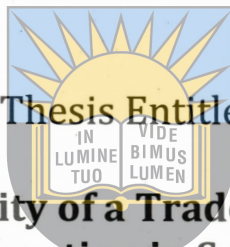




University of Fort Hare
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Faculty of Management and Commerce
Department of Development Studies



A Thesis Entitled:

**Critiquing the Viability of a Trade Biased Approach to
Regional Integration in Southern Africa**

University of Fort Hare
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Kudakwashe Chipendo

Submitted:

**In Fulfillment of the Requirements for a Master of Social
Science Degree in Development Studies**

December 2008

Supervisor

Professor A. Rahim

Declaration

I, Kudakwashe Chipendo, do hereby declare that this manuscript is an entirely original outcome of my work, unless otherwise attributed to others. I further declare that I have not submitted this thesis, or part thereof, for the purposes of examination for another degree at any university.



Chipendo

27/03/2009

Signature

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Date

Dedication

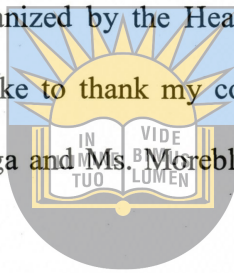
This study is dedicated to my family.



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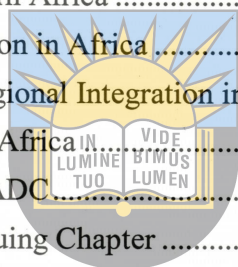
Abstract

Africa's international marginalization is preponderantly conceptualized through world systems approaches, particularly structural dependency. Consequently, the region's socioeconomic quagmire, characterized by economic stagnation, abysmal poverty, inequality and foreign dependency, is often attributed to its colonial heritage. Particular reference is made to the small size of the African state and its structural specialization in primary production. Collective self reliance based on mutual interdependence (regional integration) thus suggests itself as a logical way to overcome the structural constraints imposed by the small size of the state, while at the same time representing a viable alternative to asymmetric trade with developed countries. It is within the context of this theoretical framework that this study critiques the predisposition of the regional body in Southern Africa, the Southern African Development Community (SADC), towards a trade biased approach to regional integration (market integration). This critique is based on theoretical and empirical findings showing that trade led strategies are primarily suited for developed countries with robust manufacturing industries and complimentary production structures. Countries in Southern Africa are however characterized by a near absence of manufacturing industries, are at different levels of development and show low levels of trade complementarities. This study therefore concludes that market integration is an inappropriate strategy for regional integration in Southern Africa and in the process suggests development integration – a political economy approach, as an alternative.


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Abbreviations and Acronyms

ADB	African Development Bank
AEC	African Economic Community
AIDS	Acquired Immuno-Deficiency Syndrome
AU	African Union
CIA	Central Intelligence Agency
CM	Common Market
COMESA	Common Market for Eastern and Southern Africa
CU	Customs Union
DRC	Democratic Republic of Congo
EEC	European Economic Community
EU	European Union
FTA	Free Trade Area
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
HIV	Human Immune Virus
H-O	Heckscher-Ohlin
IMF	International Monetary Fund
IRIN	Integrated Regional Information Networks

LAFTA	Latin American Association of Free Trade
MNC	Multi-National Corporation
OAU	Organization of African Union
RISDP	Regional Indicative Strategic Development Plan
SACU	Southern African Customs Union
SADC	Southern Africa Development Community
SADCC	Southern Africa Development Coordination Conference
SAHIMS	Southern Africa Humanitarian information Management Service
SAPRIS	Sothern African Regional Institute for Policy Studies
SCU	Sector Coordinating Unit
UNCTAD	United Nations Conference on Trade and Development
US \$	United States Dollars
WB	World Bank
WTO	World Trade Organization



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Chapter 1

Background the Study


Colonialism, International Division of Labor and Trade

Countries in Southern Africa are confronted by a progressive lack of viability of state structures to singularly address the socioeconomic challenges confronting them, chief among which are: economic stagnation, abysmal poverty, enduring inequality and foreign dependency. This quagmire is largely attributable to the region's colonial history of exploitation and extraction as constituent processes of its incorporation into the international division of labor. Brenner (1977: 30) observes that the trade induced global division of labor gave rise to an asymmetric structure of international development, a structure through maintaining and consolidating determines an accelerated process of accumulation in certain regions (the core), while reinforcing a cycle of backwardness in others (the periphery). Capitalist expansion thus simultaneously produced development and underdevelopment, not as separate process but as related facets of underdevelopment (Buchanan, 1968: 81-83). The general lack of state viability in Southern Africa, and Africa in general, thus results from its marginal position in the world trade system, enabling 'the development of underdevelopment' (Gunder Frank, 1971: 3).

Colonially induced changes in the social structure were thus an integral part of the development of underdevelopment. These included: the dissipation of peasant handicraft and trade, causing the agrarianisation of rural life which resulted in urbanization and the undermining of the peasant economy. Colonies thus focused increasingly on agriculture and the extraction of raw materials – almost exclusively for export. Foreign capital was not invested in manufacturing; neither were domestic surpluses. Instead these surpluses were spent on imports of luxury goods, thereby reinforcing the dominance of agriculture and mining. As a result, the production of manufactured goods was concentrated in the colonial powers. Few manufacturers tried to export from the periphery, perhaps due to the tariff walls erected around the main markets or because Multinational Corporations (MNC's) monopolized distribution channels and discriminated against periphery production. Manufacturing industries that developed in the periphery were thus designed to: either avoid import tariffs into newly independent nations or focus on import substitution (Forbes, 1984: 11-12). The consequence of specialization where developing countries produce primary goods and the North produces manufactured goods is that: over time, the exchange rate between the two deteriorates to the advantage of manufacturing regions, hence the development of underdevelopment in Southern Africa.

Suffice to say, the internationalisation of trade coercively encouraged a specialization, and dependence of Africa's production on primary sector's (agricultural and mining). This created economies based on the massive exportation of Africa's primary goods to, and importation of manufactured goods from, the developed core (Marseille, 1984: 11).

Production activities of colonial political economies and the management of African markets were thus essentially oriented towards the capital accumulation needs of the metropolis (Said, 2002: 129). The structure of output in the post colonial state in Southern Africa attests to this legacy. Countries in the sub region rely heavily on export income from primary industries such as agriculture [accounting for 35% of Gross Domestic Product (GDP), 14% of foreign earnings and 70% of employment (Southern Africa Humanitarian Information Management Service (SAHIMS), 2004)] and mining [contributing 10% to GDP and 60% to total foreign exchange earnings (World Bank, 2008)]. Yet most finished products consumed therein are imported. This causes adverse trade balances and an unsustainable syndrome of foreign dependency. Some countries in the sub region including Angola, Botswana, and the Democratic Republic of the Congo (DRC) rely on only a few primary products (less than three) for over 80% of their exports (Economic Commission on Africa (ECA), 2004: 20). See table 1.1 below:



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Sources of Foreign Earnings (Select countries in Southern Africa)						
	Angola (2003)		Botswana (2004)		D.R. Congo (2004)	
	US \$ 'Billions'	%	US \$ 'Billions'	%	US \$ 'Billions'	%
Crude Oil	8.53	90%	-	0%	0.36	20%
Cobalt	-	0%	-	0%	0.25	14%
Copper & Nickel Mate	-	0%	0.17	5%	0.06	3%
Diamonds	0.79	8%	2.82	81%	0.83	46%
Soda Ash	-	0%	0.05	2%	-	0%
Other exports	0.19	2%	0.45	13%	0.32	17%
Total Exports	9.51	100%	3.49	100%	1.813	100%

Table 1.1: Sources of Foreign Currency Earnings (Selected Countries in Southern Africa)

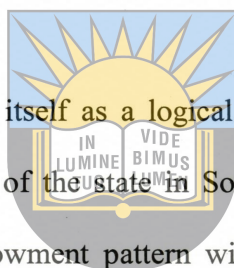
Source: [Bank of Botswana Annual Report 2004 (2005); National Bank of Angola Annual Report 2003 (2004); Democratic Republic of Congo, Selected Issues and Statistical Appendix: IMF (2005)]

Such concentration exposes them to the vagaries of fluctuations in global commodity prices and induces endemic long term deterioration in terms of trade, emanating partly from the low income elasticity of demand for commodities in the world market.

Accordingly, although political independence restored the dignity of African people who had been victims of discrimination and domination, it did not create economically viable nation states (De Riverio, 2001: 17). Political independence did however strengthen the hand of the ruling classes in the periphery, who could revoke special privileges for multinational corporations (MNCs'), refuse to negotiate patent controls or adapt various legislative measures to control foreign investment. Unfortunately, most of these leaders courted foreign capital. The combination of pressures from these local elite to link with MNCs', the dissipation of local sources of capital accumulation on luxury good consumption, the need for foreign currencies and the desire for marketing and distribution outlets perpetuates dependence on foreign capital (Forbes, 1984: 13).

In addition, the enduring impact of the colonial partition that gave rise to the modern day African state and the subsequent practice of racial discrimination resulted in the development of small states with an impoverished native majority. Eleven of the fourteen states in Southern Africa have populations below 20 million. The average income in the sub region is low, as manifest by the per capita income estimate of United States Dollars (US \$) 1,033, although this masks the massive disparities between higher income

countries such as Botswana (US \$ 5,590) and lower income countries like the DRC (US \$ 110), (World Bank, 2007). Global average per capita income is estimated at US \$ 10,600 and that of the European Union (EU) (US \$ 29,900) (Central Intelligence Agency (CIA), 2007). The consequently small domestic markets limit the potential to lower unit costs in a process of inward-looking development and thus inhibit industrial development (McCarthy, 1996: 6).



Regional integration thus suggests itself as a logical way to overcome the constraints imposed by the structural features of the state in Southern Africa for several reasons. First, given that the resource endowment pattern within the region is not duplicated, collusion at a regional level can diversify the newly established regional economy and provide an efficient method of income smoothening. Second, extending domestic markets through regional integration will enable manufacturers to produce at lower unit costs for a larger protected market. See Figure 1.1 for the implications of small markets:

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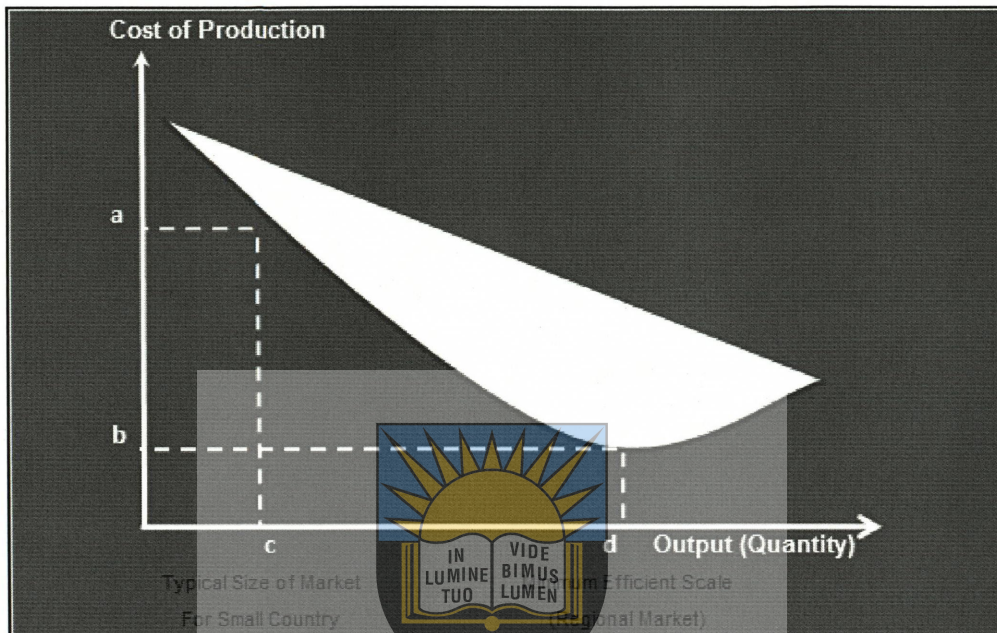


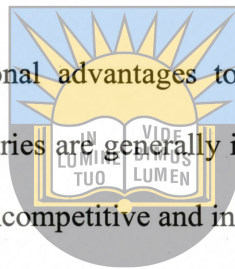
Figure 1.1: Impact of enlarged market on cost of production

Source: Constructed on the basis of from Viner's (1937) Theory of International Trade

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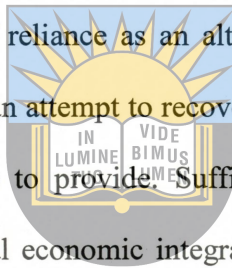
International trade theory posits that: small economies, if shielded from international trade competition will have firms that operate at inefficiently small scales, represented by (c). Such economies are divorced from the international price system and risk failing to respond to relative changes in global prices. The characteristics exhibited by such economies inhibit competitiveness and in turn, compromises growth. Extending the market (from c to d) through regional integration enables manufacturers to achieve the minimum efficient scale (economies of scale) (d), which lowers the cost of production (from a to b), improving their global competitiveness and reducing local prices. Enlarging the market through regional integration thus encourages industrial diversification and adaption of technologies that would otherwise be unviable. Furthermore, regional

integration can increase Southern Africa's influence on global prices of such commodities as Diamond, Gold and Platinum where the region accounts for a significant proportion of global deposits and output. In other words, Southern Africa's bargaining power, terms of trade, political clout and the articulation of regional interests would be placed more firmly on course if regional integration was realized (Prah, 2001: 29).



Regional integration offers additional advantages to landlocked countries (seven) in Southern Africa. Land locked countries are generally inaccessible, which often increases transport costs, rendering exports uncompetitive and inflating the retail prices of imported goods. This, coupled with poor infrastructure makes the transport costs in Africa among the highest in the world, twice those in other developing nations in Asia and Latin America and four times higher than in developed nations (Integrated Regional Information Networks (IRIN), 2005). Africa's poor transport system thus acts as a non-tariff trade barrier and is up to four times higher than tariffs imposed on goods by countries such as the EU, Japan and the United States of America (USA) (Limao & Venables, 2001). The United Nations Conference on Trade and Development (UNCTAD) (1999) warns that 'unless infrastructural bottlenecks were solved, particularly in transport, even preferential terms would not solve Africa's lack of competitiveness in world trade'. Regional integration would make it possible to collectively pool and mobilize the resources needed to develop infrastructure, while at the same time increasing access to, and competitiveness of land locked countries.

In addition, with the advent of globalization, weak states are increasingly exposed to greater risks of marginalization, disintegration and fragmentation as trade, financial and capital flows transform the global landscape and the fortunes of the state system. Consequently, if Southern African countries fail to respond through collective action, they will become more vulnerable to economic exclusion and with it, their populations more susceptible to impoverishment (Mandaza, 2001: 97). In this regard, regional integration promises collective self reliance as an alternative to unbalanced trade with industrialized countries and is thus an attempt to recover a holistic self determination that national autarky is no longer able to provide. Suffice to say that: globalization has accelerated the pace of international economic integration, reinforcing the international division of labor and rendering 'go it alone' strategies' obsolete. It is thus no longer possible or desirable for any country to operate in isolation from the world economy or for that matter the regional economy (Tsie, 2001: 127).



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Statement of the Problem

Africa's international marginalization is preponderantly conceptualized through world systems approaches, particularly structural dependency theory. As a point of departure, Coquery-Vidrovitch (1985: 12) argues that the geo-strategic distribution of African space through colonization created artificial borders representing European interests rather than African ethnic or economic realities. Further, the consequent process of external domination created a peculiar kind of state – a state whose intrinsic objective was to build

external reserves rather than promote internal development. The confluence of these dynamics resulted in small states with markets too narrow to sustain sizable economic operations (Tsie, 2001) and led to the predominance of extractive tendencies, which coercively encouraged specialization and dependence primary sectors (Frimpong-Ansah, 1992: 40). Production activities in African states were as a result oriented towards the capital accumulation needs of the metropolis (Said 2002: 129). It is through this process that Africa was incorporated into the global division of labor – a structure through maintaining and consolidating determines an accelerated process of accumulation in the core while reinforcing underdevelopment in the periphery (Brenner, 1977: 30).



On departure, the colonial administrators left Africa with weak, mal-integrated and severely distorted economies, encouraging the continuation of Africa's multifaceted and tenacious dependency on more industrialized states. The decisions and even sovereignty of emerging African states would thereon be contingent on foreign markets, industry and expertise. Africa's monetary resources and economic surpluses thus continued to be transferred abroad, rather than being retained at home to promote their own development (Hudson, 1981a: 23). The perpetuation of this historic dynamic has accentuated Africa's marginalization to the extent that structural dependency have grown so serious that virtually all economic surplus is diverted abroad (Ibid (b), 1981: 185). Individual governments are unable to decouple from this system because the day to day operations of most African countries are almost entirely dependent on this system (Miljan, 1981: 178). More significantly however, attempts to decouple could attract economic, financial,

political and even military sanctions. Despite this, if countries in Southern Africa fail to break from this system, it is likely that their future toil will be devoted to paying off past creditors rather than accumulating the resources required to sustain and empower their societies (Hudson, 1981a: 23).

Collective self reliance based on mutual interdependence (horizontal regional integration) suggests itself as a logical way to overcome the structural constraints imposed by the small size of African states. It is also a viable alternative to asymmetric trade with developed countries. In this respect, regional integration is an attempt to bring about greater equity in the global multilateral trading system and halt underdevelopment (Nhara, 2006: 5). Regional integration in Southern Africa is instituted because of the need to transform the internal economic structures from primary goods and sectors to manufacturing production so as to keep at home payments earmarked for debt service to the international banking system, foreign governments and the earnings of transnational corporations. Such transformation, it is postulated, will accelerate economic growth and ensure considerable reductions in poverty, inequality and foreign dependency.

Within the context of this background, this study critiques the manifest predisposition of the Southern African Development Community (SADC) towards trade led approach (market integration) because this choice of space does not tally with the motivation behind regional integration in the sub region. Market integration espouses the case for regional integration by discussing its benefits in terms of trade expansion. This study

questions why trade, in its own right, should be the focus of regional integration in Southern Africa when in fact there is a growing tendency by regional groupings among developing countries to de-emphasise trade based approaches because they are perceived as having achieved limited success in increasing intra-regional trade (Munyaka, 2001: 193-194). Evans (1989) argues that trade generally exerts favorable effects on the performance of domestic manufacturing industries. Market integration can thus only be effective as a regional development strategy in so far as it is applied to countries with a certain level of development. How viable can market integration be when instituted in a poor region with no manufacturing industry of note? Further, trade theory recognizes that while free commodity exchanges among countries can generate global growth, there is no guarantee that these benefits will be equitably let alone equally distributed between, among or within participating countries (ECA, 2004: 81).



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Essentially, the success or failure of regional integration juxtaposes continued control of Africa economies by foreign interests on one hand and mobilizing joint endeavors to produce capital and intermediate goods within a regional framework on the other. This study questions whether an endeavor of such political significance can be left to the dictates of laissez faire economic processes as envisaged under market integration. Accordingly, the study critiques SADC's predisposition towards market integration as an inadequate framework for the pursuit of regional integration in Southern Africa and subsequently seeks to identify additional parameters that should be considered to reinforce the SADC framework.

Objectives of the Study

The foregoing analysis raises important questions about the appropriateness of market integration, a trade anchored approach, as a model for regional integration in Southern Africa. Accordingly, the primary objective of this study is to:

- To assess whether the neoclassical approach (market integration) is a viable premise for the pursuit of regional integration in Southern Africa;



To achieve this objective, this study will be guided by the following specific objectives:

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- Review relevant literature on alternative approaches to regional integration and in the process reveal the different contexts that are relevant to the different approaches;
- Critically analyze the applicability of market integration to Southern Africa; and,
- Identify specific parameters (economic and non economic) that are important for regional integration to adequately address the socioeconomic challenges facing Southern Africa.

Essentially, the study will, in fulfillment of the specific objectives identified above, highlight an appropriate theoretical framework and its attendant components for relevant and successful implementation of regional integration in Southern Africa.

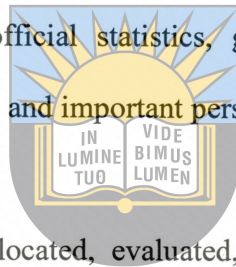
Significance of the Study

Contemporary literature and practical experimentation on regional integration in Southern Africa has been dominated by the neoclassical perspective (market integration) whose foundations lie in the international trade theory, despite theoretical and empirical evidence suggesting its incompatibility with conditions obtaining within the sub region. It is therefore important to interrogate the adequacy of this ideological orientation and establish its potential for success when practically implemented. By problematising regional integration and in the process, the neoclassical model, this study adds to the body of knowledge, providing alternative perspectives to the development discourse in the sub region. Recognition is paid, in this respect, to various leading scholars on regional integration in Southern Africa who have made significant contributions to this discourse, including but not limited to: Cassim (2001), Chipeta (2001), Mandaza (1999, 2001), Mutharika (1981) Tsie (2001). Notwithstanding its academic value, because this study engages enduring questions on regional integration in Southern Africa, it provides insight to policy makers, highlighting important aspects relating to the fashioning of present day endeavors towards regional integration.

Methodology

The methodological approach proposed hereof is premised on the contention that by understanding how the social, economic and political problems and contentions we have today, have come about we are better able to understand and proffer alternatives to these

problems (Huysamen, 1994: 161). Such a prognosis and conviction thus requires a two pronged approach to encountering the problem stated in this proposal. This will, in the first instance, require an interrogation of historical data and will not be so much concerned with collecting new information but offering new explanations and interpretation of information that is already known about the subject. Accordingly, this research will be historical. The principal sources of such information are: academic publications, archival materials, official statistics, government gazettes and various pronouncements by political leaders and important personalities.

