REGIONAL ECONOMIC INTEGRATION IN SOUTHERN AFRICA – DREAMS, CHALLENGES AND REALITIES: THE CASE OF SADC.

INTRODUCTION

The world has experienced a tremendous increase in globalization resulting in an increase in global transactions, foreign trade and the formation of various forms of economic integration. Africa, as is the case with other regions of the globe, has seen the emergence of a number of economic formations that take any form from a loosely free trade agreement to a more sophisticated entity. The driving forces behind this phenomenon can roughly be placed into two categories, viz., firstly, those stemming from geopolitical considerations on which countries desire to have a voice on international issues, and those based on economic consideration when countries desire to construct an economic critical mass in the global context and avoid marginalisation. It is however noted that despite the noble ideas, the construction of effective and efficiently operating regional integration formations do not show appreciable progress. A number of reasons are advanced to explain this lack of progress. Some of the reasons are rooted in the individual nations' nationalistic considerations including, (i) reluctance to surrender sovereignty of macroeconomic policy to an emerging regional institution, e.g. a regional central bank, (ii) giving up advantage when sharing gains or losses that usually follow as a consequence of integration and (iii) the prospect of discontinuing exclusive trade partnership relations with nonmembers. According to (Johnson, 1995, p. 213). Lyakurwa et al. (1997,p. 176), 'lack of a strong and sustained political commitment and macroeconomic instability' can also be added as one of the reasons for lack of progress in the integration project.

SADC is one of the economic integration sub-regions that were formed in the recent decades primarily for economic development reasons. SADC has a membership of fifteen countries which are geographically located in the south of Africa. Its members display to some extend varied profile in terms of the level of development and the performance of their economies. From its inception SADC committed itself to embark on policies that aimed and promoted economic liberalization and fostered economic development with the goal of having a desired impact of, among other things, the reduction of poverty. This paper looks what the initial aspiration of the members at the inception of the SADC and seeks to identify the challenges that continue to present formidable obstacles. This is because, from an empirical view, progress has proved to be sluggish. As is the case elsewhere in

Africa, the success of the integration formations in achieving their objectives has been less than satisfactory (Johnson, 1995; Lyakurwa et al., 1997; Oyejide et al.,1997). The identifying of the challenges will logically lead to the recommendations that may be useful if the integration process is to succeed or accelerate.

The “dreams” of this integration project can be perceived from the time when the SADC was transformed in 1992 from its predecessor, the SADCC. The member countries recommitted themselves to channel their energies and effort to the achievement of deeper regional integration. The ultimate goal is the attainment of economic growth and reduction poverty. The SADC members have agreed on a bold goal of ultimately reaching the stage of the most advanced integration unit of a monetary union in a relatively short period by 2018. The milestones toward the stage of monetary union are envisaged in the Regional Indicative Strategic Development Plan. In terms of this plan, the Free Trade Area (FTA) milestone was targeted for 2008, the next milestone being the Custom Union was earmarked to be reached by 2010. Next comes the milestone of the common market by 2015, and finally the monetary union by 2018. To give effect to the realization of these milestones, four clusters of institutions were brought to life, viz., Trade, Industry, Finance and Investments (TIFI); Infrastructure and Service; Food, Agriculture and Natural Resources and lastly, Social and Human Development and Special Programmes. These clusters in turn produced a number of protocols which were meant to guide the various processes focusing on a common agenda. It would seem that in spite of these elaborate plans, progress is still illusive. The most important output of the Trade, Industry, Finance and Investment cluster is the development and adoption of the protocol that guides “the establishment of sustained macroeconomic stability as a precondition to sustainable growth and for the creation of monetary union in the region”. The protocol generated the indicators and timelines which are meant to guide the progressive movement towards macroeconomic stability. As table 1 below shows, these indicators would require that there be closer cooperation among the central banks of the member countries with the support of their respective governments.

