1) They are shipped straight from one member state to a consignee located in a different member state. (2) They must satisfy one of the following requirements: they must be fully produced goods; they must be produced entirely or partially in the member states from materials that are either of unknown origin or from outside the member states through a production process that represents a significant transformation of those materials, so that either (a) the value added during the production process makes up at least 35% of the goods’ ex-factory cost, or (b) the value added of those
materials does not exceed 60% of the total cost of materials used in their production. (3) The processing of the non-originating elements results in a modification of the product’s tariff heading.

To guarantee equitable preferences, SADC member states commit to treat one another with maximum foreign direct investment (MFN) under the Trade Protocol. The presence of a clause exempting member states from the requirement to extend the preferences of a different trade bloc in which they participated at the time of the Trade Protocol’s signature presents a conflict. There are provisions in place that permit member states to refuse to give preferential treatment to intra-SADC trade for a variety of reasons, including national security, the potential to seriously harm a domestic industry producing comparable or directly competitive goods, and the protection of emerging industries (which seems to go against the removal of protection for emerging industries mentioned previously).

The Protocol also embraces a number of additional measures to trade liberalization, including trade development, intellectual property rights protection, competition policy, cross-border investment encouragement, and trade policy coordination. Moreover, provisions are made for the execution of intraregional trade policies, including trade facilitation, transit trade, standards and technical trade laws, and monetary and financial arrangements. It is anticipated that the Protocol’s impact on the increase of intraregional trade will be limited because only a restricted range of commodities will be eligible for preferential trade under it. It is expected that member states will provide goods for preferential treatment under the arrangement if they know the goods are not produced in the region or if the goods do not make up a sizable amount of their imports.

The elimination of NTBs is probably going to be challenging because tariff equivalents are much easier to calculate in principle than they are in reality, and discussions are probably going to be challenging. Restrictive import licenses, administrative hold-ups, bureaucratic wrangling, requirements for supply sources, and bans on the entry of specific commodities could all prove to be significant obstacles in the SADC case. SADC might gain from adopting a more realistic strategy to reduce NTBs by learning from the COMESA agreement.

The goal of COMESA to establish a single external tariff (CET) is a crucial factor to take into account. It’s possible that the SADC nations that are also COMESA members won’t be able to offer zero tariff preference to non-COMESA nations. It is reasonable to assume that the Protocol will have relatively little effect on intra-SADC commerce, given that the majority of trade inside the SADC is accounted for by one nation, South Africa. Furthermore, rather than facilitating intraregional trade liberalisation, the misunderstanding that is likely to result from having two parallel arrangements—SADC and COMESA—with notable membership overlaps could cause confusion and bewilderment.

Furthermore, member nations of the Cross-Border Initiative, a fast-track regional integration initiative that began in 1993 and shares membership with both SADC and COMESA, are being forced to lower their tariffs to match those of the lowest-tariff members, who have already lowered their tariffs to as low as 5% thanks to structural adjustment programs.

The fact that South Africa chose to join SADC over COMESA in 1992 suggests
that the organization’s more expansive goals at the time, which included creating a common market through effective trade integration, were more enticing. According to South Africa, the SADC agenda should include a holistic approach to regional development that includes a regional industrial strategy, regional infrastructure projects, financial sector harmonization, and more than just free trade. It’s critical to remember that while governments influence the conditions in which business decisions—including those regarding location—are made, they do not make the decisions themselves.

Without a doubt, South Africa, with its strong economy and advantageous international standing, is in a unique position to enhance the region’s attractiveness to foreign investors and boost its competitiveness. In this context, one question to consider is whether it can continue to focus on regional issues as politicians face increasingly pressing internal challenges.

Integration issues in the region are probably going to arise because of the overlap between SADC and COMESA, as well as the sensitivities surrounding South Africa’s membership in one organization and nonmembership in the other. A portion of these result from the region’s asymmetric trade patterns. Democracitization has contributed to South Africa’s considerable trade surplus with the region; between 1990 and 1994, the value of South Africa’s exports to the region increased by 24% in US dollars [15].

Prospects for Intraregional Trade Growth in SADC:
Southern Africa’s intraregional trade patterns and nature are quite predictable, illustrating a common situation faced by developing nations. With the possible exception of South Africa, the region is largely dependent on the global market for capital- and technology-intensive goods, for which there aren’t many intraregional alternatives. With primary commodities accounting for an average of 82% of all SADC exports, primary commodity exports dominate the trade profiles of all SADC member nations. South Africa’s exports far outweigh the total for the SADC; in 1993, the country accounted for almost 70% of the SADC’s total exports and 62% of its total imports (SADC Secretariat). Nedcore Business Center, Johannesburg.

It is to be expected that the area will be much troubled by South Africa’s substantial trade surplus with the region. Much debate in this regard has centered on access to South African markets. But in more recent times, attempts to restrict access to its markets have not been limited to South Africa alone. Following Zimbabwe’s increase in import duties from Z$13 to Z$180 per ton in March 1997, Zambia ceased exporting cement to that country [16]. These are a few of the obstacles preventing free trade in the area.