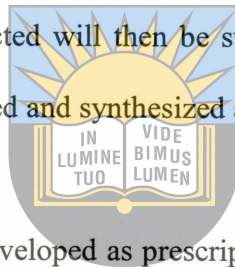


Once such information has been located, evaluated, synthesized and interpreted, the research will seek to propose alternatives to the problem at hand by providing reasons for such a proposition. Such reasons will be constituted in the form of an argument thus the research will also be argumentative in nature. In other words, the foregoing analysis has proposed a historical argumentative approach to the deconstruction and reconstruction of promise and problems of regional integration in Southern Africa.

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Historical research is the systematic and objective location, evaluation and synthesis of evidence in order to establish facts and draw conclusions about past events (Cohen and Manion, 1989: 48). In historical research, the researcher does not interfere with events and typically does not observe them directly but describes analyses and interprets those that have already taken place. Accordingly, given the above, a distinction has to be made between primary and secondary data. A primary source is the written or oral account of a

direct witness of, or a participant in, an event or an audiotape, videotape or photographic recording of it. Primary sources thus represent first hand information of what happened. Secondary sources on the other hand provide second hand information. Secondary sources are those that have not witnessed the event but have obtained the information from someone else. Accordingly, as a principle, historical research seeks to the greatest extent possible to refer to primary sources rather than secondary sources (Huysamen, 1994: 162). The information collected will then be subjected to thorough interrogation and criticism before being interpreted and synthesized as putative fact.

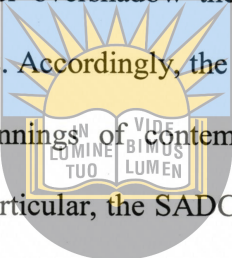


Concrete arguments will then be developed as prescriptions to the problem at hand. This approach will highlight the different views and approaches from a number of theorists. The role then of an argumentative process is to encourage and explore alternative interpretations and perspectives. Thus the goal of argument is a full statement of reasons that can be offered for or against accepting a particular proposition. The aim is to develop consensus on a conclusion among informed critics (Meehan, 1981: 28).

This study seeks to create an in depth understanding of a phenomenon and proffer alternatives to the problem at hand. The outcomes of the research are expected to be narrative. The study will thus utilize library resources, both physical and virtual.

Delimitation of the Study

The ongoing discourse is primarily focused on evaluating the adequacy of the neoclassical perspective, hence the application of international trade theory as a premise upon which to fashion a supranational region in Southern Africa. The importance of this diagnostic agenda does not however overshadow the prescriptive imperative inherent within the findings of such diagnosis. Accordingly, the study has a double agenda: that of evaluating the conceptual underpinnings of contemporary experiments on regional integration in Southern Africa, in particular, the SADC initiative, assessing its value and in turn suggesting alternative narratives to the process of regional integration.



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Further, although the scope of the study has been delineated to Southern Africa, such a discussion as regional integration in Southern Africa cannot be discussed outside the context of continent wide unity. Accordingly, although using the peculiarities of states within Southern Africa, the study, will be structured in such a manner that key outcomes of this study, should, albeit with considerable variants at an operational level, be applicable to both the sub region and the continent as a whole. Lessons will be drawn from the experiences of other continents, in particular America, Europe and East Asia.

This study will however be limited in scope by the time constraints, given the upper limit of two years and financial considerations that inhibit elaborate exploration of the issues at

hand. As a consequence, this exercise will rely on availability on available literature and sources and thus has been designed with these considerations in mind.

Conclusion and Overview of the Ensuing Chapter

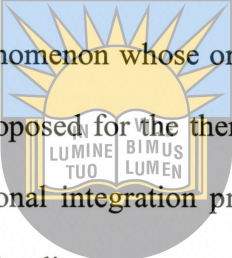
This chapter provided a brief background to the study of regional integration in Southern Africa. It began with a brief discussion on the historical dynamics leading to the state of underdevelopment in Southern Africa thus giving relevance to regional integration as an alternative developmental approach for countries in the sub region. The narrative then raised questions about the adequacy of the conceptualization of the current framework for regional integration in Southern Africa through the statement of the problem, and set objectives for the study thereafter. Brief sections on the Methodology, Significance of the study and Delimitation were subsequently provided.

Chapter 2, presented hereafter, will provide a theoretical premise for the study. This chapter will interrogate regional integration as a concept and explore the theoretical issues that underpin such an initiative. Particular attention will be paid to the definition of regional integration, the dominant perspectives (theories) through which contemporary initiatives towards regional integration are being analyzed and the conditions under which these theories can best be applied.

Chapter 2

A Synopsis of Literature on Regional Integration

Regional Integration - A Universal Phenomenon



Regional integration is a global phenomenon whose origins can be traced as far back as 1664 when a customs union was proposed for the then provinces of France (Schiff and Winters, 2003: 4). Since then, regional integration progressively been applied both in developing and developed regions for diverse reasons. The growth and proliferation of regional integration initiatives has however intensified recently to become one of the major developments in contemporary international relations. Virtually all countries are now members of at least one regional block (Ibid, 2003: 1). Evans, Holmes and Mandaza (1999) argue that the merits of regional integration have become so obvious over the last two to three decades that some analysts have concluded that there are heavy costs for those regions that do not integrate. Africa's experience with regional integration has similarly been punctuated by an unprecedented explosion of regional and sub regional groups and organizations, although this has been perceived as having achieved limited success in addressing the region socio economic and political predicament.

The suboptimal performance of regional integration in Africa has often been attributed to structural characteristics of member countries, design and sometimes implementation

failure (African Development Bank (ADB), 2000: 136). Essentially though, the success of regional integration generally lies in its design. Any initiative towards regional integration must begin with the adoption of a framework that has in its conception, taken into account and addressed both the structural characteristics of the states in which it will be implemented and potentially sticking points that could result in a general lack of commitment or capacity to implement the adopted framework. It is therefore important to premise the design of regional integration initiatives on a sound and relevant theoretical footing, hence the need to review the theoretical foundations of the subject under study.



Conceptualizing Regional Integration

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Regional integration is a concept that is so richly defined and understood that it is difficult to create an overarching approach. The multiplicity of definitions arises, in some cases, from the general tendency to confuse the definition of regional integration on one hand, with conditions promoting and or consequences resulting from the pursuit of regional integration on the other (Galtung, 1968: 375). In other cases, it is just a matter of differing perspectives. Importantly however, this manifest plurality symbolises the heterogeneous nature of the basket of circumstances from whence regional integration derives relevance thus necessitating the application of approaches specific to different contexts.

According to Haas (1978: 16), regional integration is: ‘the process whereby political actors in several distinct national settings are persuaded to shift loyalties, expectations and political activities toward a new centre, whose institutions demand jurisdiction over the pre-existing national states.’ This perspective presents regional integration as an outcome, a dichotomy, wherein: ‘either supranational institutions are present, or integration is not.’ Haas conception of integration thus specifically singles out the development of supranational institutions as a separating factor between processes that underpin regional integration and those relating to instances of cooperation. To this end, Haas raises the point that:



Integration theorists tend to assume that any process of regional cooperation, coordination or centralization of effort among members states should be conceptualized as leading to some definable outcome, some new order for the region which takes its own institutional form (Haas, 1976: 175)

Haas’ argument here is that not all endeavors relating to cooperation between nations are necessarily intended to, or result in an integrative process or outcome. Cooperation is sometimes just cooperation. Scholarly enterprise should thus not attempt to understand or explain such instances (of cooperation) using frameworks that relate to processes of integration.

Similarly, Galtung (1968: 377) defines regional integration as a ‘process whereby two or more actors form a new actor’. This standpoint resembles Haas’ conception in that it views integration from the perspective of an institutional outcome. In view of these two definitions, the separating factor between processes that are integrative and those that are

not is that: Integrative processes result in a supra-national entity whose institutions are above and take precedence to those of its constituent members, whereas initiatives that are yet to yield a supranational outcome, or a single actor, should not be viewed through the theoretical lens of regional integration. If they (the processes yet to produce a supranational outcome) are to be viewed as such (from this vantage point), it is important to establish the threshold beyond which instances of cooperation between states should thereon be regarded as integrative.



Andren (1967) and Van Ginkel (2003), take a different stand point, discussing regional integration in terms of the level of interdependency or interaction between or among a group of states. Andren (1967) defines integration as 'a process which transforms a system in such a manner that the mutual interdependence of its components is increased'.

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Van Ginkel (2003), on the other hand perceives regional integration as 'the process by which states within a particular region increase their level of interaction with regard to economic, security, political, and also social and cultural issues'. In both definitions, there is no prescription, implied or expressed, requiring the existence of a hierarchical relationship between the supranational and national levels. These two definitions thus accommodate processes that do not necessarily transfer authority from the national to the supranational levels. Significantly however, these definitions make no reference to the type or level of interaction or interdependency required before states are considered to be integrated. This is particularly interesting given the fact that on the eve of World War I, the interactions between Britain and Germany were of increasing intensity but the result

was war, while rising trade between Britain and the European Economic Community (EEC) in the 1960's on the other hand eventually led to British accession to the community.

Most definitions, including those discussed here before, make an implicit assumption that regions are natural expressions of geography, in a way justifying the amalgamation of geographically proximate countries as building blocks to regional development. Some critics of regional integration including Nuemann (1994) however argue that geography provides an excuse for region building elites to establish empires under the guise of regional communities. Arguably, it is both true that regions are usually established based on geographical proximity, and yet at the same time driven by elites, whose interests are often part of the reason or for establishing regional groups or at the least, factored into the process or structure of such regional groups. This recognition does not however negate the validity of horizontal integration as an explicit recognition of the spatial distribution of development on one hand and underdevelopment on the other.

Evidently, although pertinent, the definitional discourse on regional integration spans across a broad range of perspectives and involves numerous aspects that make it difficult, if not unnecessary, to seek a universal definition. In any case, definitions are merely analytical tools without any truth-value. Therefore, if one imagines integration as a continuum spanning from intergovernmentalism to supranationalism, one begins to realize that the same pressures or factors pushing some actors towards greater

cooperation may also move others toward greater integration (Jones, 2001; Mattli, 1999). Context specific definitions, applied to a specific instance may thus facilitate the analytical process better than broader and more encompassing ones. Regional blocks, this study suggests, should be defined by the purposes for which they are established and not necessarily by the members that constitute them. Accordingly, for the purposes of this study, regional integration is defined as: *dynamic particular alternative approaches of occupying international spaces and acting through them*. Defining regional integration as such elevates the common needs and aspirations of the constituent members (states), to a position of recognition as the starting point for regional integration.



Having reviewed some definitions of regional integration and articulated a relevant definition for this study, the foregoing narrative will examine the some contending approaches to regional integration with the view to establish the pre-existing conditions that inform particular constructs of theory, specifically the choice of space, pace, nature and structure of integrative processes envisaged in these frameworks.

Theories of Regional Integration

Regional integration theory in general suggests that states integrate in order to solve specific problems such as incomplete information, high transaction costs, security threats and other barriers to welfare improvement for their members (Eilstrup-Sangiovanni and Verdier, 1999: 99). As a result, regional integration theory disaggregates the divergent

perspectives into three broad categories of motivations accounting for such national preferences in favor of regional integration, namely: the liberal school informed primarily by commercial interests; the realist school, informed by geopolitical interests; and, the increasingly influential constructivist school based on ideological persuasions. There are numerous theories that fall under each of these broad categories. This study will however review only four theories of regional integration, namely: Market Integration (Neoclassical Theory), Functionalism, Neo-Functionalism and Development Integration.

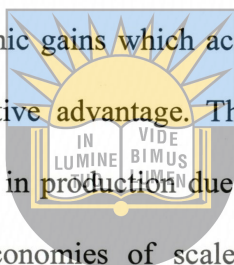


Market Integration (Neoclassical Theory of Regional Integration)

The neoclassical theory of regional integration is otherwise referred to as market or trade integration. Market integration derives its basic construct from the liberal school of international trade theory, systemized through the application of Balassa's (1961) stages of regional integration. According to Balassa (1961), regional integration is a hierarchical phenomenon comprising different levels (degrees or stages) of integration. These stages, although presented sequentially herein for analytical reasons, are not necessarily different stages of one process where one leads to another more advanced level. In fact, they represent Balassa's conception of progressively distinct levels (in terms of depth) of integration and each one of them can be introduced in its own right.

Stage 1: Free Trade Area (FTA): The FTA is a shallow form of integration, the lowest stage in Balassa's hierarchy. FTA's principally involve the abolishment of tariffs for

imports from area members, while national tariffs and quotas against third countries are individually determined. There are two distinguishing features that make up a free trade area. The first feature is the liberalization of trade regulation for members. The second is the removal of trade barriers placed against members. This includes the removal of tariffs, quotas, and the various forms of non-tariff barriers, or a pledge to remove such trade barriers by a certain date in the future. FTA's do not entail a loss of sovereignty in trade or other policies. The economic gains which accrue from FTA's are theoretically derived from the law of comparative advantage. The law of comparative advantage postulates that enhanced efficiency in production due to competition and specialization leads to better exploitation of economies of scale and improves the international bargaining position, leading to better terms of trade for the region as a whole and a rise in both the quality and quantity of factors of production due to technological advances.



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The elimination of barriers to trade and capital movements makes capital mobile whereas labor remains the immobile production factor. This often increases the leverage of representatives of capital over those of labor because of the potential threat to relocate production to lower labor cost countries. As a consequence, if trade liberalization through FTA's takes place in a region with significant disparities in income and employment, and a shallow regulatory framework, FTA's tend to drive the cost of production down via labor costs and not necessarily specialization. Accordingly, instead of increasing overall levels of income, FTA's drive incomes down and accentuate inequality. In effect, FTA's may not result in widespread industrialization across the region but rather a transfer of

industrial locations from countries with high labor costs to those with lower wages. The net effect of such liberalization is often in favor of owners of capital at the expense of labor and general welfare. Further, the FTA is rather complicated as it requires a robust framework to deal with the rules of origin to curtail trade deflection and thus avoid imports to the FTA from a third-party (non member) country going through the member state with the lowest tariffs. See figure 2.1:

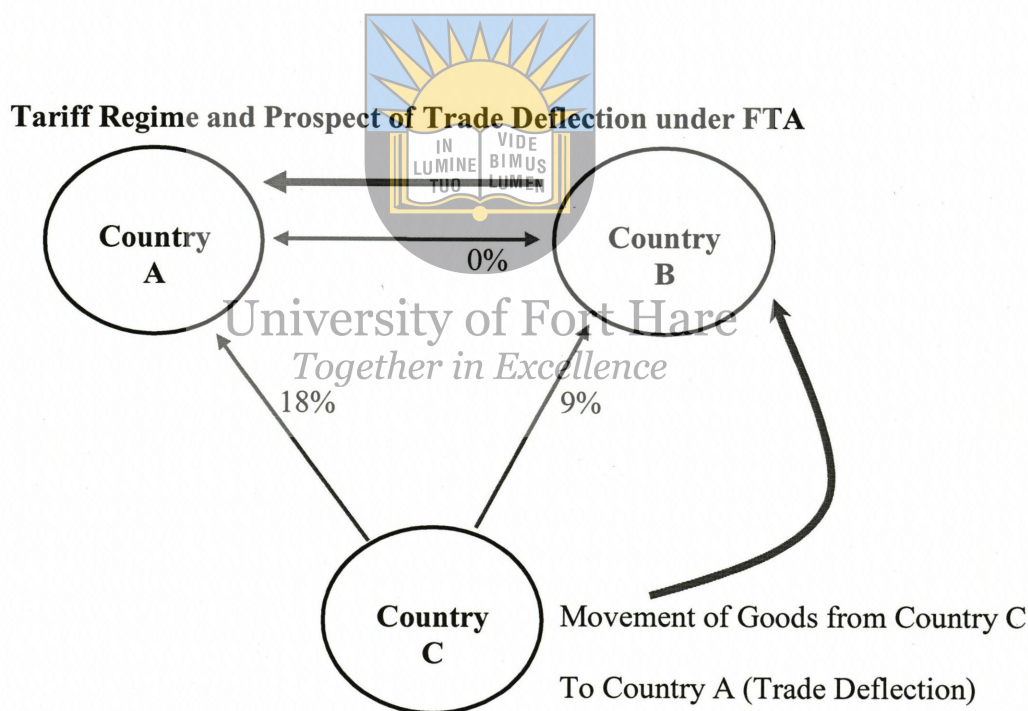
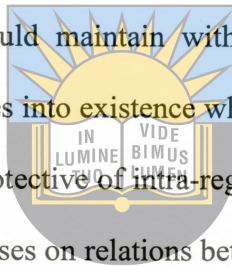


Figure 2.1: Tariff Regime and Prospect for Trade Deflection under FTA

Source: Own construction (13 May 2008)

Stage 2: Custom Union (CU): The CU involves going deeper than the FTA in that it involves, in addition to the preconditions of the FTA, the suppression of discriminatory practices against CU members in product markets, the equalization of tariffs and no or

common quotas with non members. Essentially, the Customs Union is a Free Trade Area with a common external trade policy. The imposition of a common tariff to non-members implies a convergence of trade policy across member countries and, through such trade policy convergence, a tentative step towards pooling of national sovereignty. Customs Union theory cautions against measures, which artificially divert trade from third parties with comparative advantages. However, it offers no prescription about the type of trade regime the union as a whole should maintain with the outside world: whether the common external tariff, which comes into existence when a customs union is established, should be high or low, relatively protective of intra-regional trade or more 'open'. This is because Customs Union theory focuses on relations between members of the union rather than on relations between the union and third parties.



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Stage 3: Common Market (CM): The CM goes beyond trade considerations by abolishing all restrictions on factor goods and services movement, including labour, capital, technology and other goods. This necessarily requires the development a common visa policy, a common position on residency and common policies to harmonize standards including standardising subsidies, health, safety, and professional licensing among others.

Tinbergen (1954) identifies two forms of integration, classifying such integration as either positive or negative integration. Positive integration, it is argued involves a transfer to common institution or joint exercise of at least some powers, while negative integration is really just the removal of discrimination in national economic rules and

policies under joint surveillance. Further, Tinbergen notes that although in practice both positive and negative integration go together, the pursuit of negative integration alone implies that the process of regional trade liberalization is unlikely to work well. The first three stages of Balassa's model are all incidences of negative integration.

Stage 4: Economic Union (EU): An Economic Union is identified as representing positive integration, although it remains extremely formless. An Economic Union is a Common Market with some degree of harmonization of national economic policies (for instance, standards) in order to eliminate discriminatory practices.

Stage 5: Total Economic Integration: Total Economic Integration refers to supranationalism, a unitary state. This essentially involves the unification of monetary, fiscal, social, and counter cyclical policies. Further, it entails setting up a supranational authority where decisions are binding for the member states. See table 2.1 below for a summary of Balassa's proposition:

	No Visible Restriction on Trade	Common External Trade Restriction	No Invisible Trade Restriction	Free Mobility of Factors of Production	Harmonization of National Policies	Unification of Monetary, Fiscal and Social Policies
Free Trade Area	X					
Customs Union	X	X				
Internal Commodity Market	X	X	X			
Common Market	X	X	X	X		
Economic Union	X	X	X	X	X	
Total Economic Integration	X	X	X	X	X	X

Table 2.1: Balassa's (1961) Stages of Regional Integration (Summary)

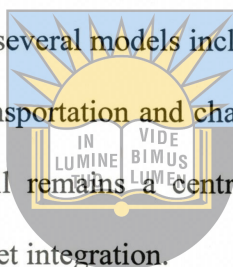
Source: Balassa (1961) [Summary of Balassa's stages of integration]

The foundational principles of Balassa's model as discussed herein are grounded in the liberal school of international trade theory. The international trade theory (liberal), although credited to the works of David Ricardo, can be traced back to the works of John Locke and Adam Smith. These scholars argued that economic specialization enhances productive efficiency and national income, and perceived trade as having beneficial effects on supply and demand, through enlarging consumption possibilities.



According to Adam Smith, the key to national wealth and power was through economic growth. Smith (1776) specifically argued that, states should aim to enlarge markets and not create barriers as this restricts domestic welfare and growth. Smith argued in favor of free trade as a means through which states could specialize and create wealth. The consequence of this proposition was that each country should specialize in the production and export of that good which it produces most efficiently, with the fewest labor-hours (Theory of Absolute Advantage). David Ricardo (1817) developed Smith's ideas and came up with the proposition that: even in the event that one country was the most efficient in the production of two products, it must be relatively more efficient in the production of one good. It should thus specialize in the production and exportation of that good in exchange for the importation of the other (Theory of Comparative Advantage). Countries would therefore specialize in producing only those goods that had the most competitive cost in terms of utilization of factors of production and leave the production of other goods to other countries.

The primary critique of this paradigm came from Gilpin (1987), on the basis that the theory of comparative advantage: assumed that factor mobility was static (not transferable from one country to the other); used labor value as a dominant factor in assessing the cost of production; and, ignored transport costs while assuming that factors of production were necessarily mobile. Although this criticism led to the modification of the liberal trade theory, resulting in several models including: the Heckscher-Ohlin (H-O) Model, which added the cost of transportation and changed the cost of labor into human capital, comparative advantage still remains a central element of international trade theory, thus the cornerstone of market integration.