Table 1: RISDP Macroeconomic convergence indicators

Indicator	**2008**	**2012**	**1018**
Inflation Rate	Single digit	5%	3%
Ration of budget deficit to GDP	Not exceeding 5%	3% as an anchor within a band of 1%	3% as an anchor within a band of 1%

Nominal value of public and publicly guaranteed debt	Less than 60% of GDP	Less than 60% of GDP	Less than 60% of GDP
External reserves/import cover	3 months	More than 6 months	Sustained
Central Bank credit to government	Less than 10% of previous year's tax revenue	Less than 5% by 2015	Sustained

Source: South African Reserve Bank

CHALLENGES AND REALITIES

The first notable challenge has to do with the setting of targets/ milestones. It would appear that the timelines are tight, while the institutions necessary to drive the processes are yet to be built and developed. The success of regional integration is determined by national and sub-regional capacities. Weak national institutions in may seriously hamper the achievement that are guided by the protocols that have been adopted. The milestones that were agreed upon by members of SADC can be regarded as plausible at best. The launch of the Free Trade Area milestone in August 2008 would have meant that the members would remove trade barriers, especially tariffs and quotas that hindered free trade. Experience shows that there is still some restrictions at the various borders. The adoption of common external trade policy which would come into effect when the customs union is reached has not been achieved. The second challenge that might be a factor delaying progress is the issue of multiple-membership to more than one regional grouping. Countries may have reasons rationalizing their decisions to belong to more than one regional grouping. However, the numerous groups and memberships present challenges. These could include issues of mandates, objectives, protocols and functions that can create unhealthy situation. The multiplication and duplication of efforts can cause the misuse of the region's scarce resources. There could also be competing objectives causing members involved to have divided "loyalty". The recent intention to forge closer cooperation between SADC and COMESA may be the result of the realization of the challenge. Thirdly, low intra-regional trade between SADC members could be contributing to lack of progress in integration. Table 2 shows that very few member countries trade among themselves. Table

Table 2: SADC Countries' Trading Partners in 2012 ranked from 1st to 3rd

	Export Partners			Import Partners		
Country	**1st**	**2nd**	**3rd**	**1st**	**2nd**	**3rd**
Angola	China	US	India	Portugal	China	US

Botswana	US	Belgium	Madagascar	SA	EU	China
DRC	China	Zambia	US	SA	China	Belgium
Lesotho	US	Belgium	Madagascar	China	Hong Kong	South Korea
Madagascar	France	Indonesia	Singapore	China	France	SA
Malawi	Canada	Zimbabwe	Germany	SA	India	Zambia
Mauritius	UK	France	US	India	China	France
Mozambique	SA	Belgium	Italy	SA	China	India
Namibia	SA	EU	Angola	SA	EU	India
Seychelles	France	UK	Japan	Saudi Arabia	Spain	France
South Africa	China	US	Japan	China	Germany	Japan
Swaziland	SA	Botswana	EU	SA	Namibia	Lesotho
Tanzania	China	Japan	India	India	China	SA
Zambia	China	Switzerland	SA	SA	DRC	China
Zimbabwe	SA	China	DRC	SA	China	

Source: Constructed from World Bank and Factbook

A closer look at the commodities that are exported and imported by the various members of the grouping indicates that of increased intra-regional trade can be achieved if closer cooperation with mutual support is pursued. Considering the picture of intra-regional trade shown by Table 2 and that of tradable commodities, Tables 3, and Table 4, which shows agricultural products for each member, there is potential to grow intra-regional trade. Table 5 also makes a good case for increased intra-regional trade. Here the type of industries that have been established in member countries point to the possibility of growing intra-regional trade and investment.