Expectations for SADC are high despite challenges; one sign of this is the organization’s membership increase. Despite a growing body of evidence suggesting that small nations benefit more from multilateral liberalization than from regional integration, South Africa’s admission to SADC and the signing of the Trade Protocol, in particular, highlight the need for critical investigation into the prospects for boosting intraregional trade within SADC.

One important concern is whether the structural features of the area would limit SADC’s efforts to boost intraregional commerce. According to recent data, trade integration projects, particularly those pertaining to the region, may offer South
Africa a disproportionate advantage. SADC’s process of closer integration has benefited South Africa, as evidenced by the relocation of production activities such as breweries to Tanzania, clothing and textile producers to Malawi, and South African retailers expanding into neighboring countries like Mozambique, Zimbabwe, and Zambia. The contrary is more easily observed in South Africa’s unorganized sector, especially in retail operations, suggesting a glaring mismatch in the integration process.

Given its past performance, SADC’s future prospects are undoubtedly cause for cautious optimism, particularly with regard to fostering an expansion of intraregional commerce. Internal discord, a lack of concentration on shared goals, and a lack of institutional capability to effectively oversee initiatives and projects have impeded SADC’s progress and the development of a unified approach to foreign economic ties. The clamor to join the group, however, suggests that expectations from countries in the region have significantly improved since the group was renamed from SADCC to SADC.

When one considers the growing conflicts between South Africa and its neighbors, integration prospects appear dire. The disagreement between South Africa and Zimbabwe that surfaced during the summit in Malawi in September 1997 was arguably one of the most well-known. According to Zimbabwean reports, President Mandela was a “bully”. After assuming the SADC chair in 1996, the latter is said to have tried to remove President Mugabe from his position as head of the wing responsible for politics, defense, and security. Naturally, South Africa refuted these claims. However, the episode supports the idea that South Africa might turn into the bullying country. There is also disagreement about the talks to modernize and simplify SACU.

The “inner-core” of SADC is composed of its five member states. For the past three years, negotiations to amend the revenue-sharing formula have been ongoing, but not much has changed. In order to keep South Africa’s Board of Tariffs and Trade from playing a too dominant role, the four smaller members are requesting a piece of the tariff-setting machinery. It is improbable that South Africa would consent to a regional organisation that sets tariffs and has the ability to overrule it, according to the director general of the country’s Department of Trade and Industry. He contends that the other members’ “clear industrial policies” would have to be presented before this could be considered feasible [17].

The planned free trade agreement between South Africa and the EU is another crucial factor. The SADC Free Trade Protocol, SACU negotiations that call for accelerated tariff cuts, and bilateral negotiations with SADC members are among the several sets of trade negotiations that critics say South Africa is involved in that may not be mutually compatible. However, the SADC Secretariat has stated that it would prefer to concentrate on regional agreements rather than bilateral ones, like those between South Africa and Zimbabwe and South Africa and Zambia [18].

These conflicts are expected given South Africa’s dominant position in the region. Currently, 77% of SADC’s GDP is accounted for by South Africa [19]. Indeed, it is reasonable to anticipate that dissatisfaction with South Africa will increase as the EU negotiations get traction and the 14 SADC governments try to reach an agreement on the timing and mode of regional tariff reductions. It is also
concerning that SADC may soon lack strong leadership in the area to steer it forward. A highly plausible possibility is slow progress toward free trade in impasse-ridden and contentious negotiations.

This and other research that have been mentioned above suggest that the prospects for intraregional trade growth are therefore more likely to be enhanced by elements that will promote individual economy development and growth. In this sense, if SADC can contribute to a more stable political and economic environment, it may indirectly result in enhanced intraregional trade flows [20]. Other factors that may draw foreign direct investment (FDI) include policy credibility, macroeconomic stability, industry structure diversification, and political stability.

4. Conclusion

With the exception of SACU, regional integration in Southern Africa has not had much success. Despite this, the signature of the SADC Trade Protocol shows that the organization is expanding and that efforts are being made to resurrect regional integration. This optimism is fueled in part by South Africa’s newfound influence in the area, which, in spite of various reservations, is anticipated to aid in the growth of the area. Furthermore, regional policymakers have been convinced by the experiences of the European Union and North America that the advantages of regional integration go much beyond static welfare gains and instead have dynamic effects that influence the prospects for national economies to expand.

It is necessary to define the core goals of regional integration in Southern Africa. It should be acknowledged in this regard that trade from less expensive international sources may be diverted by regional integration in Southern Africa. It is obvious that this does not improve the region’s welfare. Both the creation of institutional ability to oversee the process of regional integration and regional industrial development—bolstered by cooperative infrastructure development—deserve consideration. Coherent national policy measures should be used in conjunction with regional integration as part of a regional development strategy. The conclusion is that, given Southern Africa’s past and the present national and regional obstacles, it is reasonable to anticipate that the process of regional integration will stall out due to member conflicts and detours as nations prioritize their own interests.

Conflict of interest: The author declares no conflict of interest.

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