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Market integration espouses the case for regional integration by discussing the benefits of such integration in terms of efficiency gains, growth in trade, increased competition and economies of scale. The underlying argument of this perspective is the linear proposition that protectionist policies of national governments and structural rigidities inherent, within these countries hinder trade, hence economic growth and development. Eliminating trade barriers, it is suggested, will create a large market through which industrial development and economic diversification can be stimulated. Large regional markets catapult industrial development through the enhancement of economies of scale, specialization as a consequence lower the cost of production. Ensuing outcomes from economies of scale and the lowering of the cost of production include: export growth, and

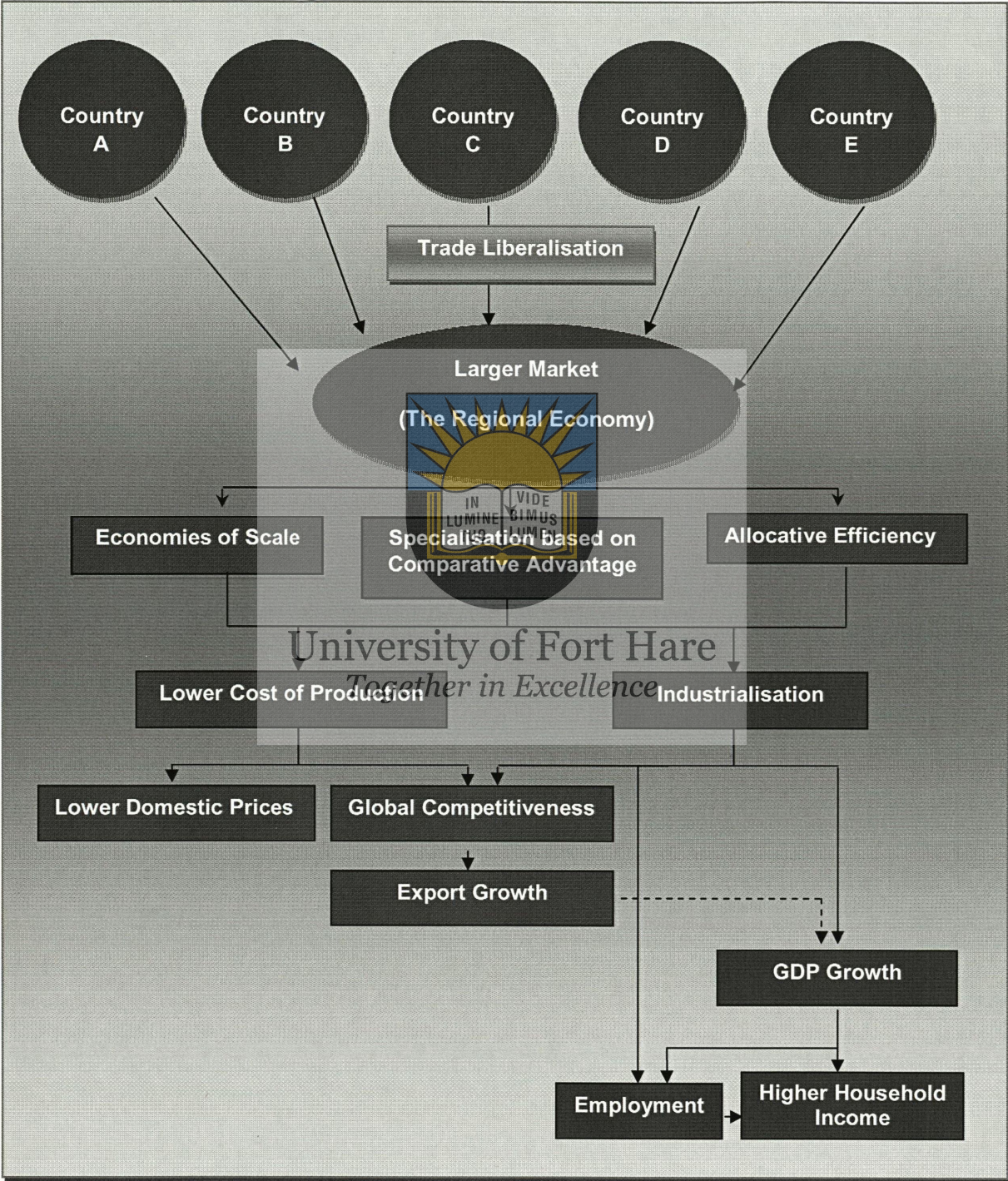


Figure 2.2 Linear Proposition of Neoclassical Model:

Source: Own Construction derived from Neoclassical Theory (28 July 2008, Alice, South Africa)

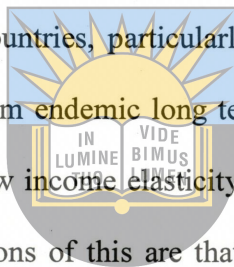
Critique of Market Integration

Market integration is perceived as a theory that is relevant to developed countries (Chipeta, 2001: 180). The application of market integration to developing countries is generally critiqued on numerous grounds, including some universally acknowledged shortcomings discussed hereof:



First, the conventional construct of international trade theory is founded on the growth-transmitting effects of international trade emanating from both the static and dynamic gains of trade. Early theoretical insights from this perspective postulated that trade was an important means of widening markets, enhancing division of labor and, hence, raising the level of factor productivity. These theoretical underpinnings which form the very basis of the theory of comparative advantage led to the classical and neo-classical prescriptions encouraging countries to specialize in the production and export of those commodities in whose production they enjoy comparative advantage (Viner, 1937: 348). This perspective thus suggests that: a trade regime that enhances import and export competition would induce increased trade and promote more rapid economic growth; and, that the key to the productivity increases associated with expanded trade lies predominantly in 'exporting which strengthens the incentive to adopt new technology by increasing the returns from innovation through expanded market opportunities' (World Bank, 1991: 89).

However, Evans (1989) provides a theoretical critique of this view arguing that the structure of trade of the developing countries and the underlying dynamics of the world economy imply that the gains from active participation in international trade are biased against the developing countries because their patterns of specialization fail to bring about significant dynamic and growth-inducing effects as they tend to specialize in those goods and sectors in which linkages with the rest of the economy are tenuous and weak. In the extreme case, developing countries, particularly those in Africa, specializing in primary products, tend to suffer from endemic long term deterioration of their terms of trade, emanating partly from the low income elasticity of demand of these commodities in the world market. The implications of this are that: there is no guarantee that trade liberalization will result in industrialization; and that, trade expansion within the context of uneven development results in the replication of the exploitative global system of division of labor, often in favor of the regional hegemon or a group of relatively more developed countries developing their more 'advanced' manufacturing sectors at the expense of smaller countries, which will as a result be forced into further (narrow) specialization in primary agricultural and mining activity.



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Second, the relationship between trade and economic growth is hardly universalized. For example, Krueger (1980: 289) attests to sufficiently strong relationship between export performance and growth, which is widely supported by numerous studies including Oyejide (1975) and Fosu (1990), both of which were undertaken in Africa. Taylor (1988:

8) however finds no obvious relationship between general economic performance and overall openness to trade. Helleiner (1986: 146) concludes that there is no statistically significant link between the change in export share of Gross Domestic Product (GDP) and growth. Michaely (1977) and Helleiner (1986) also find that export expansion in poor countries is not necessarily accompanied by increased overall economic growth. They infer that the validation of the export-led growth hypothesis appears to hold, if at all, only with respect to those developing countries whose level of development places them above a certain 'threshold'. This is consistent with Evans (1989) theoretical argument and is further reinforced by Balassa's (1985) findings which show that the greater the share of manufactured exports (in overall exports) the greater tends to be the contribution of exports to growth. Essentially, trade generally exerts favorable effects on the performance of domestic manufacturing industries, which are absent in most developing countries. Accordingly, given that trade led strategies are of value to countries with a certain minimum level of development, it is inappropriate to argue in favor of market integration as a relevant strategy for poor countries.

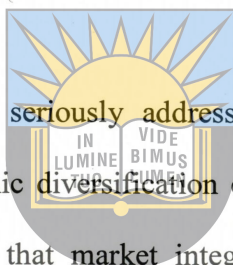
Third, even if the postulated relationship between trade and industrialization were accurate, there is a problem in that market integration subordinates welfare to economic growth. Market integration postulates that economic growth, as a result of industrialization and export growth will induce an increase in employment and the general levels of income within the economy. The implicit poverty reduction strategy assumed therein is the neo liberal *trickle down* approach. This proposition is often

justified on the World Bank's (2006: 5) *conventional wisdom*, suggesting that: poor countries have little to distribute and need first and foremost, high and sustained economic growth, even at the expense of short run increases in inequality, before they can address issues such as poverty.

This unsubstantiated relationship between economic growth and income, employment and as a result poverty has however long been discredited. Stiglitz aptly captures the contemporary critique of this perspective, arguing that 'while it is true that sustained reductions in poverty cannot be achieved without robust economic growth, the converse is not true: growth need not benefit all' (Stiglitz, 2003: 59). According to Naussbaum (2006: 47-49), focusing on national economic growth, often occludes distributional inequalities and also fails to disaggregate and separately consider important factors that are not well correlated with economic advantage such as education and health. In the context of low income developing countries such as those in Southern Africa, the creation of a viable domestic market requires specific attention to raising the general level of incomes of member states in the sub region. Accordingly, given the disputed relationship between GDP growth and poverty reduction, regional integration must in its design include direct measures aimed at addressing issues of distribution and differentiation, without overly relying on economic growth to address such issues.

A further consideration is that at a regional level, international trade theory recognizes that while free commodity exchanges among countries can generate global growth, there

is no guarantee that these benefits will be equitably let alone equally distributed. Essentially while some countries or communities may benefit, some may lose in the process (The Economic Commission on Africa (ECA), 2004: 81). That such a proposition as regional integration makes little mention of how the envisaged growth and economic gains will be distributed among and within the participating nations makes its conceptualization in the context of developing countries inadequate.



Market integration thus does not seriously address the fundamental issue of how industrial development and economic diversification can be achieved. Further, there is little, if any, evidence to suggest that market integration can contribute to poverty reduction, inequality or underdevelopment. It, in fact, by stealth, serves to entrench dominant interests, and by so doing can be viewed as an obstacle to development and democracy in so far as it pays scant attention to the question of distributive justice (Tsie, 2001: 134-135). Accordingly, while on one hand the structure of the post colonial state in Africa and the asymmetric nature of the international economic system has rendered the state in developing countries such as those in Southern Africa weak thus necessitating some form of amalgamation to restore or establish viability, pursuing such amalgamation strictly on the basis of outward looking trade is inappropriate.

Functional Theory

The foundation of modern scholarship on regional integration, particularly European integration can be traced to the work of David Mitrany, who is recognized as the major developer of the functional theory (functionalism). The foundational principle of functionalism is the hypothesis that: countries integrate because they face certain problems that are best solved (in common) by transferring certain functions from the nation-state to supranational institutions. Functionalism is an economic blue print, which posits that: 'In a world of economic interdependence, common economic interests create the need for international interest and rules' (Mitrany: 1975). Mitrany's work sought to show that it was transnational ties among experts (and not politicians) in solving technical problems that led to increased collaboration among states and thus to international integration. Successful co-operation in one field would lead to further collaboration (ramification / spill over), in other fields. Functionalism thus emphasised a pragmatic approach to problem solving, insisting that by prioritising areas of common interest, particularly in the economic and to a lesser extent the social spheres, such cooperation would eventually spill over into the political arena.

According to this early account of regional integration, the process of integration occurs quasi-automatically because of external factors (the technical nature of the problems being solved) rather than an internal dynamic within the regional organization. Integration in one-sphere results in demands for additional integrated services as centralized institutions found themselves unable to satisfy all the demands of the new

clients within that sector (Farell and Heritier, 2005: 274). And, activities associated with such integrated sectors would ‘spill over’ into linked sectors not yet integrated, and become the focus of demands for more integration (Haas, 1991: 23). Consequently, economic integration would lead to political integration.

The functionalists’ point of departure is thus the need to solve common economic problems. In this respect functionalism views regional integration more through the liberal lens than as an outcome of geopolitical or social considerations. Additionally, functionalism proposes a gradual and incremental approach that implicitly perceives the process of regional integration as developing from a liberal intergovernmental framework to a supranational end. Functionalism thus views supranationalism as an end of successful regional integration and not a means through which regional integration can succeed. The transfer of authority from the national to the regional level is therefore an outcome of regional integration and not a condition precedent.

Critique of Functionalism

The primary critique of functionalism is that, it is by nature overburdening as the number of sectors identified for technical or sectoral cooperation increase, particularly if the overarching governing structure is that of liberal intergovernmentalism and not supranationalism. Economic integration sector by sector can be difficult to manage if it is not preceded by the establishment of supranational institutions that take precedence to the

nation state with respect to the scope and terms of cooperation. Further, by emphasising the technical aspects of engagement between states, functionalism fails to adequately capture the realities of regional integration in regions where the prospect of regional integration is imperatively driven by common historical, social, and cultural experiences rather than and in spite of the existence of common problems that are technical in nature. From this perspective, the discourse on regional integration is not complete if it is not grounded by need to address the broad based framework that transcends the technical economic disposition of the functional approach. What may be of value from the functionalist school however is that regional integration is a process and that progressive learning and expansion from one area of cooperation is likely to increase the prospects of success in successive areas of integration. Essentially, a progressive approach is likely to have less dire consequences than grand strategies.



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Neo-Functional Theory

The Neofunctionalist School championed by Ernst Haas built on David Mitrany's version of functionalism, extending and revising it in important ways. Haas however based his initial thesis on the idea of loyalty. Accordingly Haas defined regional integration as a process 'whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdiction over the pre-existing nation states' (Haas, 1958: 16).

In this sense, Haas extended Mitrany's concept of spillover, arguing that political spillover is accomplished through a progressive process of loyalty transference from the nation state to the high authority (authorities) (Haas, 2001). In contrast to Mitrany (1975) and functionalists, neofunctionalists thus do not conceive of regional integration as an automatic technical process, but as a process driven both by the interest-oriented behaviour of national elites and the impact of expertise and associations of professional experts in a particular field. These experts, because of the knowledge they have, have an unusual influence on politicians and bureaucrats, and are, therefore, able to penetrate government departments and make their ideas part of policy in complex technological policy areas (Farell and Heritier, 2005: 274). These associations of technical experts are referred to as epistemic communities. Haas stresses that technical tasks cannot be separated from political tasks, or welfare from power arguing that:

International integration is advanced most rapidly by a dedication to welfare, through measures elaborated by experts aware of the political implications of their tasks and representative of homogeneous and symmetrical social aggregates, public or private" (Haas, 1958: 49).

In this view, regional integration becomes political because, in response to initial technical purposes, a spectrum of alternative means considered appropriate to solve identified technical problems is evaluated and a particular means chosen from among the competing alternatives (Haas and Schmitter, 1964: 707). Hence, it is necessary to specify the conditions under which actors will choose to collaborate. Haas argues that the force driving this choice will be the self-interest of political elites. Integration will thus only

occur when national elites consider it to be in their self-interest (Farell and Heritier, 2005: 275).

At the heart of the Neofunctionalist School is the view that society is malleable and open to persuasion towards a new center of loyalty and new sources of authority. Accordingly, neofunctionalists see the supranational aspects of regional institutions as being objects of new loyalties as well as vehicles through which new transnational policies are formulated and implemented. What also emerges from the neofunctionalist perspective is the emphasis on welfare, with high politics kept out of the picture for as long as possible and at the appropriate time, gradually and gently subsumed into a pattern of irreversible cooperation that already exists in other spheres. Given that the process of integration is led by technocratic elites, governance of the resulting union would thus not be based on ideological grounds, but on pragmatic satisfaction of interests and on technocratic expertise.

The neofunctionalist view of regional integration as a linear process follows a sequence of phases is founded on the following guiding principles:

- Emphasis is on incremental economic rather than political cooperation beginning with a few significant but non-contentious economic sectors;
- The development of desirable supranational institutions to guide the process and thus alienate key decisions from the largely susceptible domain of national politics;

- The integration of strategic economic sectors which inevitably leads to the integration of related sectors and subsectors is left until such a time that the respective economic sectors of participating countries are so interlinked that the desire and capacity for conflict is curtailed. It is the objective of this process to create a situation of mutual interdependency among participating countries to such an extent that the costs of conflict between or among members far outweigh the benefits;
- Neofunctionalism depends entirely on the success of precursor projects and as the supranational authority increases by being effective, with it the loyalties of decision makers and the people they represent shifts from within the national arena to the new point of foci, the supranational institution;
- The deepening of economic integration will induce the need for further collaboration in order to extend this integration or even sustain it hence the increasing integration of new sectors; and,
- As a result, political integration is perceived as being inevitable and consequential to economic integration.

Neofunctionalism is thus premised on the assumption that if states are heavily involved with each other through trade and investment, the costs of conflict are increased as are the benefits of consensus. Implicitly such countries are more likely to pursue integration than those without similar levels of trade and investment.

Critique of Neofunctionalism

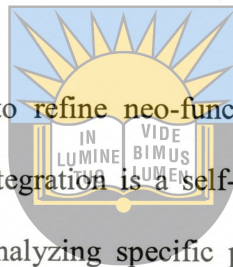
Neofunctionalism has drawn criticism from a variety of sources and angles. The concept of spillover, in particular the proclamation that economic integration leads to political integration has induced fierce criticism. Critics refute this claim, arguing that economics and politics are relatively independent from each other. Within the context of this argument, attention is drawn to the distinction between high and low politics. Low politics relates to the more technocratic issues which do not involve too much sovereignty transfer from the member state and therefore in such areas, integration occurs uninhibited. High politics on the other hand refers to key policies of member states such as defense, taxation, macroeconomic strategies, in which areas the nation state is unlikely to accept sovereignty transfers in favor of a high authority (Rosamond, 2001). Hansen's critique of the neofunctionalist account of European integration is of a similar disposition, discrediting the neofunctionalists on critical areas including: not making a distinction between high and low politics; and, refusing to accept that mutual economic gains can exist and can be obtained without a supranational high authority (Ujupan, 2001: 3).

Another highly criticized issue relates to the decreased role and authority of the member state. Such critique is based on empirical evidence which indicates that integration may actually increase the role of the state. This is based on ethical grounds, particularly the notion that the state is the guardian of key values of liberty and justice in the society (Rosamond, 2001).

Farell and Heritier (2005: 274), critique the neofunctionalist account on the basis that, although it provides an understanding of the macro-level processes driving integration, particularly European integration, it does not specify the precise processes by which belief systems translate into policy outcomes. Accordingly, this critique raises the question of how the neofunctionalist account explains the unevenness in speed and depth of regional integration in different policy areas. Two points emerge. First, since Haas argues that spill over is not automatic, the preferences of the political elites will determine whether sectoral integration is taken forward or not. This is in line with Farell and Heritier's (2005: 275) observation that although states have increasingly been confronted with complex and interdependent problems, the political willingness of the elites to engage in supranational action does not necessarily increase in tandem with this trend. Neofunctionalism is thus an elite affair rather than a technical one. Second, Haas claim that epistemic communities' causal beliefs are diffused to and among state decision-makers, and that there is an increasing likelihood of convergent state behaviour and international policy co-ordination, is 'theoretically incomplete' (Sebenius, 1992: 356). It still does not specify the mechanism by which the influence of epistemic communities translates into policy outcomes (Farell and Heritier, 2005: 277).

Haas arguments in this respect are that: the views of epistemic communities diffuse to and among state decision-makers; there is an increasing likelihood of convergent state behaviour and international policy co-ordination, informed by the causal beliefs and

policy preferences of the epistemic community; and, that the application of consensual knowledge to policy-making depends on the ability of groups transmitting this knowledge to access and exercise bureaucratic power. While this may be true, it is also 'theoretically incomplete'. Epistemic consensus and empowerment are not sufficient to account for agreement, and key elements are missing from Haas' account (Farell and Heritier, 2005: 286-287).



Supranationalists continue to try to refine neo-functionalism, tapping into one of its underlying notions, namely that integration is a self-perpetuating phenomenon (Stone, Sweet and Sandholtz, 1998). In analyzing specific policy areas, researchers note the strong influence of transnational actors on policy decision-making and the spillover-type mechanisms first introduced in the neo-functionalist literature (Pollack, 1997; Sandholtz, 1998; Sbragia, 1998). However, although this body of work does attempt to improve the clarity of the mechanisms involved, it is still unclear precisely why spillover occurs in some instances but not in others (Tsebelis and Garrett, 2001).

Many of the above criticisms of neofunctionalism apply to reason why this approach appears inadequate to the needs of developing countries. First, like functionalism, neofunctionalism holds in high esteem the role of economic activity and to a lesser extent politics. It hardly makes mention of social, cultural and historic factors that drive the process of integration. Although taking note of the inseparable relationship between politics and economics, it makes a clear distinction between high politics and low

politics, the latter of which is associated with technical expertise. Neofunctionalism further associates the potential level of success of integration in a particular sphere with the level of scientific or technological expertise required in that area. Unlike Europe, most developing countries are beset by high levels of illiteracy and low levels scientific and technological development. This would make neofunctionalism, whose success hinges on integration in highly technical areas inapplicable to the situation pertaining in therein. In addition, its emphasis on the centrality of technical and economic activity is largely at variance with the fact that regional integration in regions in Africa was primarily conceived out of the political struggles against colonialism that gave rise to Pan Africanism. Pan Africanism, the driving force behind the desire for regional integration in Africa is an ideological preposition. Finally, the neofunctional construct, given its European origins does not recognize that social and political engagement can be sometimes be more powerful in driving the process of regional integration than trade and investment as emphasized by the neofunctionalists.