Table 3: Highest valued Export and Import Commodities of the SADC Countries

Country	**Exports**	**Imports**
Angola	Crude oil, diamonds, refined petroleum products, coffee, sisal, fish and fish products, timber, cotton	Machinery and electrical equipment, vehicles and spare parts, medicines, food, textiles, military goods
Botswana	Diamonds, copper, nickel, soda ash, meat, textile	Foodstuffs, machinery, electrical goods, transport equipment, textiles, fuel and petroleum products, wood and paper products, metal and metal products
DRC	Diamonds, copper, gold, cobalt, wood	Foodstuffs, mining and other machinery,

	products, crude oil, coffee	transport equipment, fuels
Lesotho	Manufactures, clothing (clothing and footwear), wool and mohair, food and live animals, electricity, water, diamonds	Food, building materials, vehicles, machinery, medicines, petroleum products
Madagascar	Coffee, vanilla, shellfish, sugar, cotton cloth, clothing, chromite, petroleum products	Capital goods, petroleum products, consumer goods, food
Malawi	Tobacco, tea, sugar, cotton, coffee, peanuts, wood products, apparel	Food, petroleum products, semi-manufactures, consumer goods, transportation equipment
Mauritius	Clothing and textiles, sugar, cut flowers, molasses, fish	Manufactured goods, capital equipment, foodstuffs, petroleum products, chemicals
Mozambique	Aluminium, prawns, cashews, cotton, sugar, citrus, timber, bulk electricity	Machinery and equipment, vehicles, fuel, chemicals, metal products, foodstuffs, textiles
Namibia	Diamonds, copper, gold, zinc, lead, uranium, cattle, processed fish, karakul skins	Foodstuffs, petroleum products and fuel, machinery and equipment, chemicals
Seychelles	Canned tuna, frozen fish, cinnamon bark, copra, petroleum products (re-exports)	Machinery and equipment, foodstuffs, petroleum products, chemicals, other manufactured goods
South Africa	Gold, diamonds, platinum, other metals and minerals, machinery and equipment	Machinery and equipment, chemicals, petroleum products, scientific instruments, foodstuffs
Swaziland	Soft drink concentrates, sugar, wood pulp, cotton yarn, refrigerators, citrus and canned fruit	Motor vehicles, machinery, transport equipment, foodstuffs, petroleum products, chemicals
Tanzania	Gold, coffee, cashew nuts, manufactures, cotton	Consumer goods, machinery and transportation equipment, industrial raw materials, crude oil
Zambia	Copper/cobalt, cobalt, electricity, tobacco, flowers, cotton	Machinery, transportation equipment, petroleum products, electricity, fertilizer, foodstuffs, clothing
Zimbabwe	Platinum, cotton, tobacco, gold, ferroalloys, textiles/clothing	Machinery and transport equipment, other manufactures, chemicals, fuels, food products

Source: Factbook

Table 4: Agricultural products produced by SADC countries (An ordering List of major crops and products starting with the most important)

Country	**Products**
Angola	Bananas, sugarcane, coffee, sisal, corn, cotton, cassava (manioc), tobacco, vegetables, plantains, livestock, forest products, fish

Botswana	Livestock, sorghum, maize, millet, beans, sunflowers, groundnuts
DRC	Coffee, sugar, palm oil, rubber, tea, cotton, cocoa, quinine, cassava (manioc), bananas, plantains, peanuts, root crops, corn, fruits, wood products
Lesotho	Corn, wheat, pulses, sorghum, barley, livestock
Madagascar	Coffee, vanilla, sugarcane, cloves, cocoa, rice, cassava (tapioca), beans, bananas, peanuts, livestock products
Malawi	Tobacco, sugarcane, cotton, tea, corn, potatoes, cassava (tapioca), sorghum, pulses, groundnuts, macadamia nuts, cattle, goats
Mauritius	Sugarcane, tea, corn, potatoes, bananas, pulses, cattle, goats, fish
Mozambique	Cotton, cashew nuts, sugarcane, tea, cassava (tapioca), corn, coconuts, sisal, citrus and tropical fruits, potatoes, sunflowers, beef, poultry
Namibia	Millet, sorghum, peanuts, grapes, livestock, fish
Seychelles	Coconuts, cinnamon, vanilla, sweet potatoes, cassava (tapioca), copra, bananas, poultry, tuna
South Africa	Corn, wheat, sugarcane, fruits, vegetables, beef, poultry, mutton, wool, dairy products
Swaziland	Sugarcane, cotton, corn, tobacco, rice, citrus, pineapples, sorghum, peanuts, cattle, goats, sheep
Tanzania	Coffee, sisal, tea, cotton, pyrethrum (insecticide made from chrysanthemums), cashew nuts, tobacco, cloves, corn, wheat, cassava (tapioca), bananas, fruits, vegetables, cattle, sheep, goats
Zambia	Corn, sorghum, rice, peanuts, sunflower seed, vegetables, flowers, tobacco, cotton, sugarcane, cassava (tapioca), coffee, cattle, goats, pigs, poultry, milk, eggs, hides
Zimbabwe	Corn, cotton, tobacco, wheat, coffee, sugarcane, peanuts, sheep, goats, pigs