Importantly, neofunctionalists themselves identify the following considerations as preconditions for successful integration under this framework:

- Integration spills over from economic interdependence to other types of integration;
- Integration takes place most easily between countries characterized by pluralism and liberal democracy embedded in the free market economy;

- Background conditions prior to the process of integration are especially important to the process of integration.

The existence of these preconditions in developing countries, particularly the existence of ‘a fully developed liberal democracy embedded in the free market economy’, is questionable. Essentially, this misalignment adds weight to the critique of the relevance of the neofunctional approach to the needs of the developing world. On the other hand, however, neofunctionalists argue strongly for the need for a population that is malleable and open to persuasion to a new centre of loyalty. In this regard, neofunctionalism reinforces the need for an ideological thrust such as Pan Africanism that articulates the African continent’s past and future as that of a united people. Additionally, like functionalism, it is also of significance that neofunctionalists view regional integration as a process and that progressive learning and expansion from one area of cooperation is likely to increase the likelihood of success in successive areas that follow, which essentially has less dire consequences than grand strategies.

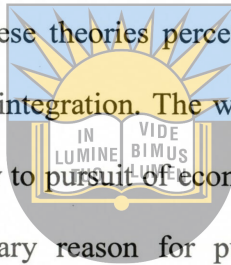


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Towards a Theory of Development Integration

Market integration and functional integration (functionalism and neofunctionalism) represent the two most dominant theories of contemporary thinking on regional integration. It is noteworthy to observe that both approaches are conceived with economic cooperation as their starting point. High politics (that which relates to critical

areas of government policy) is deferred until as late as possible. Although market integration and functional integration differ in relation to what the primary focus of cooperation should be, neither is indifferent to the importance of what the other seeks to achieve and both perceive political integration as a consequence of successful economic integration. The two themes represented by these two paradigms are trade on one hand (market integration) and technical cooperation on an economic plane on the other (functional integration). Both of these theories perceive industrial development as the primary consequence of successful integration. The welfare aspects of development are however considered to be secondary to pursuit of economic growth. In this respect, both theories do not capture the primary reason for pursuit of regional integration in developing countries.



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Market integration is heavily criticized for failing to take into account the current unevenness of international economic relations, accommodating the demands of capital at the expense of other stakeholders, and paying little attention to the potentially polarizing effect of trade in the context of uneven development. Functional integration, on the other hand faces criticism with respect to the complexities and inconsistencies it creates in policy harmonization, its overreliance on technical expertise, its primary requirement for 'the existence of an established liberal economy embedded in the free market ideology', and its failure to specify exactly how integration can be propelled.

Although there is a tendency to project market and functional integration as contending approaches, there is an increasing body of scholarship that perceives these two approaches as complementary and in the process advocating for a hybrid approach under the notion of development integration. Development integration stresses the need for both macro and micro co-ordination in a multi-speed, multi-sectoral programme embracing production, infrastructure and trade (Davis, 1996). According to Mandaza (2001: 99), development integration refers to the highest form of interstate cooperation approximating the notion of union or federation. Development integration is a hybrid between functional integration and market integration (Chipeta, 2000), which gives primacy to political collaboration. Development integration, although not an established theory when compared with other theories reviewed herein, is a pragmatic developmental alternative that responds to the needs of developing countries, as being distinct to those of developed countries and within themselves.


Development integration is a political economy approach akin to deep integration and supranationalism. It is underpinned by the assumption that unequal and uneven development among member countries makes it difficult to promote integration through market mechanisms such as trade liberalization (Chipeta, 2001; Mandaza, 2001). Tomaz Augusto Salomão, Executive Secretary of SADC, argues in favor of development integration, noting that:

It is not enough to eliminate progressively barriers to trade, capital and movements of persons. Rather, it is indispensable to address in tandem the supply constraints of production, particularly in the less developed countries and regions

of the community, so as to enable the countries to reap the benefits of integration (SADC, 2003).

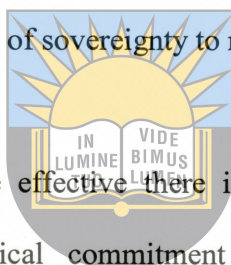
Development integration emphasizes the need for an equitable balance of the benefits of integration, noting that trade liberalization needs to be accompanied by compensatory and corrective measures oriented particularly towards the least developed member countries.

This approach thus stresses the need for trade integration to be complemented by:

- 
- Efforts to promote coordinated regional industrial development;
 - The establishment of regional funds or banks giving special priority to the least developed members;
 - Measures to give less developed members greater preference in access to regional markets and facilities and a longer period to reduce tariffs; and
 - Some co-ordination of macro-policies at a relatively early stage, particularly in relation to fiscal incentives for investment.

Unlike functional and market integration where political cooperation emerges at a later stage as a consequence of successful economic integration, development integration emphasizes the need for close political cooperation early in the process of integration. In this respect, development integration views economic integration as being consequential to political integration and emphasizes the importance of institutions to drive the process of regional integration. This approach thus begins from the assumption that society needs

the security of institutions and a clearly defined structure of allocation of power. Mandaza (2001) argues that pursuit of development integration necessarily results from the recognition that market forces whilst important may not always lead to integration and that purely voluntary cooperation among member states is likely to be inadequate. Hence there is a need to develop common economic and social policies, and accept supranational laws and rules to guide the process of integration, in which process member states necessarily cede a high degree of sovereignty to regional bodies.



For development integration to be effective there is an inherent need for either an unequivocal and unhesitant political commitment by member states to internal liberalization or a set of strong supranational rules (Mandaza, 2001: 99). There is an explicit need to transcend the arena of 'national interest' because national interest will only be enhanced through some sort of sacrifice of the principles of sovereignty, i.e. by pooling sovereignty on a wide range of policy issues (Evans, Holmes and Mandaza, 1999). Essentially, development integration gives prime importance to establishing a robust institutional framework to drive and support regional integration. Regional institutions such as a regional parliament, court and commission among others are therefore necessary prerequisites for the emergence of a highly integrated and coherent body.

From the onset, development integration aims to define the scope and sectors of cooperation and identify policies and mechanisms essential to overcome structural

constraints to the production and trade in goods and services. Accordingly, development integration seeks to identify, prioritize and facilitate the development of basic infrastructure, investment opportunities and production systems which can effectively promote material production, service and exchange sectors of the regional economy as a whole (Mandaza, 2001: 101).

The conception of development integration as discussed by Chipeta's (2001: 181) resonates with Davis (1996). Chipeta discusses development integration as a process that:

- Looks at deliberate efforts to define the scope and sectors for cooperation, and to identify appropriate policies essential to overcome obstacles to integration;
- Emphasizes the need for close political cooperation early in the process of integration;
- Emphasizes the need for equity and balance in regional relations. In this regard, it argued that trade liberalization must be instituted in an environment where it is accompanied by compensatory and corrective measures to the benefit of the least developed member countries;
- Advocates for the coordination of regional industrial development and prioritization of least developed members states as primary recipients of development assistance from regional banks and funds; and,
- Specifically requires the provision for coordination of macroeconomic policies in relation to investment incentives and general economic conditions at an early stage in the process of integration;

Key questions that arise from the review of different theoretical orientations on regional integration relate to the pace, the premise and the scope of integration. In proposing the institution of development integration as a relevant theory of regional integration for developing countries, reference is made to Vaistos' (1978) conception of regional integration for developing countries. Vaistos identified six key elements that should be found in regional integration initiatives for developing countries, specifically that:



1. Regional integration should not be all embracing but isolate certain sectors and define clear tasks and goals to be achieved;
2. Despite the potential difficulties that a non-holistic approach will create in policy harmonization, the inconsistencies created will be less dire than grand integration;
3. Regional integration must concentrate on areas where there are possibilities for significant expansion of the group's productive capacities;
4. Non market components of integration (public goods) such as road networks and communication systems are important aspects of the process of regional integration;
5. The governments and supranational regional institutions should spearhead the process of regional integration and not leave it to the private sector;
6. Political will is important as integration is integrally a political process. Trade is therefore only one element of regional integration.

Vaistos framework, essentially reiterates the arguments made by Chipeta (2001), Davis (1997) and Mandaza (2001), and further provides a guiding framework through which development integration can be implemented. This study advocates for the adoption and implementation of development integration as a development strategy for developing countries. Although development integration is not an established theory, its hybrid and flexible nature enables it to adequately capture different conditions obtaining in different regions. This study perceives development integration, pursuant to the establishment of robust regional institutions, as a continuously evolving process following the systems approach. See Figure 2.4 below:

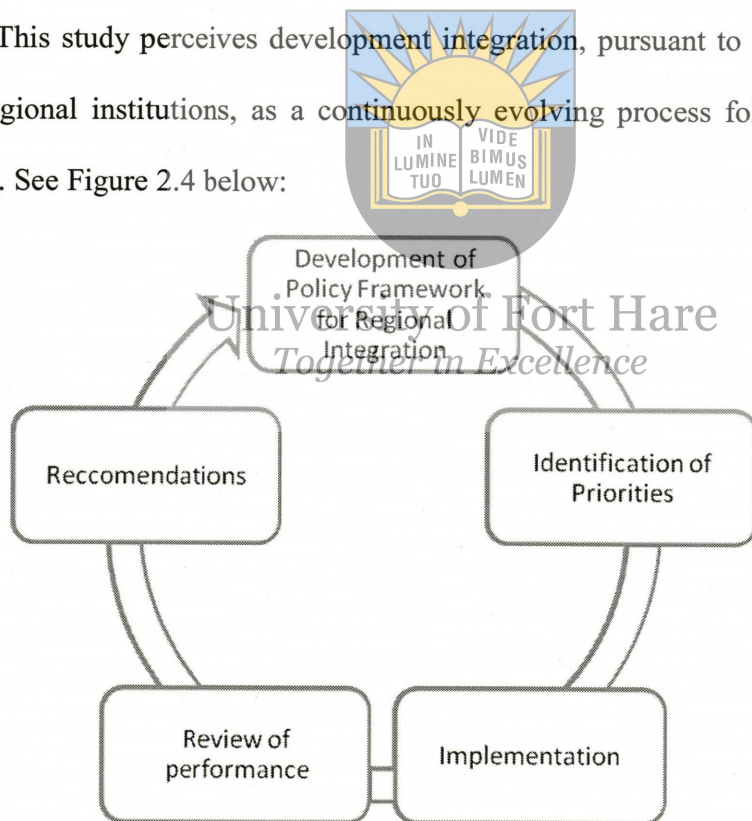


Figure 2.3 Regional Integration and Development as a system

Source: Own Construction [03 November 2008, Alice, South Africa] (Derived from Systems Approach & Conception of Development Integration).

The process proposed herein entails first the pooling of sovereignty through the establishment of regional institutions with jurisdiction over the national domain. These supranational institutions are envisaged as capable of simultaneously engaging activities that promote integration on four fronts, namely:

1. Sectoral Coordination: this relates to the development and harmonization of specific public goods and services that constrain trade, industrial development, and access to basic human needs and entitlements. Important considerations include regional transport and communication systems among others;
2. Social Sector Investment enhancement, coordination and harmonization: Investment in social development through the enhancement of provision and access to basic social services such as education, health, water and sanitation;
3. Factor Liberalization: Liberalization of trade and enhancement of factor mobility through the institution of common policies on external tariffs, residency and government subsidies among other things;
4. Industrial Development Coordination: Coordinating the development of manufacturing entities through institution of region wide inward looking policies such as import substitution, and enhancement of research and development activity.

It is proposed that the implementation of such this model be guided by: the need to identify and implement key facets of each of the four pillars identified above concurrently although at different paces; the need to begin with a few specific areas and

expand the areas over time; and, the need to constantly review and revise above regional priorities and strategies.

Conclusion and Overview of Ensuing Chapter

The discussion herein exposes the shortcomings of established approaches to regional integration, namely functional and market integration, when applied to developing countries. Arguably, none of these theories were developed with the circumstances pertaining in developing regions such as Africa in mind. Developing a model for regional integration relevant to developing countries is the agenda of the work that has already begun under the notion of what has come to be known as development integration. Accordingly, the foregoing narrative is in favor of development integration. This approach will be explored further in chapter five.

The ensuing chapter provides a historical background to the development of regional integration in Southern Africa. The purpose of this endeavor was to provide a historical overview of the emerging role of regional integration in the search for a suitable and possibly sustainable solution to the litany of enduring problems devastating Southern Africa

Chapter 3

The Foundations of Regional Integration in Southern Africa

The Political Economy of Southern Africa



Southern Africa refers to the southerly part of Africa, bound on the main to the south east by the Indian Ocean and to the south west by the South Atlantic Ocean. The northern boarders of the present day Democratic Republic of the Congo (DRC) and Tanzania demarcate the sub region on the north. The sub region, generally accepted as comprising fourteen states including two oceanic (island) countries located in the Indian Ocean, namely: Madagascar and Mauritius.

The fourteen member states of Southern Africa are Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, United Republic of Tanzania, Zambia, and Zimbabwe. Seven countries in Southern Africa are landlocked. See figure 3.1 for a map of Southern Africa:

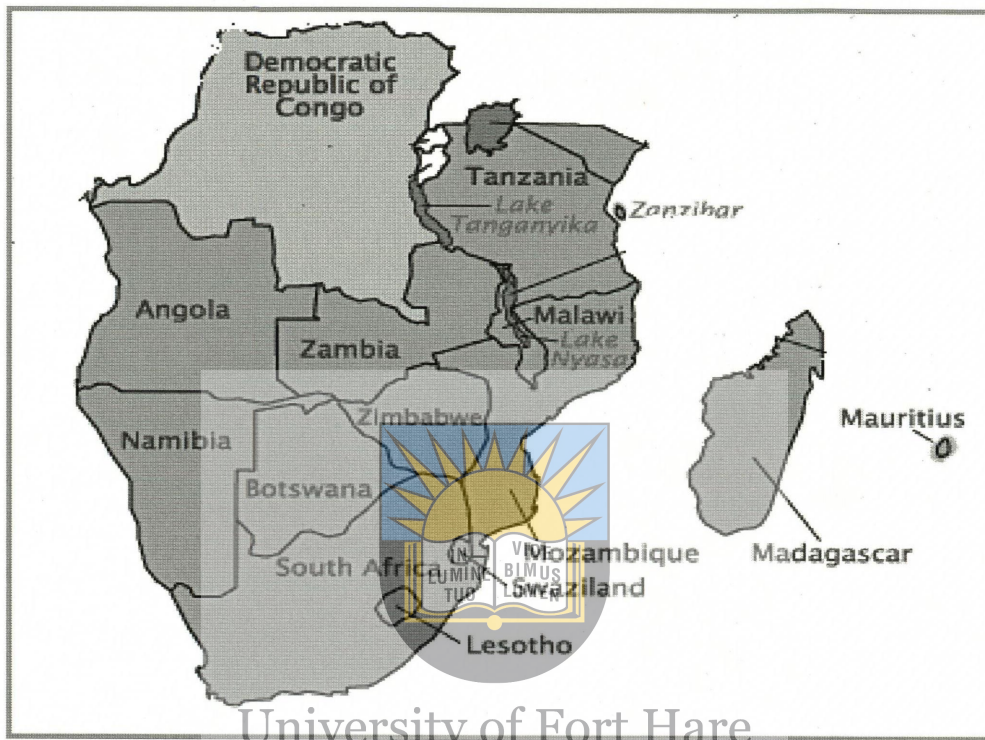


Figure 3.1: Map of Southern Africa
 Source: Adapted from www.worldatlas.com

Politically, countries in Southern Africa demonstrate generally cordial interstate relationships underpinned by gestures of political camaraderie and collaboration that have for a long time been the cornerstones of Pan African solidarity. Pan Africanism was generated and reinforced by the common struggle against white settler colonialism and apartheid. These countries in Southern Africa (except Swaziland, which is run along the lines of a monarchy) also have common political values and systems. Although differing in the extent of maturity, the political systems of most countries in Southern Africa rest on a liberal democratic model of governance wherein respect for human rights, the upholding of the rule of law and the conduct of regular free and fair elections are the only

legitimate means of acquiring or retaining state power (Tsie, 2001: 130). On one hand therefore, although political solidarity stands out as having resulted from the common struggle against white domination, the coherence of political systems in Southern Africa is partially attributable to inherited colonial institutions and the lessons of cooperation between regional states under colonial regimes on the other.

All the countries in the sub region were subject to a greater or lesser degree of formal external and often racially biased political and economic control or influence for much of the 20th century until the 1960's. However, in some instances (Zimbabwe (1980), Namibia (1992) and South Africa (1994) for example), such influence extended well beyond this period. The history of such external control, particularly as reflected by British Colonial Rule, played a major role in shaping the development of the regional economy and the current framework for political activity in the sub region. This political context was also crucial in laying the foundation for the development of regional economic relations in that, at certain stages, although there have been sharply divergent political interests in sharing both the benefits and costs of economic development, cooperation persisted nonetheless (Blumenfeld, 1992: 13). During the period of colonial rule for example, the established political authority exerted (in varying forms) by the colonial powers demonstrated that whatever political differences existed between them were too small to undermine the commonality of their economic interests. The most direct evidence of this cooperation was found in the development of a regional transport network (Ibid, 1992: 27).

Economically, by comparison with the rest of Africa, Southern Africa is richly endowed with resources, both natural and human. The sub region is rich in minerals including the world's largest resources of platinum and the platinum group elements, and has considerable deposits of chromium, vanadium, and cobalt, as well as uranium, gold, titanium, iron and diamonds. These resources are found all over the region, although South Africa and the DRC are dominantly endowed. The sub region's resource endowments distinctly differentiate Southern Africa from other African sub regions. Further, the ravages of war and neglect notwithstanding, much of the basic economic infrastructure in the region remains sound and capable of early rehabilitation (Blumenfeld, 1992: 9).



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The sub region has a population of circa 251 million (about 32% of Africa's total population) and accounts for more than half (51%) of Africa's economic output (World Bank, 2008). Consequently, if economic recovery is to take place in Africa then Southern Africa is likely instrumental to such recovery. Table 3.1 below provides a brief overview of key statistics on Southern Africa.

Key Statistics for Countries in Southern Africa				
Country	Surface Area (Sq. Km)	Population Millions	GDP \$ Million	GDP Per Capita \$
Angola	1,247	16.6	45,136	2,719
Botswana	582	1.9	11,006	5,793
DRC	2,345	60.6	8,545	141
Lesotho	30	2	1,494	747
Madagascar		19.2	5,499	286
Malawi	118	13.6	3,164	233
Mauritius	2	1.3	6,347	4,882
Mozambique	802	21.1	6,833	324
Namibia	824	2	6,566	3,283
South Africa	1,219	47.4	254,993	5,380
Swaziland	17	1.1	2,784	2,531
Tanzania	945	39.5	14,178	359
Zambia	753	11.7	10,886	930
Zimbabwe	391	13.2	3,418	259
SADC	9,275	251.2	380,849	1,516

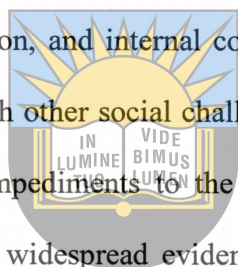
Table 3.1: Economic Indicators for Southern African Countries

Source: The Little Black Book on Africa (World Bank 2008)

Culturally, Southern Africa is home to diverse groups of cultures and peoples. It was once populated by San, Namaqua and Pygmies in widely-dispersed concentrations. However, due to the Bantu expansion which edged the previous peoples to the more remote areas of the region, the majority of ethnic groups in Southern Africa, including the Zulu, Xhosa, Swazi, Ndebele, Tswana, Sotho, and Shona people, BaLunda, Mbundu, Kikuyu and Luo, speak languages which share common Bantu language traits. Significantly, however, most Afro ethno-cultural groups straddle or cross several borders across the region. In addition to these groups, the process of colonization and settling resulted in a significant population of European (Afrikaners, Anglo-Africans, Portuguese

Africans, etc.) and Indian (Cape Malays, Koreans, Tamils, etc.) decent in many Southern African countries.

Southern Africa however shares in most of the problems of the rest of the continent, particularly: economic stagnation, poverty, inequality, and foreign dependency. This historical legacy of colonialism and underdevelopment is today reinforced by corruption, economic mismanagement, repression, and internal conflict (as is the case in the DRC and Zimbabwe). This combined with other social challenges such as HIV/AIDS and the critical shortage of skills act as impediments to the transformation of the society in Southern Africa. Although there is widespread evidence of high levels of poverty and inequality in Southern Africa, statistics with respect to the measures on poverty and inequality are not readily available. Accordingly, table 3.2, provides statistics for select countries where these statistics were available.



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Poverty and Inequality		
Country	Poverty Headcount % of Population	Inequality (Gini Coefficient)
Madagascar		47
Malawi		39
Mozambique	54	47
South Africa		58
Swaziland	69	50
Tanzania	36	35
Zambia	64	51

Table 3.2: State of Poverty and Inequality

Source: The Little Black Book on Africa (World Bank 2008)

Table 3.3 and figure 3.2 provide an overview of the state of the sub region with respect to foreign dependency and investment flows, and HIV and AIDS respectively.

Foreign Dependency and Investment			
Country	External Debt as % of GDP	Net Aid % of GDP	FDI Net Inflows \$ Millions
Angola	21.2	0.4	-228
Botswana	3.7	0.6	536
DRC	131.1	24.1	
Lesotho	44.8	4.8	78
Madagascar	26.4	13.7	85
Malawi	26.9	21.1	6
Mauritius	31.5	0.3	97
Mozambique	47.8	23.6	153
Namibia		2.2	342
South Africa	13.9	0.3	-6719
Swaziland	19.6	1.2	34
Tanzania	29.9	12.9	474
Zambia	21.4	13.1	616
Zimbabwe	125.7	11.1	

Table 3.3: Foreign Dependency and Investment

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Source: The Little Black Book on Africa (World Bank 2008)

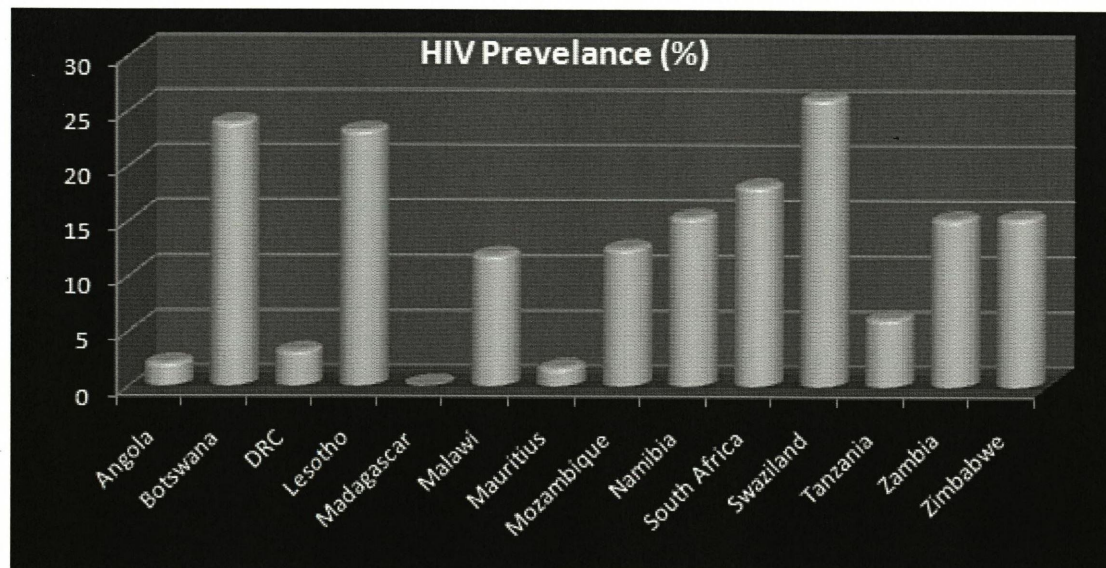


Figure 3.2: HIV and Aids Prevalence in Southern Africa

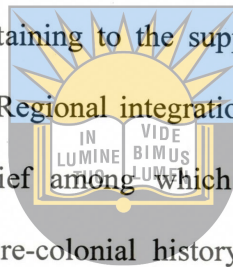
Source: The Little Black Book on Africa (World Bank 2008)

The Origins of Regional Integration in Africa

Southern Africa's thrust to leverage on collective self reliance as a means of addressing its enduring socio-economic and political challenges can be traced to the continental aspirations of newly independent African states as early as the 1958 when the First Conference of African States was held. Regional integration has thus long been a central facet of development thinking in the post colonial state in Africa. In fact, most African leaders, since the attainment of formal political independence in the 1960's, consistently reaffirmed this, publicly declaring their desire to forge mutually beneficial economic and political linkages in order to enhance the continent's development prospects. This shared aspiration to achieve greater cooperation and the importance of regional integration on Africa's development agenda is manifest by the proliferation of regional integration schemes advanced over the past four to five decades - the single largest and most widespread network of regional schemes the world has known (Daddieh, 1995: 243).

The manifest predisposition towards regional integration as a developmental strategy for Africa is often justified on the grounds that: the international division of labor has created asymmetric trade relationships between industrialized countries and developing countries, leading to the development of underdevelopment, while regional integration promises collective self reliance and mutual interdependence as an alternative to continuance of the exploitative dependence on trade with industrialized countries (Mandaza, 2001; Tsie, 2001); and that most African countries are small and have markets

that are too narrow to sustain sizable economic operations hence the need to pool resources for investment in order to industrialize efficiently by taking advantage of economies of scale (Munyaka, 2001: 192). It is also of important note that the realities of primordial feelings and attachments towards historical and cultural belongings run deep in many African societies. Allegiance to these solidarities in many cases, among the rural folk and the semi-urban populations is fervent, sometimes even stronger and borne with more zealotry than sentiments pertaining to the supposedly overarching post colonial state solidarities (Prah, 2001: 35). Regional integration thus derives relevance from the confluence of several factors, chief among which are: the legacy of colonialism, perceived memories of Africa's pre-colonial history, contemporary African realities, global developments and the theoretical promises of regional interdependence (Daddieh 1995: 244).



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Contemporary experiments in cooperation or integration, such as the Southern African Development Community (SADC), should thus not be viewed as new initiatives but rather, as endeavors to rejuvenate earlier patterns of cooperation and integration that had been disrupted, discontinued or allowed to deteriorate. They symbolize continuities in African histographies as well as reveal unresolved debates (Daddieh, 1995: 245). As such, regional integration in Southern Africa cannot be discussed effectively without an understanding of the broader context of continent wide unity, particularly given that SADC is one of five sub regional (functional) entities envisaged as building blocks for the grand unification of Africa under the African Economic Community (AEC) as

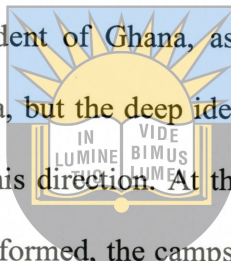
emphasized by the Organization of African Unity (OAU), now the African Union (AU), through the Lagos Plan of Action (1980) and the Abuja Treaty (1991). Accordingly, before indulging into the specifics of the Southern African experience, it is necessary to briefly review the historical events and debates that directly led to the ongoing discourse on regional integration in Africa.

Socio-Ideological Debates on Regional Integration in Africa

It is evident from the foregoing that the goals and potential benefits of regional integration in Africa have always been widely acknowledged and the desire to forge ahead with such integration constantly reaffirmed. However, there has been less agreement on how this ideal can be realized (Mandaza, 2001: 78). Contestation on the process of realization of regional integration, began in the 1960's, crystallizing around two ostensibly opposing models, represented by what have come to be known as the Casablanca and Monrovia groups. At the core of this debate was the articulation of alternative futures for the continent based on either grand strategies (extremism) or gradual approaches (moderation) (Daddieh, 1995: 244).

The radical all or nothing approach adopted by the con-federalist Pan Africanists who attended the Casablanca conference advocated for a political union; while the gradualist functionalists (who attended the Brazzaville conference) later to be incorporated into a broad movement known as the Monrovia group advocated for a milder approach

through functional cooperation (Wallerstein, 1995: 228). The Casablanca states were socialistically inclined and insisted on non alignment while the Monrovia states were pro-capitalist and thus sympathized with the West. The most fundamental difference however, lay in their interpretation of the concept of unity. The Monrovia group was in favor of joint endeavors, solidarity and political identity and rejected the idea of a political union or federation. Con-federation was favored by the Casablanca group with Nkrumah, the then president of Ghana, as its staunchest advocate. Neither group was indifferent about the idea, but the deep ideological differences between them ruled out any notable progress in this direction. At the meeting of May 1963, in Addis Ababa, during which the OAU was formed, the camps managed to gloss over issues that separated them by focusing on the liberation struggle and the fight against racial discrimination (Smith and Nothling, 1985: 431). As a result however, at the formation of the OAU, the organization enunciating and representing African unity, Africa's ideology was already systematically divided (Ndi-Zambo, 2001: 29).



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Nkrumah and the Ghanaian government's disenchantment with its view and desire for political union was based on the belief that regional units only served to entrench local interest at a slightly wider level than the nation state and thus block the path to continental unity (Abraham, 1995: 406). However, opposition from the nationalist and Euro-Africa factions as represented by the Monrovia group proved too formidable. In the end, Nkrumah and his Casablanca colleagues had to settle for a glass half full and accept major revisions to their original Pan African vision so that a continental interstate

organization could be born in the form of the OAU in May 1963. This in turn provided a framework for the explosion of functional organizations (Daddieh, 1995: 245), one of which is the SADC. The OAU was thus structured as a cartel of states whose territorial integrity was the foundational principle. Rather than transcending the state system, the OAU consolidated it and with it, the dreams of a broader sense of unity diminished (Harbeson and Rothchild, 1991: 23). The adoption of the charter of African unity, at this meeting, was in nature a compromise, and Nkrumah was forced to suspend his campaign for the creation of a union government for Africa in order to gain support from those states who preferred to stress cooperation in a cultural and economic plane rather than political unity (Smith and Nothling, 1985: 423).



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It is important to note that the illegitimacy of the national boundaries was initially the central tenet of Pan African Nationalism. Most nationalist movements denounced and called for the abolishment of these artificial divisions and territorial boundaries created by imperialist powers. However, once African normative doctrine was enunciated by states (as a consequence of political independence) rather than nationalist movements, the tone changed and the sanctity of colonial frontiers was asserted (Harbeson and Rothchild, 1991: 23). Consequently, with the advent of sovereignty, which gave life to colonial territories as independent nations, the African state system has proven to be singularly refractory to broader movements of unification. Smaller nations feared that in a Pan African union, they would be dominated by the larger countries. It soon became evident that when a country obtained political sovereignty, it tended to lose interest in a wider

union, and that first priority of a newly liberated colony was to build and develop the state (Smith and Nothling, 1985: 423). As a result, regional integration has since been conceived with the neo-colonial units (modern day nation states which owe their rationality and origins from the Berlin Partition) as their points of departure. Thus the goal of effective integration remains elusive: and the impact of the colonial partition an enduring obstacle (Harbeson and Rothchild, 1991: 22).

Regional Integration in Southern Africa



Like all other African states, countries in Southern Africa have, since that advent of independence, been enmeshed with the pursuit of the elusive end – ‘development’. The desire to rid the post colonial society in Southern Africa of the perpetual manifestation of underdevelopment, and its attendant consequences; economic stagnation, widespread poverty, inequality and foreign dependence have always been central aspects for redress. The pursuit of these post independence ideals has taken many forms, including both inward looking strategies such as protectionism and outward looking strategies the most common of which are: economic liberalization, deregulation and the pursuit of collective self reliance through regional integration. There is however, an increasing realization that engaging in intraregional competition, especially for trade, aid and investment is self defeating. Hence the renewed needs towards regional integration as a viable and holistic development alternative in Southern Africa.

In Southern Africa, regional integration itself has assumed a variety of related forms. These include early attempts, established during the colonial period, namely, the Southern African Customs Union (SACU), and the Federation of Rhodesia and Nyasaland of 1910, and 1953 respectively, and the contemporary initiatives under the Common Market for Eastern and Southern Africa (COMESA) and SADC. Through these initiatives, countries in Southern Africa are primarily seeking to expand their markets because individually their domestic markets are too small to support viable industrialization. Specific emphasis is placed on the desire of countries in Southern Africa to industrialize because industrialization plays an important role in increasing the productive capacities and productivity of economic activity in Southern Africa. Industrialization also has the potential to transform the economic relations of the sub region with the rest of the world in favor of Southern Africa. Industrialization thus represents a secure basis upon which the basic needs for citizens can be met (Tsie, 2001: 126-128).



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The establishment of the Southern African Development Coordination Conference (SADCC) in 1980, later (1992) to become SADC, represents the first broad based attempt towards integration of post colonial states in Southern Africa. Earlier attempts, during the colonial period, namely, SACU, and the Federation of Rhodesia and Nyasaland, although recognised as regional integration initiatives were largely premised on ideals that would perpetuate the status quo and sustain racial domination. Hence, these initiatives were

faced with very different realities and challenges to those confronting the initiatives championed by the now independent and majority ruled states in Southern Africa.

The Genesis and Formation of SADC

The origins of SADCC and as a result SADC lie in the 1960s and 1970s, when leaders of majority-ruled countries and national liberation movements coordinated political, diplomatic and military struggles that sought to bring an end to colonial rule and racial domination. The formation of SADCC was the culmination of a long process of consultations by the leaders of Southern Africa, who had the desire to build upon the positive experiences gained in working together in the group of Frontline States (FLS) in advancing the political struggle and translate them into broader co-operation in pursuit of economic and social development. More importantly however, it had become clear towards the end of the 1970's, that just having a national flag and a national anthem would not meet the needs of the people for improved living standards.

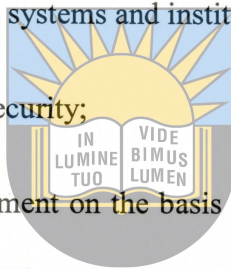
SADCC was established as a loose alliance of nine majority-ruled States in Southern Africa, in Lusaka, Zambia on April 1, 1980, following the adoption of the Lusaka Declaration (SADC, 2001a). The primary objective of SADCC's was to protect member states against the destabilizing tendencies of the apartheid regime in South Africa, while guaranteeing infrastructural assistance and policy coordination. Other objectives of SADCC were:

- To implement programs and projects with national and regional impact;
- To mobilize Member States' resources, in quest for collective self-reliance; and
- To secure international understanding and support.

From its inception, particularly in the early 1980's, SADCC emphasised concrete projects in transport and communications, energy, agriculture, mining and tourism among others. This inclination was particularly designed to counteract the political and economic hostilities brought about by the Apartheid regime in South Africa and specifically to reduce the dependence of countries in Southern Africa on South Africa's roads, railways, and ports. The project-based approach was modified in 1985 when emphasis shifted towards coordination of sectoral plans and programmes to: serve as a basis for prioritisation of programmes and projects; provide a basis for evaluating progress; and, enhance the capacity of member states to effectively address issues of mutual benefit (Chipeta, 2001: 183). However, with the prospect of majority rule in South Africa, SADCC was transformed to from a Development Coordinating Conference to a Development Community (SADC) on August 17, 1992 in Windhoek, Namibia with the signing of the SADC (Windhoek) Declaration and Treaty (SADC, 2001a). The Member States of SADC are Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, United Republic of Tanzania, Zambia, and Zimbabwe. Seychelles withdrew its

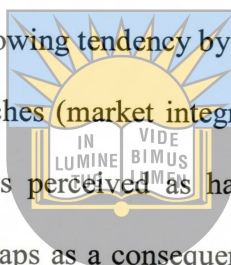
membership at the end of 2004. The objectives of SADC, as stated in Article 5 of the SADC Treaty, are to:

- Achieve development and economic growth, alleviate poverty, enhance the standard and quality of life of the people of Southern Africa and support the socially disadvantaged through regional integration;
- Evolve common political values, systems and institutions;
- Promote and defend peace and security;
- Promote self-sustaining development on the basis of collective self-reliance, and the interdependence of Member States;
- Achieve complementarities between national and regional strategies and programmes;
- Promote and maximize productive employment and utilization of resources of the sub region;
- Achieve sustainable utilization of natural resources and effective protection of the environment;
- Strengthen and consolidate the long-standing historical, social and cultural affinities and links among the people of the sub region.



In conceptualizing the institutional structure of SADCC, architects of the Lusaka declaration paid particular attention to the experiences of past attempts at regional co-

operation in Africa, most of which had ended in dismal failure and bitter disappointment. Such failures were attributed to structural characteristics of member countries, design failures and sheer implementation failure (African Development Bank (ADB), 2000: 136). Significantly, design failures, notably, the inadequacy of the provisions of dealing with issues relating to the allocation and distribution of the costs and benefits of regional co-operation at both national and regional levels were perceived as being particularly problematic. Further, there was a growing tendency by many regional groupings in Africa to de-emphasize trade based approaches (market integration) in favor of growth focused approaches. Market integration was perceived as having achieved limited success in increasing intra-regional trade, perhaps as a consequence of trade diversion. Essentially, there was desire to de-emphasize the unfounded bias towards the static efficiency gains of trade (market integration) in favor the dynamic gains derived from the involvement of countries participating in regionally oriented activities such as joint industrial ventures and production plans, coordinated exploration of natural resources, sectoral investment coordination, incremental foreign investment and regional coordination of macro-economic adjustment policies (Growth Oriented Approaches) (Munyaka, 2001: 193-194).



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As a result, SADCC adapted a functional approach, and explicitly avoided trade liberalization on the grounds that trade liberalization is more appropriate for developed countries (Chipeta, 2001: 181). The functional model, which asserted priority on the need to promote projects in the fields of cooperation as a catalyst to regional integration, was

however not indifferent to trade, as it was accompanied by bilateral measures to increase trade among member countries (Mhlongo, 1991). Further, SADCC emphasized a decentralized institutional arrangement (liberal intergovernmental framework) that put member States as principal actors in the formulation and implementation of policy decisions (SADC, 2001b). Such decentralization would thus enable every member state to play a role and coordinate at least one area of cooperation through a sector coordinating unit (SCU).

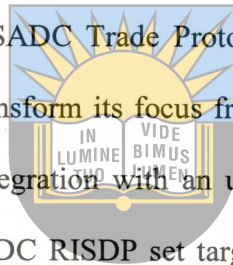


However, with the continued expansion of programmes and sectors under the auspices of the regional body, it became clear that the intergovernmental framework through which functional cooperation was being championed was beset with a plethora of problems. The identified problems inhibited efficient and effective performance of the regional structure. These included: Inadequate provision of resources and staffing by member states; different management and administrative procedures and rules, varying standards among member countries; and, the lack of an institutional framework for discussion and adoption common positions on matters pertaining to the organization in various international forums, among others. This realization, led to renewed efforts in redefining the framework through which regional integration could be achieved, resulting in the articulation, through the Windhoek Treaty, of the need for 'development oriented integration', hence the term 'Development Community'. Mandaza (2001: 99) defines development integration (or 'deep integration') as:

the highest form of interstate cooperation approximating the notion of 'union' or 'federation', the kind of unity that is implied in the Charter of the Organization of African Unity (OAU), in the goals of the Abuja Treaty for the creation of an African Economic Community (AEC) as well as in SADC's Windhoek Treaty.

Tsie (2001: 133) concurs with the conclusion above and unequivocally states that: 'SADC's official position is that it is in favor of development integration as distinct from mere neo-liberal market integration.' Both Mandaza (2001) and Tsie (2001) are of the view that development integration necessarily implies unequivocal and unhesitant political commitment by member states founded on the basis of a strong set of supranational rules and institutions. In essence, regional integration in Southern Africa as articulated by the Windhoek Treaty, calls for the implementation of a strategy that gives primacy to the political factor without necessarily ignoring non political facets such as economic and social factors. The implicit argument here is that political reforms must take precedence to reforms in the economic sphere. Developmental integration, envisaged primarily as a political process, although tending towards a political union as, the form advocated for by Nkrumah and the Casablanca group, is essentially a progressive refinement of SADC's regional integration based on the experiences of SADCC during the period of functional cooperation. Thus, although recognizing the weaknesses of laissez-faire economic integration, it is not necessarily at variance with the foundational principle of the OAU, which emphasized the respect of territorial integrity and sovereignty, and proposed that regional integration be pursued on the basis of (functional) economic cooperation. SADC states have however been hesitant to cede some aspects of their political sovereignty to the regional body as is required if

development integration is to take place. Consequently, the regional institutions required to support the process of integration are not being created or revamped and as a result, development integration is being surreptitiously replaced by market integration in policy initiatives. The undeclared inclination towards market integration became apparent by the unveiling of the SADC Trade Protocol in 1996 in Maseru, implemented in 2000, and was reinforced in 2003 through the approval of the Regional Indicative Strategic Development Plan (RISDP). The SADC Trade Protocol and the RISDP provided the basis upon which SADC would transform its focus from a functional approach through sectoral coordination to market integration with an unrelenting emphasis on trade led growth. As a consequence, the SADC RISDP set targets for regional integration using Balassa's (1961) classical stages of integration.



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Through the RISDP, trade (market integration) has thus become a central focus of SADC, albeit without well-grounded reasons why trade, in its own right, should be the focus of regional integration in Southern Africa. Figure 3.3 articulates the targets for SADC integration as set under the RISDP:



Figure 3.3 SADC Targets

Source: Adapted from the SADC Website



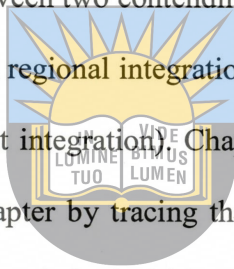
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Conclusion and Overview of Ensuing Chapter

This chapter provided a chronological account of key events in Africa's recent history that laid the foundation for regional integration in Southern Africa. The purpose of this endeavour was to provide a historical overview of the emerging role of regional integration in the search for a suitable and possibly sustainable solution to the litany of enduring problems devastating Southern Africa. At the core of this agenda is the need to contextualise the pursuit of regional integration in Southern Africa and in the process comprehend the rationale for such an initiative and the potent issues that underlie the potential success of such endeavour. To this end, this chapter prepares the ground for the arguments presented in the ensuing chapter.

The historical account of regional integration in Southern Africa detailed in this chapter explicitly attributes the adoption of market integration to the overburdening nature of functional integration and the subsequent failure of SADC to implement reforms required to support development integration. The discourse on regional integration in the sub region has thus been oscillating between two contending approaches: regional integration as idealism (market integration) and regional integration as a pragmatic project driven by political consolidation (development integration). Chapter 4 presented hereafter extends the arguments presented in this chapter by tracing the roots of the inclination towards market integration to deep rooted psychological biases towards idealist orientations and the aspiration to superimpose Eurocentric models on Africa.