Source: Factbook

Table 5: Industries: Ranked in order of value – starting with the largest value of annual output

Country	Industry
Angola	Petroleum, diamonds, iron ore, phosphates, feldspar, bauxite, uranium, gold, cement, basic metal products, fish processing, food processing, brewing, tobacco products, sugar, textiles, ship repair
Botswana	Diamonds, copper, nickel, salt, soda ash, potash, coal, iron ore, silver, livestock processing, textiles
DRC	Mining (copper, cobalt, gold, diamonds, coltan, zinc, tin, tungsten), mineral processing, consumer products (textiles, plastics, footwear, cigarettes), metal products, processed foods and beverages, timber, cement, commercial ship repair
Lesotho	Food, beverages, textiles, apparel assembly, handicrafts, construction, tourism
Madagascar	Meat processing, seafood, soap, breweries, tanneries, sugar, textiles, glassware, cement, automobile assembly plant, paper, petroleum, tourism
Malawi	Tobacco, tea, sugar, sawmill products, cement, consumer goods
Mauritius	Food processing (largely sugar milling), textiles, clothing, mining, chemicals, metal

	products, transport equipment, nonelectrical machinery, tourism
Mozambique	Aluminium, petroleum products, chemicals (fertilizer, soap, paints), textiles, cement, glass, asbestos, tobacco, food, beverages
Namibia	Meatpacking, fish processing, dairy products, pasta and beverages, mining (diamonds, lead, zinc, tin, silver, tungsten, uranium, copper)
Seychelles	Fishing, tourism, processing of coconuts and vanilla, coir (coconut fiber) rope, boat building, printing, furniture, beverages
South Africa	Mining (world's largest producer of platinum, gold, chromium), automobile assembly, metalworking, machinery, textiles, iron and steel, chemicals, fertilizer, foodstuffs, commercial ship repair
Swaziland	Coal, wood pulp, sugar, soft drink concentrates, textiles and apparel
Tanzania	Agricultural processing (sugar, beer, cigarettes, sisal twine), mining (diamonds, gold, iron), salt, soda ash, cement, oil refining, shoes, apparel, wood products, fertilizer
Zambia	Copper mining and processing, construction, foodstuffs, beverages, chemicals, textiles, fertilizer, horticulture
Zimbabwe	Mining (coal, gold, platinum, copper, nickel, tin, diamonds, clay, numerous metallic and nonmetallic ores), steel, wood products, cement, chemicals, fertilizer, clothing and footwear, foodstuffs, beverages

Source: Factbook

CONCLUSIONS AND RECOMMENDATIONS

It would seem that regional economic integration project that is pursued by SADC can come to fruition and achieve the noble aims of economic development and reduction of poverty if certain adjustments in the approach are made. These adjustments firstly, require the building and strengthening of institutions that are capacitated and empowered to translate the various protocols into actions. This requires that governments unequivocally commit themselves and support the prescripts and dictates of the protocols that are required of the members. It may require that governments integrate these protocols into their respective legislations to give them legal status binding individually and severally. Secondly, governments should try to bring on board all stakeholders and role players to support the integration project. This is of importance and critical since the progression to Monetary Union gradually requires the loss of sovereignty on the macroeconomic policy. As this is a matter of national interest, the governments should find a way of consulting and gaining their nations' "approval". Thirdly, the strengthening of the rule of law to support property rights and anti-corruption measures will prove to be critical. The absence of the upholding of the rule of law, can be a serious impediment to intra-regional investment and trade.

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