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Chapter 4

A Critique of Market Integration in Southern Africa

The Context and Imperative of Regional Integration in Southern Africa



The relatively short episode of European control over Africa, spanning no more than 100 years from the time of the Berlin Conference (1884-1885), induced substantial changes that not only established the immediate context for African politics but also continue to constrain and influence its future. The then recently industrialized states of Europe, particularly Britain and France, driven by the need for cheap raw materials and desire for captive markets for manufactured goods, hastily yet successfully subordinated African colonies politically and economically. Their equally hasty departure left Africa with weak, mal-integrated and severely distorted economies, resulting in Africa's multifaceted and tenacious dependency on economically advanced states. The decisions and even sovereignty of the emerging African states would thereon be contingent on foreign markets, industry and expertise. Oblivious of this fact, the immediate aftermath of independence was filled with excitement and great expectations. With the immediately obvious burdens of racist and imperial rule gone, many thought political freedom would naturally lead to substantial social and economic changes. Little did they know that the

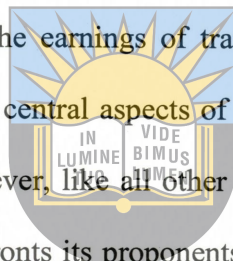
historic attainment of political independence, which was not matched with commensurate acquisition of economic freedom and benefits, masked the enormous problems that lay in store (Taylor, 1981: 3).

Of particular significance was the fact that the major resources (minerals, extractive industries, agricultural raw materials, technology, finance and managerial skills) were really not owned or controlled by African governments (Mutharika, 1981: 104), African people or African institutions for that matter. This marked the beginning of the era of neocolonialism as Africa's monetary resources and economic surpluses continued to be transferred abroad to the industrial creditor nations which owned their export sectors, rather than being retained at home to promote their own development (Hudson, 1981a: 23). Further, Africa's continued participation in the asymmetric system of trade exacerbated trade deficits, which in turn required financing by foreign borrowing at rising interest rates. Increasing debt servicing costs led to growing balance of payments deficits, requiring further borrowing and currency depreciation. African countries were thus obliged to forgo domestic investment in order to pay for their foreign debts and use their scarce investment resources to increase exports rather than achieve domestic self sufficiency. The perpetuation of this historic dynamic accentuated Africa's marginalization to the extent that: foreign debt service and structural dependency have grown so serious that virtually all economic surplus is diverted abroad rather than retained at home (Hudson, 1981b: 185).

Individual governments remain unable, by themselves, to break out of this system. In the first instance, the fact that African countries are entirely reliant on the continued operation of these dependency relationships makes it difficult to break them without impairing their own internal operations in the short term (Miljan, 1981: 178). More significantly however, any attempts (perceived or real) to decouple could attract economic, financial, political and sometimes military sanctions (Hudson, 1981a: 23). Regional integration is thus the only credible strategy to: restructure the economic relationship between Africa and the developed world (bring about greater equity); eliminate domination by more economically developed countries; and, induce a socio-cultural syndrome of development that elevates African states to a level of competitive parity with developed countries (Miljan, 1981: 175). Although it is not clear whether African countries have the political will to inaugurate regional entities that wipe the debt slate clean, what is certain however is that: if they do not, their future toil will be devoted to paying off past creditors rather than accumulating the resources needed to sustain the immense costs of empowering their societies in a world which has already pulled technologically and socially ahead (Hudson, 1981a: 23).

The desire to forge supranational regional bodies in Africa such as that envisaged under the Southern African Development Community (SADC) can thus not be viewed as having emerged because national elites voluntarily decided to relinquish power to a higher order or toyed with as a matter of little substance. Instead, it derives from the growing internal pressure for countries in the sub region to seek alternative development

paths and emerges because of the constrained capacities of individual economies in the sub region. Hence it is motivated by the realization that only a higher order – the power of a united region, can protect nation states against foreign pressures to drain them of their wealth and render them subservient to foreign powers. Put simply, regional integration in Southern Africa is instituted on the basis of a need to keep at home the balance of payments earnings earmarked for debt service to the international banking system, foreign governments and the earnings of transnational corporations. Financial and Economic self interest are thus central aspects of regional integration in developing regions (Hudson, 1981a: 15). However, like all other instances of regionalism, regional integration in Southern Africa confronts its proponents with a basic challenge of how to attain the benefits of integration while maintaining the cultural diversity and political freedom of its members (Taylor, 1981: 3). Put differently, how far can regional integration in Southern Africa proceed if delineated as an economic phenomenon detached from political processes.



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The example of the European Union confirms the feasibility of a region attaining a high degree of integration without recourse to political consolidation (Ibid, 1981: 11). The prospect of pursuing *laissez-faire*, semi-automatic economic integration in Southern Africa taking from the example of Europe, must however be considered within the context of the global economic order. In this respect, such a proposition must take into account the fact that: the prospect of European integration did not threaten to alter the structure of the international division of labor; and that *laissez-faire* integration

presupposes the ability of countries to determine their socio economic and political policies free from interference from vested foreign interest (Mutharika, 1981: 95), whereas Southern African countries have little control over resources flowing into their countries let alone regional projects.

Origins of Idealist Orientations to Regionalism in Southern Africa

Africa's struggle against colonial domination and racial discrimination was driven by a continent-wide desire to improve the general living conditions and welfare of the people. As a consequence, the leaders of the post colonial order in newly independent states were duty bound, because of the promises and aspirations articulated during the struggle against racial domination and discrimination, to pursue social and economic policies that they thought would effectively deliver the much desired emancipation. The advent of independence, coupled with rhetoric of state welfarism, thus created immense expectation and pressure on the post colonial state in Africa.

Within this context however, the immediate post independence African leaders, the majority of whom had received western education and aspired for the European way of life, acceded to the proposition that the rationality of western institutions and techniques were necessary acquisitions for advancement of African societies (Prah, 2001: 21). These ideals (of the post independence African political elites) resembled those of their colonial predecessors, in that they were founded on the need to 'civilize' Africa societies which

they condemned as backward, traditional, static and undifferentiated to the extent that they could only be liberated through the infusion of Western capital, technology, ideals, cultural values and the superimposition of western institutions (Zezeza, 1997: 219). This orientation in favor of Eurocentric developmental paradigms was reinforced by the fact that, at independence, most African countries lacked adequately skilled personnel to take over the administration of both the public and private sectors. These countries thus relied on the support and guidance provided by foreign experts from donor countries and international institutions such as the World Bank (WB) and the International Monetary Fund (IMF). Africa's development thrust was thus increasingly influenced by economic persuasions embodied in utilitarian paradigms such as modernization and its neoliberal variants.



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This development approach, pursued with much zealotry through various policy programs and instruments including structural adjustment programs under the guidance of the World Bank, the IMF and the World Trade Organization (WTO), consisted almost exclusively of foreign currency costs, necessitating export orientation and emphasizing financial and economic austerity (Hudson, 1981b: 190). Instead of ameliorating the challenges faced by these countries, this policy thrust actually accentuated them. Notwithstanding the persistent failures of this utilitarian bias, development policy in most African countries (including the conception and pursuit of regional integration) continues to be premised on the ideals of neoclassical economics and the free market. The notion of development as pursued in Africa has thus become idealistic rather than pragmatic,

alienating (in the name of economic fundamentalism) the people it intends to empower. This perhaps partly explains the tacit policy stance of SADC towards market integration, and is at variance with the official position that is in favor of development integration as distinct from mere neo-liberal market integration.

Equally important is the recognition that, an aftermath of independence was that it was granted to individual countries on the basis of the colonial partition rather than being granted to a group of countries. Hence national sovereignty rather than regionalism became paramount in what followed (Mutharika, 1981: 93). This was despite the fact that the colonial partition did not reflect the cultural, economic, political and social realities of African societies. Consequently, most countries in Africa are fragile nation states in the making, yet to acquire full confidence with which to enter into supranational arrangements (Southern African Regional Institute for Policy Studies (SAPRIS), 2000; Chipeta, 2001; Mandaza, 2001). This, coupled with Africa's history of foreign domination raises the sensitivity of African leaders, sometimes unnecessarily so, to issues that appear to threaten their sovereignty and territorial integrity. This is in spite of the fact that obsession with the sanctity of territorial boundaries (sovereignty) is compromising the ability of the post colonial state in Southern Africa to singularly address the litany of problems confronting its citizens. This obsession with sovereignty is manifest by the explicit declaration that 'the integrity of the national boundary' is the foundational principle of almost every regional formation in Africa including: the Declaration of the First Conference of Independent African States of 1958; the charter of Organization of

African Unity (OAU) of 1963, now the African Union (AU); and SADC's Windhoek Treaty of 1992, to mention but a few.

The interaction of this historic legacy, regional economic dynamics and international economic imperatives, coupled with the historical precedence of the ascendance of European integration as model for regional integration (despite the apparently different circumstance obtaining therein) has induced a tendency to separate the political aspects of regional development from the economic aspects, hence the pre-eminence of trade within the legal, institutional and programmatic framework of SADC (Kiame, 2004: 110) and a shift in favor of market integration. Successful pursuit of economic integration without necessarily encroaching the political space of sovereign countries, given Africa's position in the politically contested battle for control over global resources and markets, although ideal is however not practical. Accordingly, SADC's new found thrust towards neo-liberal market integration is constrained principally by the political threat successful integration poses on the global trading system and by the lack of clear practical value of premising SADC endeavors towards regional integration by manner of a strict adherence to the neoclassical model designed in the shadow of the European experience. A detailed appraisal of market integration in Southern Africa follows hereon.

The Limits of 'Ideals': Analyzing the Adequacy of Market Integration

The objectives of regional integration in Southern Africa have largely centered on the need to transform the internal economic structures (of states in the sub region) from primary commodities to modern manufacturing production (in the agricultural and industrial sectors) as a means of accelerating economic growth (Mutharika, 1981: 99) and ensuring substantial and sustainable reductions in poverty, inequality and foreign dependency. Regional integration is therefore viewed as a novel phenomenon in global trade dynamics with the potential to halt Africa's marginalization in the multilateral trading system and the consequent perpetuation of underdevelopment (Nhara, 2006: 5). However, market integration, as proposed in contemporary development discourse and manifest through the SADC Trade Protocol and the SADC Regional Indicative Strategic Development Plan (RISDP), does not seriously address the fundamental issues of: how industrial development and economic diversification can be achieved (Tsie, 2001: 134); how economic surpluses can be retained at home rather than diverted abroad (local ownership); and, how the asymmetric distribution of costs and benefits of integration will be realigned and thus is unlikely to address the socio economic imperative of the ordinary citizens – the very purpose for regional integration in Southern Africa. The key limitations of market integration identified by this study are articulated below:

SADC Countries Lack of Trade Complimentarity

First, it is a basic premise of international trade theory that the more heterogeneous trading partners are, the greater are the potential gains from trade resulting from commercial association (Hudson, 1981b: 192). Accordingly, market integration (trade) benefits most regions wherein countries produce complimentary and not similar products. It is surprising therefore that inter-regional trade is a cornerstone of the SADC's economic timetable yet countries in Southern Africa, due to narrow product specialization, non-complimentary trade structure, and the low degree of industrialization, are by nature homogeneous (Alva and Behar, 2008: 1). That is, they export raw materials whilst importing their food grains, capital intensive manufactures, and other relatively high-technology products. This lack of complementarity suggests that there is limited scope for increasing intraregional trade (Cassim, 2001; Evans, 1997; Yeats, 1998). Thus pursuit of laissez-faire integration may be self defeating as much of the region's international trade will continue to take place with former colonial powers, limiting the use of the trade protocol (Madakufamba, 2008). Table 4.1 summarizes trade complimentarity indices for countries in Southern Africa (2003):

Bilateral Complimentarity Indices for SADC Countries 2004											
Exporting Country	Importing Country										Average
	Botswana	Malawi	Mauritius	Mozambique	Namibia	South Africa	Swaziland	Tanzania	Zambia	Zimbabwe	
Botswana		7.5	11.3	17.8	9.6	13.0	9.7	7.4	7.8	8.9	10.3
Malawi	13.7		9.3	18.4	11.6	11.6	13.0	9.3	8.1	6.6	11.3
Mauritius	16.8	11.3		21.3	14.6	15.3	15.8	12.0	10.3	8.9	14.0
Mozambique	23.2	21.8	26.7		23.9	24.6	26.2	20.8	19.5	19.1	22.9
Namibia	22.8	14.0	20.5	24.8		17.1	18.8	11.5	21.0	11.3	18.0
South Africa	53.9	48.5	54.1	59.4	54.1		55.1	51.3	51.0	49.9	53.0
Swaziland	27.9	23.5	23.5	30.0	29.9	22.0		20.6	19.0	17.6	23.8
Tanzania	16.4	13.1	20.0	20.2	13.4	13.2	13.3		8.9	7.1	14.0
Zambia	19.0	12.9	19.3	23.2	14.9	16.6	14.2	12.8		11.9	16.1
Zimbabwe	13.7	14.0	18.4	20.4	10.6	11.5	11.5	10.6	9.1		13.3

Table 4.1: Trade Complimentarity (Southern African Countries, 2004)

Source: Data Extracted from International Monetary Fund (IMF) Working Paper, WP/04/227; IMF Staff Calculations using UN COMTRADE data. Angola, DRC, Lesotho and Madagascar were excluded due to lack of data.


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The indices above reflect asymmetric complementarity between South Africa and the majority of SADC countries. This is reinforced by the findings in another IMF Working Paper by Khandelwal, which shows that the extent of product complementarity within SADC is very low. Product complementarity indices ranges from 0 (No complementarity) to 100 (Full complementarity). Evidently, there is complementarity between South Africa's exports and the imports of the rest of the region, but not vice versa' (Khandelwal, 2004: 16.). To provide for deeper analysis of trade complimentarity within the region, table 4.2 summarizes trade activity (direction of trade) for countries in Southern Africa (2003):

Trade Activity (2003)													
Country	Exports (US\$) (Destination)					Imports (US\$) (Origin)					Trade Balance		
	Total	SADC	%	EU	%	Total	SADC	%	EU	%	Overall	With SADC	With EU
Angola	9.716	1.069	11%	4.625	48%	8.801	0.009	0%	2.359	27%	0.915	1.060	2.266
Botswana	3.701	0.379	10%	2.985	81%	3.857	3.319	86%	0.351	9%	(0.156)	(2.939)	2.635
DRC	1.483	0.252	17%	0.595	40%	1.892	0.129	7%	1.432	76%	(0.409)	0.123	(0.838)
Lesotho	0.520	0.099	19%	0.005	1%	1.216	0.997	82%	0.005	0.45%	(0.696)	(0.898)	(0.000)
Madagascar	1.264	0.139	11%	0.450	36%	1.756	0.051	3%	1.043	59%	(0.492)	0.088	(0.593)
Malawi	0.723	0.137	19%	0.267	37%	1.237	0.711	57%	0.149	12%	(0.515)	(0.574)	0.118
Mauritius	3.099	0.341	11%	1.078	35%	2.988	0.057	2%	2.178	73%	0.111	0.284	(1.100)
Mozambique	1.188	0.309	26%	0.708	60%	2.225	0.621	28%	0.278	13%	(1.037)	(0.312)	0.430
Namibia	2.300	1.330	58%	0.689	30%	2.521	2.077	82%	1.895	75%	(0.221)	(0.748)	(1.207)
South Africa	46.795	4.024	9%	15.096	32%	48.814	1.220	3%	20.158	41%	(2.019)	2.804	(5.062)
Swaziland	1.580	1.414	89%	0.034	2%	1.635	1.266	77%	0.017	1%	(0.055)	0.149	0.017
Tanzania	1.989	0.038	2%	1.134	57%	1.148	0.247	22%	0.253	22%	0.841	(0.209)	0.881
Zambia	0.938	0.385	41%	0.334	36%	1.548	1.006	65%	0.222	14%	(0.610)	(0.622)	0.112
Zimbabwe	1.854	0.723	39%	0.232	13%	2.238	0.367	16%	0.864	39%	(0.384)	0.356	(0.632)
SADC	77.151	10.639	13%	28.232	37%	81.876	12.076	15%	31.205	38%	(4.726)	(1.437)	(2.973)

Table 4.2: Trade Activity (Southern African Countries, 2003)

Source: Data Extracted from African Development Indicators: World Bank (2004)

Southern Africa manifests characteristics typical of many developing countries, showing high extra-regional trade intensities and low intra-regional biases. The share of intra-regional imports amounted to 15% of total imports in 2003, while intra-regional exports accounted for 13% of total exports in the same period. South Africa's dominant position and the attendant general dependency of regional countries (particularly members of the Southern African Customs Union (SACU): Botswana, Lesotho, Namibia and Swaziland, whose figures show high import intensities with SADC) is evidenced by both the magnitude of its contribution to regional trade and the fact that it has the highest and most significant trade surplus with the region. See figure 4.1 and 4.2 for a summary of SADC exports destinations and the trend of intra-regional export performance, respectively:

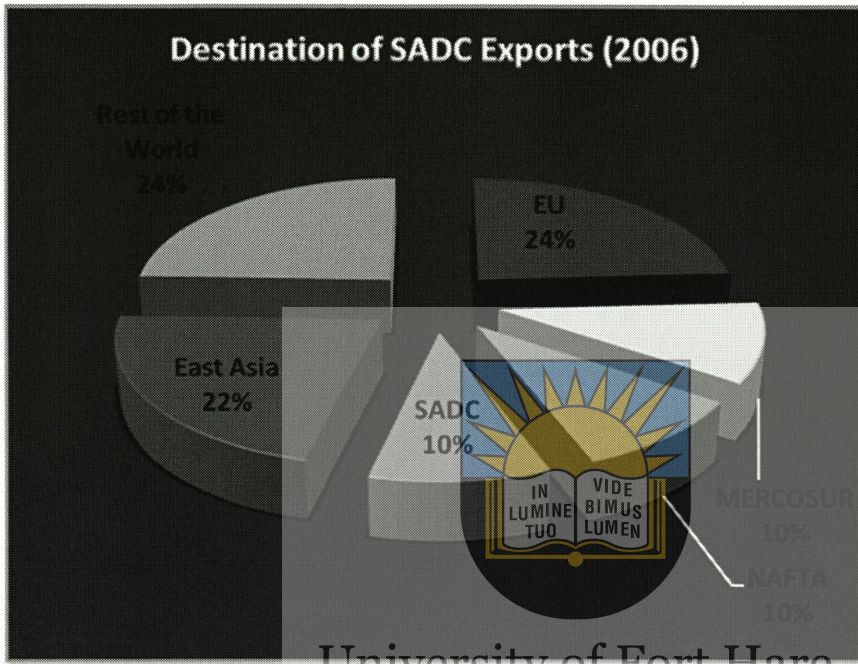


Figure 4.1: SADC Exports (Major Destinations)

Source: Data extracted from SADC Trade Database and Wits (2008)

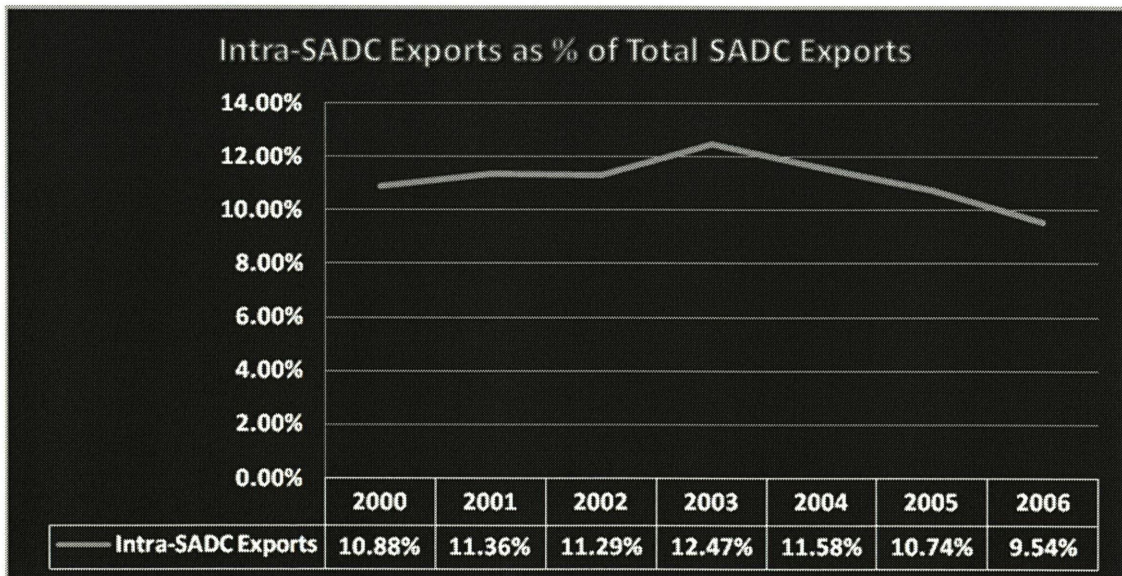
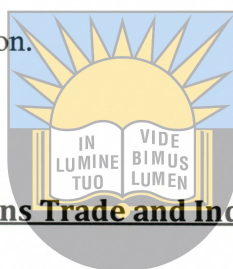


Figure 4.2: Intra-SADC Trade (Exports) as a % of Total SADC Trade (Exports)

Source: Data extracted from SADC Trade Database and Wits (2008)

Other suggested explanations for poor intraregional trade performance include protectionist trade policies is attributable to protectionist policies (Collier 1995; Collier and Gunning 1999) and high transport costs due to poor infrastructure and inappropriate transport policies (Amjadi and Yeats 1995). Broadman (2007) suggests that inadequate economic policies, infrastructure unavailability and political instability also constitute important obstacles to trade expansion.



Product Concentration Constrains Trade and Industrialization

Given that the scope for expanding intra-regional trade through market integration (trade liberalization) is limited due to the structure of the regional economy (non complimentary and low degree of industrialization), SADC cannot develop a fortress within which member states can industrialise and diversify themselves through privileged access to an enlarged market area that remains protected and relatively isolated from external markets, except through welfare reducing trade diversion. The concentrated (even similar) export structure of SADC countries thus increases the possibility that the group's imports will have to be met by third countries (Chauvin and Gaulier, 2002: 12). This is consistent with Yeats (1998) observation that, if member countries produce only a limited number of goods exportable within the regional grouping, the group may have to rely heavily of third countries for a high share of their key imports (and as destination for their major exports) and this would likely reduce their commitment to the arrangement. Yeats

specifically points out that: exports from Sub-Saharan African countries tend to be highly concentrated in a few products, many of which are not important imports for other African countries.

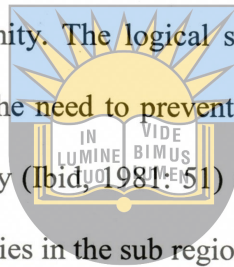
According to Chauvin and Gaulier (2002: 5): 'If a country is ex ante specialized in primary products, liberalization is likely to intensify this specialization at the expense of more dynamic sectors (manufacturing).' Trade liberalization will therefore not stimulate industrial development in Southern Africa. According to Evans (1989), the underlying dynamics of the world economy imply that the gains from active participation in international trade are biased against the developing countries because their patterns of specialization fail to bring about significant dynamic and growth-inducing effects as they tend to specialize in those (primary) goods and sectors in which linkages with the rest of the economy are tenuous and weak. Consequently, Southern African countries will continue to suffer from endemic long term deterioration in terms of trade, emanating partly from the low income elasticity of demand of primary commodities in the world market. Chauvin and Gaulier (2002: 25) further observe that the natural trade partners for primary goods producers are industrialized countries, thus the scope for expansion of intra-SADC trade is limited. Without a deliberate alternative strategy to drive regional industrialisation, the uneven participation of SADC countries in international trade with developed countries will be perpetuated.

Trade Liberalization often leads to Industrial Polarization

In addition, accelerated expansion of trade cannot be considered as an exact index of economic integration and less as a process which by itself creates a dynamic for greater integration. Trade liberalization and expansion at regional level can also become an obstacle to regional integration. This is because the operation of the dynamic effects of the free market (the coefficient of exports of industrial production, scale economies and use of installed capacity, promotion of industrial employment, income distribution changes in industrial investment trends and effects of polarization) often decreases the growth prospects of relatively less developed countries. These effects are more pronounced in initiatives between developing country than those between developed ones, due to the constrained mobility of factors of production which makes it more difficult to alternate macro-political policies and because developing countries often do not have the resources required to subsidize less developed zones (Puyana, 1981: 50).

Within the context of uneven development in Southern Africa, the emergence of few poles of industrialization and the polarization of investment towards the larger and more diversified economies of the region is plausible (Chauvin and Gaulier, 2002: 5). There is thus a real possibility of a replication of the exploitative global system of division of labor, with South Africa, taking the vantage point and developing its already advanced manufacturing sector at the expense of smaller countries like is Malawi or Zambia, who will as a result be forced into further specialization in primary agricultural and mining activity. Table 4.1, clearly shows a trade bias in favor of South Africa. The Latin

American Association for Free Trade (LAFTA) provides a historic example where as early as 1961, although trade grew at an accelerated pace from the onset of the free trade agreement, there was an immediate tendency towards trade concentration among the three major countries which led to an impasse on the negotiations of the second phase of trade liberalization (Puyana, 1981: 50). Similarly, the hegemonic dominance of Kenya in the East African Community led to its eventual suspension (in 1977) after Uganda and Rwanda pulled out of the community. The logical suggestion for regional integration under these circumstances is thus the need to prevent concentration effects by centrally allocating the new industrial activity (Ibid, 1981: 51) and or setting up of compensatory payments for least developed countries in the sub region (Chauvin and Gaulier, 2002: 5).



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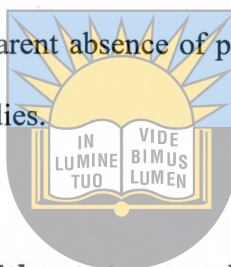
Uneven trade arrangements, where benefits accrue disproportionately to one member or a select group of countries without compensatory mechanisms to assuage the sense of deprivation, can create disharmony in regional relations. However, there are also political and economic costs of leveling the disequilibria in industrial development among the member countries, which often clashes with the national aim to speed up industrialization. All these costs are tremendously increased by the small size of the integrated market and by the marginal effects of integration upon macroeconomic variables (Puyana, 1981: 50). Accordingly, whilst there is a need to take compensatory action to support the least developed countries, there may also be an attendant need to develop a comprehensive framework to compensate for the constrained industrial

development on the part of some of the more developed countries, both of which features are not conceptualized within the framework of market integration.

Trade Liberalization does not necessarily lead to Economic Growth

The foregoing narrative leads to the conclusion that market integration: induces marginal increases in intraregional trade; is unlikely to stimulate industrialization; and, often leads to concentration. It is therefore reasonable to question whether and how market integration can accelerate economic growth and halt economic stagnation in Southern Africa. The vast literature exploring the relationship between trade and growth is yet to unambiguously and universally link trade liberalization to subsequent economic growth. Empirical studies have hardly converged, let alone found universal trends and are thus inconclusive. For example, studies by Krueger (1980: 289), Oyejide (1975) and Fosu (1990), among others, found evidence of a sufficiently strong relationship between export performance and growth while Taylor (1988: 8) finds no obvious relationship between performance and overall openness to trade. On the other hand Helleiner (1986: 146) concludes that there is no statistically significant link between the change in export share of GDP and growth while Michaely (1977) found that export expansion in low income developing country economies was not necessarily accompanied by increased overall economic growth. Taking cue from these results and other empirical findings in both developed and developing countries, Michaely (1977) and Helleiner (1986) inferred that the validation of the export-led growth hypothesis appears to hold, if at all, only with

respect to those developing countries whose level of development places them above a certain “threshold” of per capita income. This was consistent with Evans (1989) findings and reinforced by Balassa’s (1985) study, which specifically showed that that the greater the share of manufactured exports (in overall exports) the greater tends to be the contribution of exports to growth. These empirical findings further raise questions about the credibility of market integration as a viable alternative for regional integration in Southern Africa because of the apparent absence of preconditions for successful market integration as identified in these studies.



Inward looking liberalization without structural changes favors Foreign Firms

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It is possible to infer from the ongoing that Africa’s primary problem does not necessarily relate to the lack of adequate resources to stimulate development hence the need to attract greater inflows of resources. Rather, it relates to a need to stem the excessive outflow of resources by taking collective action to ensure that whatever resources are brought into, and exist in Africa remain in the region to generate development (Mutharika, 1981: 95). In this respect, the central emphasis of developmental policy often geared in favor of attracting foreign investment and the significant resources spent in this endeavor, albeit without much success, must rather be adapted in favor of attracting local capital and enhancing the efficiency of locally available resources. The outward looking free trade model however does not always, if at all, engender a need to develop regional productive powers with the view of catapulting self reliance. This is manifest by the repeated

emphasis SADC programmes place on Foreign Direct Investment (FDI). The natural outturn of such integration is that most of the benefits of integration will accrue to foreign corporations and investors. Liberalizing regional trade and simply protecting the domestic (regional) market without addressing instituting fundamental changes, such as in the structure of ownership and control, often leads to the protection of the earnings of foreign firms rather than nurture the growth of domestic capital and industry (Hudson, 1981b: 187).



Inadequacy of Framework in Addressing Poverty and Inequality

Further, although poverty reduction has always been a primary consideration in any discussion on regional integration in developing regions such as Southern Africa, it is increasingly gaining prominence in the international deliberations over multilateral trade liberalization as exemplified by its recognition in the Doha Development Round of WTO negotiations (Hertel, Ivanic, Preckel and Cranfield, 2003: 1). This confirms the primacy and centrality of poverty reduction in policy issues relating to developing countries and underscores the failure of market oriented laissez-faire trade liberalization to contribute to poverty reduction under previous multilateral trade initiatives championed by the WTO. The implicit poverty reduction strategy assumed by market integration, thus the SADC Protocol and the SADC RISDP is the neo liberal approach which, according to Earl Shaw (1973: 234), generally posits that the benefits realized by capital and private enterprise indirectly accrue, through the trickledown effect, to all members of society. This approach subordinates all societal challenges to the operation of the free market and

is often justified on the World Bank's (2006: 5) '*conventional wisdom*', that: poor countries have little to distribute and need first and foremost, high and sustained economic growth, even at the expense of short run increases in inequality, before they can address issues of societal differentiation and distribution.

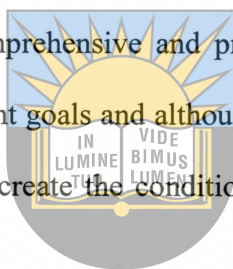
It is however difficult to comprehend how the growth (if at all) associated with trade liberalization will 'trickle down'. Trade liberalization and export growth often does not significantly contribute to employment creation let alone modify the income structure within nations. This is because exports tend to be more capital intensive than does total production, exerting pressure on the scarce factors (capital, technology, intermediate imported goods and skilled labor) and are concentrated in big enterprises especially those with greater foreign capital participation. As a result, an important effect of liberalizing trade is to make labor markets more competitive, lowering wages for all workers without necessarily creating more employment. Chauvin and Gaulier (2002: 7) argue that the short-term costs trade liberalization include output and employment losses although the removal of tariffs has differential effects on different sectors, sub-sectors and firms in each country. There have been instances where trade liberalization has generated net positive effects in long run employment. Overall however, the employment effects of trade liberalization are small.

In recognition of the foregoing, this study posits that Southern Africa's multi-dimensional challenges, in particular its relatively weak economic growth, persistent poverty, high

inequality and vulnerability of low income citizens are not only closely related, but mutually reinforcing. Redress of these challenges cannot be therefore left to the dictates market. Issues of social justice and social protection are of equal importance and consequential to the same economic activity (growth and output) and thus must be approached, as complementary and not residual to economic criteria. Grusky and Kanbur (2006: 1) observe that there is a growing consensus among academics, policy makers and even politicians that concerns for poverty and inequality must no longer be treated as soft issues that can be subordinated to 'more fundamental interests' of maximizing total economic output. This new found policy thrust is based on the growing body of evidence showing that poverty itself impedes taking actions that would facilitate the exit from poverty (World Bank, 2006: 6). In territories, where the poor outnumber the well off, such as Southern Africa, the aggregation of constrained household decision making and inadequate resources, both a result of poverty, have profound implications on and are consequential to the economic and technological advancement of such territories. Poverty may as well be part of the reason for poor growth in Southern Africa.

Even in the absence of the above considerations, a multilateral system of trade preferences cannot be conceived independently of other components that facilitate the process of trade. Accordingly, no major shift towards intra-SADC trade will take place unless specific measures are taken to promote such trade. These measures relate to: the general lack, inadequacy and incompatibility of transport and communications infrastructure; transportation costs; inadequacy of financial institutions and resources

(capital and convertible currencies); low labor productivity, due to lack of education and limited research capacity; poor health, education and housing provision; the general lack and unavailability of information; missing backward and forward linkages in production processes; and a lack of an adequate production and marketing base. Yet still, a multilateral system of trade preferences becomes necessary but not sufficient measure for regional integration (Lacarte, 1981: 33). Trade effects are just not enough for countries to become fully integrated. More comprehensive and profound forms of cooperation are necessary to achieve the development goals and although greater trade may foster greater interdependence, it alone does not create the conditions that stimulate higher levels of integration (Puyana, 1981: 52).



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Strictly speaking, there are no well-grounded economic reasons why trade, in its own right, should be the premise of regional integration in Southern Africa. More important is the need to explore the welfare of the region, and this may not be achievable by increasing trade (Cassim, 2001: 2). The existence of these short comings identified in the approach pursued by SADC notwithstanding, the existence of SADC itself constitutes not only a statement of intent and resolve to overcome this burden of history which has led directly to the current period of neo-colonialism and political and economic domination under new forms of globalization, but also an acknowledgement of the immense benefits of regional integration (Mandaza, 2001). To respond effectively to this challenge, countries in Southern Africa, must commit fully to deeper integration, the kind that

transcends mere economic integration and is aimed at political institution-building (Kaime, 2004: 110) as espoused by the SADC Treaty.

Conclusion and Overview of Ensuing Chapter

This chapter began with an overview of the historical origins of the predisposition of SADC leaders in favor of market integration by tracing the roots of this manifest inclination to deep-rooted psychological biases towards idealist orientations and the aspiration to superimpose Eurocentric models on Africa. Subsequently, and consistent with the theme of this study, a detailed critique of market integration was undertaken, thus underscoring the fact that market integration is an inadequate premise for pursuit of regional integration in developing countries in general and Southern Africa in particular.

Chapter 5 presented hereafter presents development integration as an alternative framework for pursuit of regional integration in Southern Africa. Development integration is presented therein as a comprehensive and integrated (hybrid) approach that attaches primacy to political consolidation as a means to drive regional integration and overcome the weaknesses of both functional and market integration.

Chapter 5

Development Integration: An Alternative to the Neoclassical Discourse

Political Primacy and Foundations for Regional Integration

Although the neoclassical theory of regional integration (market integration) suggests a *natural* progression of laissez-faire, semi-automatic trade-driven processes towards deep economic integration, Haas (1976: 324) argues that regional integration initiatives based upon expectations of economic gain are ephemeral, 'frail' and 'susceptible to reversal' because they are not based upon deep ideological commitments. A review of past initiatives towards regional integration similarly concludes that: it is unusual for economic motivations to be a central driving feature of regional integration; and that, such initiatives rarely result in deep integration (Tharakan, 2000: 1303). Rather, it is the historical and political factors that appear to be more important in forging bonds between countries (Alva and Behar, 2008: 5). Dehaene (2000: 1311) draws a similar conclusion about European integration noting that: the most important challenge of the period following the early post war years (1945-1960) was to avoid, or if possible, eliminate the possibility of yet another armed conflict in the future between European nations, particularly between France and Germany. The post war integration of Europe thus perceived economic benefits as residual to an essentially political and ideological

phenomenon. Integration in Europe was therefore not driven by careful calculation of economic costs and benefits but by grand vision which had fortunate economic outcomes (Winters, 1997: 89-892).

What is being suggested herein is not that the economic aspects of integration are not important. Rather it is the recognition that common cultural, political or social ties have been observed to be more influential in promoting deeper integration than possible economic gain. Such recognition is important because it is consistent with the historical background to economic cooperation (and thus integration) in Southern Africa and Africa in general. Such cooperation can be traced to politics generated during the days of Pan Africanism. Pan Africanism is the foundation for the quest for cooperation and integration amongst African countries, the fullest expression of which is the casting aside of all forms of subservience to foreign influence and control. Accordingly, it is upon this theoretical framework that various economic groups including the African Union (AU) and the Southern African Development Community (SADC) must be understood (Mutharika, 1981: 92). This historic foundation thus places SADC on a sounder political footing than their counterparts elsewhere (Mandaza, 2001: 101). More importantly however, the choice between continued control of African economies by foreign interests on one hand and organizing joint institutions (private or governmental) to produce capital and immediate goods within a regional framework on the other is an issue of considerable political significance (Mutharika, 1981: 94). The potential success of such an endeavor

cannot be left to the dictates of laissez-faire semi automatic economic processes as conceptualized under market integration.

Given the above, SADC's departure from the narrow conception of cooperation pursued by its predecessor, the Southern African Development Coordination Conference (SADCC), in favor development integration (as opposed to mere neo liberal market integration) through the adoption of the Windhoek Treaty, was thus a decision of profound substance. The Windhoek Treaty transcends superficial economic integration and is aimed at a broader context of interaction and political institution building which straddle the economic, social and political spectrum (Kaime, 2004: 110). Notwithstanding this declared stance, SADC's failure to establish strong supranational institutions as required under development integration has resulted in a tacit reversal of this policy thrust in favor of market integration. This study however posits that market integration is an inadequate premise for pursuit of regional integration in Southern Africa. The proposed alternative to market integration is, as recognized by SADC itself and articulated in several studies including Mandaza (2001), development integration.

Sovereignty and the Supranational Region

Development integration, as proposed herein, is conceptualized as a politically driven process, akin to supranationalism. It is underpinned by the assumption that unequal and uneven development among member states makes it difficult to promote integration

through market mechanisms such as trade liberalization (Chipeta, 2001; Mandaza 2001). Further, it is necessitated by the recognition that: it is neither adequate nor possible to successfully pursue economic integration in Africa because of political fragmentation and the lack of a political superstructure necessary to drive the process of integration. Given that states in Africa are at present economically weak, there is little scope for these states to impose discipline on others by economic or other forms of pressure, hence the need for political consolidation (Museveni, 1998).



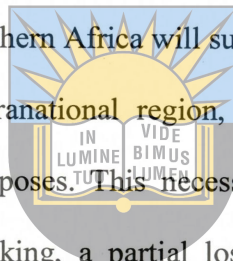
Development integration thus arises in recognition of the primacy and centrality of the agency of the political and ruling classes in Southern Africa in actively driving the process of regional integration and promoting responsible state led development in order to bring to an end the sub region's subordination in the international system of trade. Ravenhill (1988: 282) and Ahiakpor (1985: 536) argue that preponderance of world system approaches in the conceptualization of Africa's international marginalization has led to the granting of an over-deterministic role to the international system at the expense of internal factors, such as the responsibilities of African elites on their continent's development or impoverishment. At the same time, development integration recognises the constraints and limits of such agency if confined to individual countries. Accordingly, for such agency to be of consequence there is an inherent need to embrace a higher state of national 'self interest', underpinned by pooling such self-interest under a supranationalism body.

This proposition necessarily arises because the geo-strategic distribution of the African space between colonizers, during the process of colonisation, created artificial borders representing the spheres of influence of European colonial powers rather than African ethnical or economic realities (Coquery-Vidrovitch, 1985: 112). As such, the structure of the postcolonial state in Southern Africa is inherently inadequate for the development of an intrinsically viable and economically independent unit. Accordingly, although most countries in Southern Africa might have been accepted as sovereign and self-governing units by other states in the international system, it does not mean that they can attend to the demands of domestic statehood which include the ability to implement effective power within their own territories and the competence to protect themselves against external aggressions (Jackson & Rosberg, 1982: 21). Many of these countries although considered sovereign, paradoxically need international aid in order to survive (De Rivero, 2001: 19). These states therefore exhibit 'negative' or 'juridical' sovereignty, in that sovereignty is credited to them by other states, but they do not possess the 'positive sovereignty', which derives from effective control (Jackson & Rosberg, 1986: 29).

It is therefore important to note that although it is often argued that most countries in Southern Africa are reluctant to enter into supranational arrangements for fear of losing their sovereignty, the constraints imposed by the historical legacy (of negative sovereignty and thus foreign dependency) are far more restrictive than those posed by guided cooperation under supranationalism. As such, the costs implicit in the loss of sovereignty are overcome by the gains of economic well being and effective internal

control (Puyana, 1981: 157). The future of countries in Southern Africa, especially small states, thus depends primarily on their ability to perceive and embrace the advantages of regional integration as a means of attaining effective resource control and utilization and in the process economic independence and internal viability (Mutharika, 1981: 95).

In view of the ongoing discussion, the governing structure being proposed herein is a union under which countries in Southern Africa will surrender part of their sovereignty to a central political unit – the supranational region, whilst retaining their distinctive individual characters for other purposes. This necessarily requires surrendering some immediate control over policy making, a partial loss of political autonomy and the establishment of institutions for joint decision making. Such integration however needs not result in the suppression of the nation character or the loss of effective sovereignty. On the contrary, by pooling sovereignty, countries in Southern Africa may be better able to preserve and enlarge their sovereignty. Creating a united front against external forces and negotiating as a single entity will strengthen, rather than disempower countries in the sub region. To achieve this, regional integration in Southern Africa must begin with the establishment of robust supranational legal, institutional, technical and economic arrangements that articulate the substance and stipulate the boundaries of regional integration (SAPRIS, 2000).



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The Nature and Construct of Development Integration

Taking cue from the above, and the theoretical proposition that positions development integration as a hybrid between functional and market integration, it is immediately obvious that development integration recognizes that collective self reliance, although anchored by political consolidation, can only emerge as a result of a multiplicity of mutually reinforcing linkages forged by member countries in pursuance of their common objectives. Development integration thus requires the formulation of a comprehensive and coherent strategy for regional integration. Such a strategy must demonstrate a full appreciation of the links between the different facets and their attendant impact on social, economic and political relations and activities within and among member states and the consequent transformation of regional economic relations with the rest of the world.

Development integration can thus be viewed as a process anchored by political consolidation and comprising of two facets, specifically the internal dynamics of development within the regional group and the optimization of gains from the external interface of the region with the rest of the world. The internal dynamics relate to both:

- The need to promote individual country growth and development through centralized industrial planning and resources mobilization to promote broad based social sector investment; and,
- The facilitation of intra-regional trade through infrastructure development, product range expansion and factor liberalization.

On the other hand, regional integration aims to create a single point of contact between the region and the rest of the world with respect to international trade and foreign investment. Figure 5.1 summarizes the structure of the model implied by the pursuit of development integration as conceptualized in this study:

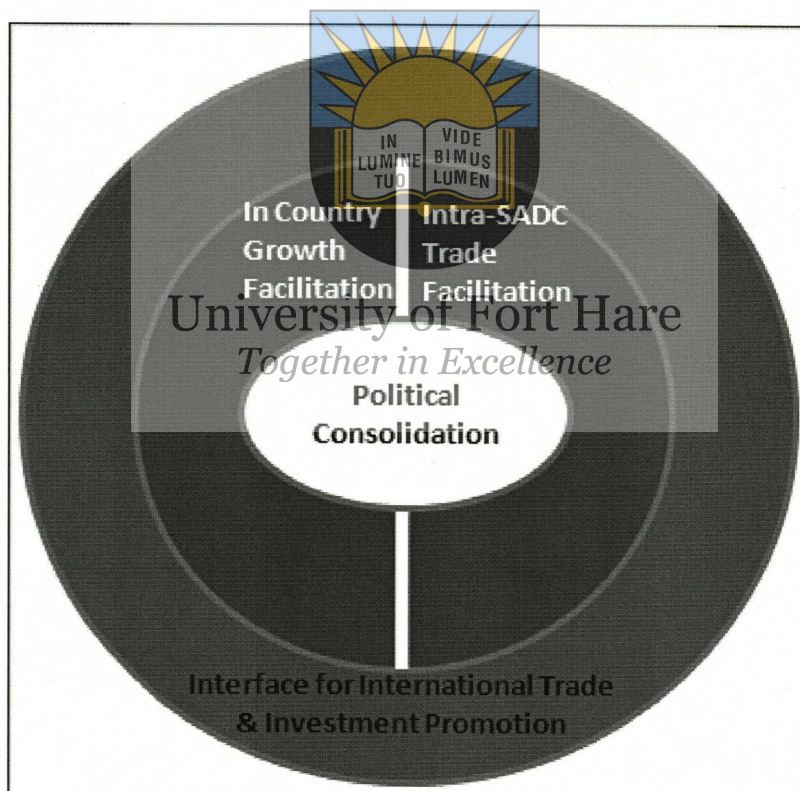


Figure 5.1 Model for Development Integration:

Source: Own Construction (15 November 2008, Alice, South Africa)

The different facets of the internal dynamics of regional integration are interrelated and have mutually reinforcing outcomes which include: human capital and social

development; industrial development and economic diversification; and, expansion of intra-regional trade and collective interdependence. The internal dynamics of regional integration are summarized in figure 5.2. Within this context, supranational institutions are required to facilitate the optimization of (regional) public resources available for a range of competing uses, drive the processes of convergence of interests common to the various important social groups and provide mechanisms to redress conflict.

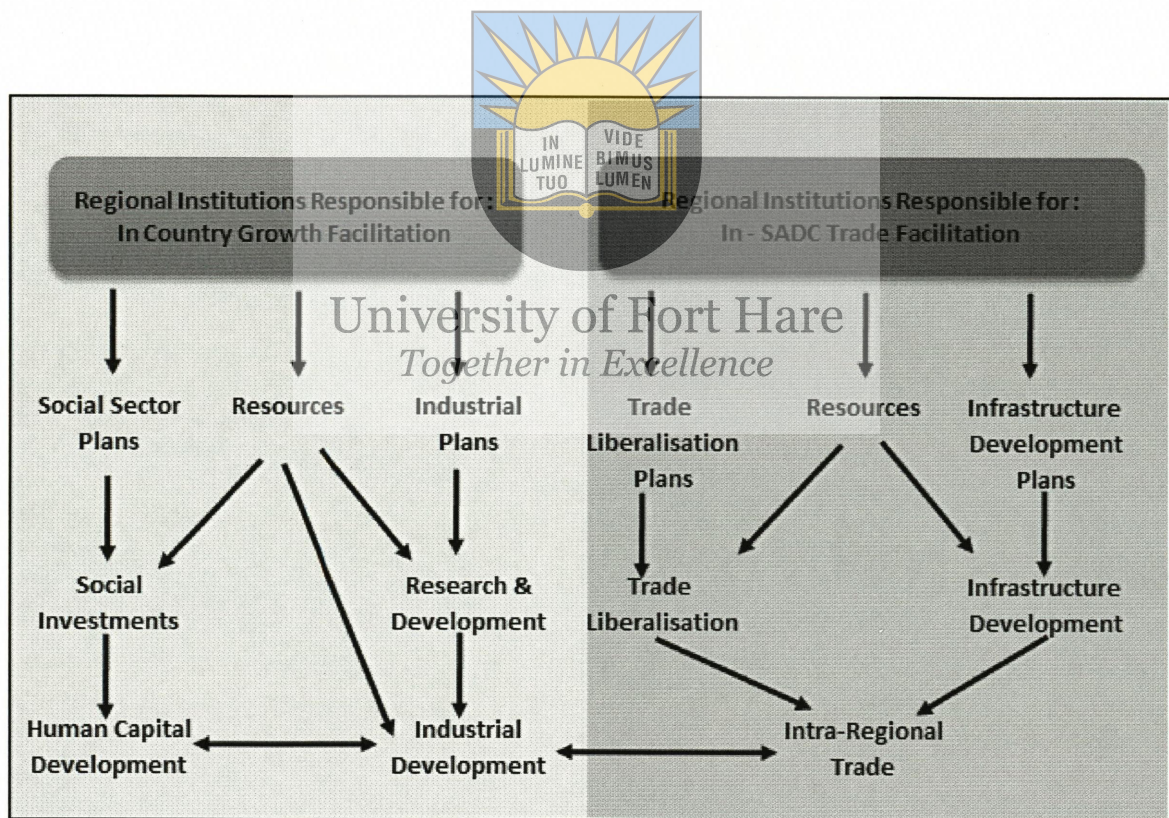


Figure 5.2 Internal Dynamics of Development Integration:

Source: Own Construction (5 December 2008, Alice, South Africa).

Equally, the role of the regional block as an external interface with the rest of the world can only be successfully enhanced if the internal dynamics of the regional group are

improving the internal efficiency of the countries in the sub region collectively and individually. On the other hand, the enhanced bargaining power of the regional group will improve the sub region's terms of trade, and terms under which foreign investment enters the sub region, in the process make available more resources for the development of member countries and the region as a whole. Figure 5.3 is a representation of the regional block as an interface with the rest of the world:

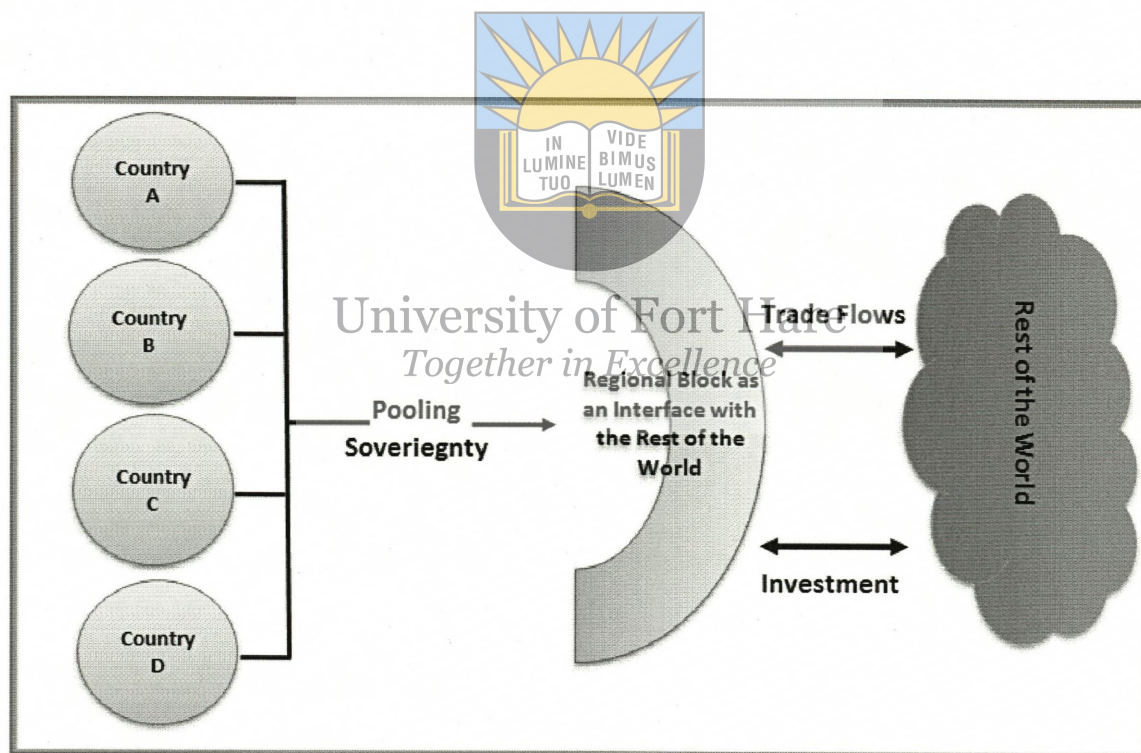
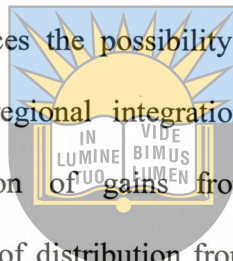


Figure 5.3 Regional Block as External Interface for Trade and Investment:

Source: Own Construction (5 December 2008, Alice, South Africa).

By adopting a comprehensive and integrated approach (development integration), as proposed herein, SADC will be better able to:

- Achieve greater efficiency and prevent the feared effects of concentration by facilitating for the process of specialization and product diversification within a guided framework;
- Overcome the potential difficulties with the distribution of gains of regional integration - a difficulty on which many otherwise promising schemes have often floundered. Simultaneous pursuit of a large number of cooperation activities within a multifaceted framework enhances the possibility of ensuring more encompassing distribution of the gains of regional integration. This is because the possible unevenness in the distribution of gains from particular activities can be counterbalanced by the pattern of distribution from others resulting in a reasonable balance of equity (Lacarte, 1981: 33).
- Provide specific assistance to the least developed countries in the sub region. This can be achieved by developing a regional development policy in favor of these countries. This would necessitate the creation of joint industrial research and development institutions to look into their special circumstances in order to promote the level of industrialization within these countries. In this respect, the question is not about balancing industrial development, which is neither feasible nor desirable, as is sometimes taken to be the case. All countries cannot and need not develop at the same pace. Rather, it is about the recognition that this group of countries needs to be given special assistance and incentives to develop their industrial programmes to the level that would enable them to effectively tackle acute unemployment and income distribution problems (Mutharika, 1981: 102)



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- Pursue industrial development and economic diversification within the context of serious attempts to ensure the coordination of technical and managerial skills with financial resources as well as the application of science and technology to industry. Since industrialization determines the pace of development, its policy must be comprehensive (Mutharika, 1981: 100). In this respect, the regional body will be required to provide guidance for social sector enhancement and coordination, with particular emphasis on education, health and empowerment of disadvantaged and vulnerable groups.

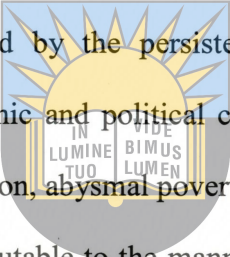


The framework for development integration developed herein is more encompassing than functional or market integration would individually be. However, it is also evident that such a strategy would consequently require a greater degree of commitment from the member countries, both in terms of resources (financial and non financial), and with respect to ceding sovereignty to the supranational.

Chapter 6

Conclusion and Appraisal of the Study

Premise of the Study



Countries in Africa are confronted by the persistent failure of state structures to singularly address the socio economic and political challenges confronting them, chief among which are: economic stagnation, abysmal poverty, enduring inequality and foreign dependency. This quagmire is attributable to the manner in which Africa was colonized and subsequently incorporated into the international division of labor - which coercively encouraged specialization and dependency in Africa (the periphery) on primary sector's while consolidating value added production in industrialized countries (the core). Thus development in the core and underdevelopment in the periphery are not separate processes but related facets of the same process (Buchanan, 1968; Gunder Frank, 1971).

The perpetuation and accentuation of Africa's marginalization in the global system of exchanges has grown so serious that Southern Africa's entire economic surplus is virtually diverted abroad. If not addressed, this will result in further impoverishment and a future dedicated to paying off past creditors (Hudson, 1981b). It is difficult for individual governments to unilaterally withdraw from this system because their political and economic activities operations are dependent on the continuation of this system and

decoupling would immediately impair their operations (Miljan, 1981: 178). More importantly however, attempts to decouple could attract economic, financial, political and even military sanctions (Hudson, 1981a 23).

Accordingly only a higher order – the power of a united region, can protect these small nation states from foreign pressures to drain them of their wealth and render them subservient to foreign powers. Regional integration is thus a credible strategy with the potential to: transform the internal economic structure of member states; induce a socio cultural syndrome of development; and in the process elevate African countries to a level of competitive parity with developed countries. The predisposition of countries in Southern Africa to pursue collective self reliance based on mutual interdependence through regional integration as an alternative to asymmetric trade with developed nations is therefore both logical and imperative.

However, although the Southern African Development Community (SADC) has declared the need to pursue development integration, its operational framework draws inspiration from the neoclassical theory (market integration), which stresses trade liberalization as being central to progressive deepening and success of regional integration. This study however critiques the viability of market integration in Southern Africa on the basis that it is inadequate for the needs of the sub region and suitable for developed countries.

Stated Objectives of the Study (A Recap)

Following from the above, the primary objective of this study was to assess viability of market integration as a premise for the pursuit of regional integration in Southern Africa. The attainment of this objective was guided by an inherent need to: review relevant literature on alternative approaches to regional integration; critically analyze the applicability of market integration in Southern Africa; and, identify specific parameters pertinent to ensuring that regional integration is pursued, not as an end in itself but, as a means through which the challenges confronting the sub region can be addressed.

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Approach to the Study, its Attendant Challenges and Limitations

The methodology adopted by this study is the historical argumentative approach. The challenges presented by this approach emanate from the fact that this study required the application of theoretical propositions from a diverse spectrum of disciplines, specifically: economics, international relations, politics and sociology. However, the perspectives derived therein were often contradictory and fragmented. Further, it was necessary to access to a wide selection of classical and contemporary works, which resources were however not always accessible. Accordingly, the outcomes of this study were influenced by the resources available. In addition, this study was undertaken with limited financial resources and within a predetermined timeframe.

Key Outcomes of the Study

Regional integration theory disaggregates the divergent motivations behind regional integration into three categories, namely: commercial; geopolitical; and, ideological. However, there is increasing evidence to the fact that regional blocks developed explicitly or exclusively for economic gain have rarely achieved a high degree of integration (Alva and Behar, 2008: 5). Market integration is an economic blueprint. A review of literature, highlighted important shortcomings of market integration including:

The fact that market integration is more suited to developed than developing countries because its success is hinged on trade liberalization whereas: the structure of trade of developing countries and the underlying dynamics of the world economy are biased against developing countries because developing countries tend to specialize in (primary) goods and sectors which have weak and tenuous linkages with the rest of the economy (Evans, 1989). Export expansion in developing countries is not always accompanied by economic growth. Michaely (1977) and Helleiner (1986) argue that this is because export led growth is only applicable to countries with a certain minimum threshold of development (per capita income), while Balassa (1985) showed that trade generally exerts favorable effects on the performance of domestic manufacturing industries.

Market integration is also critiqued for relying on market mechanisms (neo-liberal 'trickle down' approach) to address poverty. However, 'while it is true that sustained reductions in poverty cannot be achieved without robust economic growth, the converse

is not true: growth need not benefit all' (Stiglitz, 2003: 59). In fact, focusing on the income space often occludes distributional inequalities and also fails to disaggregate and separately consider important factors that are not well correlated with but consequential to economic advantage such as education and health (Naussbaum, 2006: 47-49).

It is against this background that this study concludes that market integration is an inadequate framework for pursuit of regional integration in Southern Africa. Further, the following shortcomings of market integration specific to the sub region are observed:



1. Market integration presupposes and inherent ability of participating states to internally determine their own policies, whereas countries in the sub region have limited control over their own internal economic and political operations;
2. SADC countries specialize in a narrow and similar range of primary products (lack trade complementarity). The scope for expansion of intraregional trade is thus limited;
3. Given that market integration is premised on trade liberalization, yet there is little scope for expansion of trade, there is no incentive for member states to be committed to SADC if it is premised on market integration;
4. Trade liberalization will intensify specialization in primary products at the expense of more dynamic sectors (manufacturing);
5. Market integration may accentuate the already polarized industrial development and investment towards more diversified countries in the sub region;

6. Market integration, if not supported by fundamental reforms in the ownership of the factors of production often leads to the protection of profits of foreign firms; and,
7. Market integration is likely to have marginally beneficial, if not negative, consequences on employment and income, thus poverty and inequality;

Policy Implications and Recommendations

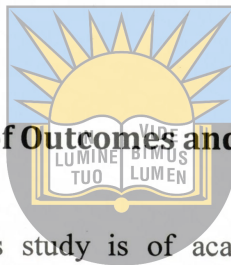
Within the context of the outcomes detailed herein, and in line with the conclusions of the Windhoek Summit (the SADC Treaty of 1992), this study recommends the adoption of development integration as a basis for pursuit of regional integration in Southern Africa.



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This recommendation recognizes the primacy of the agency of political actors in the sub region in actively driving the process of regional integration and necessarily requires states in the sub region to surrender some immediate control over policy making, a partially give up some political autonomy and establish institutions for joint decision making. Such integration need not result in the suppression of the nation character or the loss of effective sovereignty. Rather, pooling sovereignty may better facilitate the preservation and enlargement their individual and collective sovereignty. The first step towards development integration is thus political consolidation beginning with the establishment of robust supranational legal, institutional, technical and economic arrangements that articulate the substance and stipulate the boundaries of regional integration (SAPRIS, 2000). The framework envisaged herein recognizes that collective

self reliance can only emerge as the result of a multiplicity of linkages forged by SADC countries among themselves. Thus it is further recommended that SADC formulates a comprehensive and coherent strategy for regional integration in Southern Africa that demonstrates a full appreciation of the links between separate activities which will have an impact on economic relations among member states and the consequent transformation of regional economic relations with the rest of the world.



Realization and Application of Outcomes and Recommendations

The information presented in this study is of academic relevance in so far as it consolidates the critique of market integration specifically with respect to Southern Africa and brings to the fore an emerging paradigm to regional integration - development integration. The study is also of practical value because it highlights important aspects of regional integration relevant to policy makers in Southern Africa. The realization of the value of the analysis made and recommendations detailed herein necessarily requires the transmission of information articulated in this study to relevant audiences and the general public. This will be achieved through academic publishing and conference presentations.

Areas of Future Research

A key theme of this study is the need for SADC to pursue development integration as opposed not mere neoliberal market integration. Development integration is increasingly

being recognized as a potentially appropriate framework for regional integration in developing countries in general. However, development integration is an emerging theory which is under researched. As a result, although conceptually sound, development integration is a concept whose exact nature and operationalisation is not fully understood. In this regard, although this study makes significant strides in providing a comprehensive and consolidated critique of pursuing market integration in Southern Africa, it leaves scope for an equally comprehensive exploration of development integration as a standalone concept.



Conclusion

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The brief presented in this chapter provides general overview of the study. It articulates the background to the study, states the objectives of this study and subsequently discusses the research methodology adopted by this study. This narrative clearly articulates specific outcomes and recommendations of this study that may be of both academic and practical value. It further identifies specific areas of research with the potential to reinforce the outcomes of this study. The limitations of this study and the areas of future research identified notwithstanding, there is evidence that this study successfully achieved stated objectives and is a potentially worthwhile contribution to the discourse on regional integration in Southern Africa.

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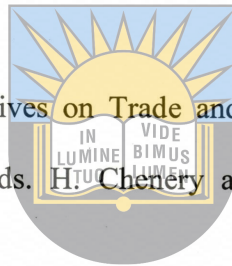
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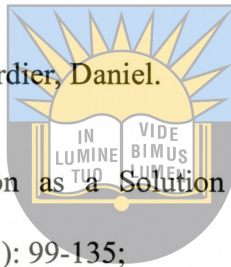
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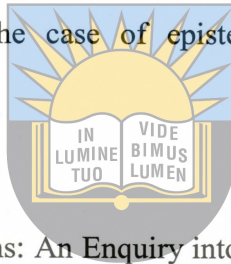
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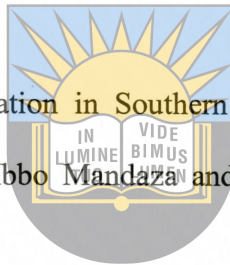
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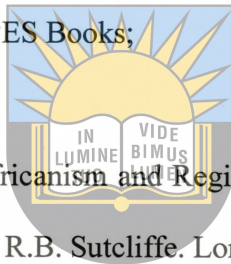
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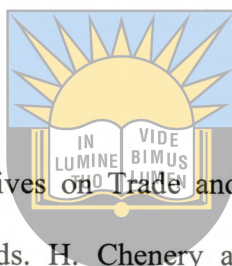
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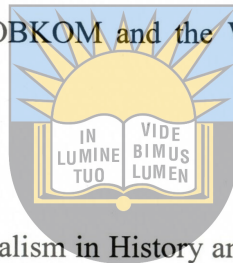
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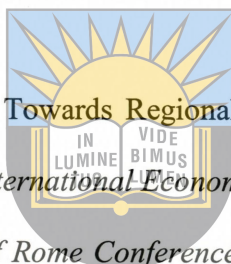
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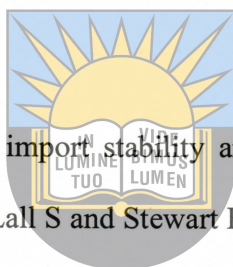
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