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Regional Integration in Southern Africa

SADC's development strategy

in the context of foreign influence

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## List of abbreviations

<b>ACP</b>	African, Carribbean and Pacific group of states
<b>AEC</b>	African Economic Community
<b>AGOA</b>	African Growth and Opportunity Act
<b>ANC</b>	African National Congress
<b>ASCH</b>	Association of SADC Chambers of Commerce and Industry
<b>AU</b>	African Union
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>CSO</b>	Civil Society Organization
<b>EAC</b>	East African Community
<b>EBA</b>	Everything But Arms
<b>ECA</b>	Economic Commission for Africa
<b>EDF</b>	European Development Fund
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investment
<b>FLS</b>	Front Line States
<b>FTA</b>	Free Trade Agreement
<b>GDP</b>	Gross Domestic Product
<b>GEAR</b>	Growth, Employment and Redistribution
<b>HDI</b>	Human Development Index
<b>IMF</b>	International Monetary Fund
<b>LDCs</b>	Least Developed Countries
<b>MDC</b>	Maputo Development Corridor
<b>NEPAD</b>	New Partnership for Africa's Development
<b>NGIs</b>	New Generation Issues
<b>NRA</b>	New Regionalism Approach

<b>OAU</b>	Organization for African Unity
<b>ODA</b>	Official Development Assistance
<b>RoO</b>	Rules of Origin
<b>REC</b>	Regional Economic Community
<b>RISDP</b>	Regional Indicative Strategic Development Plan
<b>SADC</b>	Southern African Development Community
<b>SADC-CNGO</b>	SADC Council of Non-governmental Organizations
<b>SADCC</b>	Southern African Development Coordination Conference
<b>SAPs</b>	Structural Adjustment Programmes
<b>SAPSN</b>	Southern African Peoples' Solidarity Network
<b>SACU</b>	Southern African Customs Union
<b>SATUCC</b>	Southern African Trade Unions Co-ordination Council
<b>SDI</b>	Spatial Development Initiative
<b>TDCA</b>	Trade Development and Cooperation Agreement
<b>WTO</b>	World Trade Organization

# 1. Introduction

The last two decades have been characterized by a sharp increase of regional integration agreements. The number of such agreements quadrupled to 230 only between 1990 and 2005/06 (Gibb 2009: p.701). In addition, existing ones deepened and widened for which the EU is the most prominent case. Regionalism and the region as a unit in world politics have thus become ever more important and are likely to play a crucial role also in the coming decades.

Developing countries have increasingly adopted regionalism as a development strategy. The general theoretical debate on regionalism, however, has only marginally explored regionalism outside the industrialized world. Furthermore, the link between development and regionalism has not been given much attention. Due to the focus on regionalism in the West and particularly within the European Union, some authors attest a “discursive hegemony over regionalism” (Gibb 2009:p.702). This paper addresses this theoretical marginalization of Africa, by exploring the process of regional integration in the Southern African Development Community (SADC).

There are three concepts of regional integration, each emphasizing different roles of the state and the market and each promoting different trade regimes with external partners. In Africa and in the SADC region in particular, there has been a strategic shift from inward to outward oriented strategies. While the former aim at promoting industrialization and self-reliance, the latter want to boost market liberalization and integrating the region into the global economy. Theoretically based on the comprehensive New Regionalism Approach, this paper wants to explore how state actors, businesses actors, civil society actors and especially external actors have shaped the process of regional integration in the SADC region and in how far their respective interests have contributed to a shift towards an open approach that emphasizes trade liberalization. In light of the region’s dependence on both external financial assistance and extra-regional export markets, focus will be put on the role of the European Union in this process.

The guiding research questions are:

- How can regionalism contribute to development?
- How do regionalist initiatives on the continental level relate to regional integration in Southern Africa?
- Historically, which interests led to the construction of the Southern African region and what are the consequences for regional integration today?
- What were the main features of SADC's development and integration strategies since its establishment and in how far have the interests of state actors, civil society actors, business actors and external actors influenced their development and implementation?
- Through which channels and to what extent did the European Union influence the regional integration process in the SADC region?

In order to answer the research questions, the paper is structured in four parts:

The first chapter presents the theoretical foundation for the paper and links regionalism to development in both economic and political terms. With regard to the economic dimension, three broad concepts, namely market integration, development integration and open regionalism as well as their links to development will be discussed. Subsequently, an overview of the political dimension of regional integration and the possible effects on security and democratization will be given. The next section will then provide insights into theories that explore the reasons for states to form regional bodies. After a short overview of the most common theories, the New Regionalism Approach (NRA) will be presented in more detail. Emphasizing the importance of a whole range of actors, the NRA offers the opportunity to go beyond state-centrism inherent to most theories. The inclusion of both non-state actors and especially external actors in the analysis of regional integration is especially relevant in the light of Africa's dependence on external funds and extra-regional trade. Furthermore, the New Regionalism Approach emphasizes the importance of both the external environment and historical factors for the construction of a region.

The second chapter deals with regionalism in the African context and its implications for regional integration in Southern Africa. First, the evolution of the most important continental organization, the African Union, will briefly be discussed. The subsequent section will deal with two initiatives that are of particular relevance for SADC. In this regard, the implications of the New Partnership for Africa's Development (NEPAD) and the African Economic Community (AEC) for regional integration in Southern Africa will be discussed.



The third chapter will then focus on the Southern African region. First, the circumstances and interests that led to the construction of the region through increasing flows of people, goods and capital will be stressed. Then, the creation of the Southern African Development Conference (SADCC) and its transformation into the Southern African Development Community (SADC) will be elaborated upon. Therefore, particular emphasis will be put on both the regional and international environment as well as the actors involved in this process. The next section then highlights the implications of both the historical construction of the region and the establishment of regional organizations for regional integration today. In this regard, it will be discussed whether the social, political and economic conditions in Southern Africa are conducive to further integration.

In the third chapter, attention will be put on the regional development and integration strategies that have been pursued by SADCC and SADC. Of particular importance is the question of when and why there was a strategic change in the organization's objectives and policies. Therefore, the main objectives of the relevant strategies and instruments and their implementation will be highlighted. In order to explain SADC's strategic changes, the roles and interests of state elites, businesses and civil society organizations will be analyzed. They dispose of different and varying mechanisms to influence the integration process. In this section also the relationship between domestic and foreign actors will be highlighted.

In the fourth part special focus will be put on the role of the European Union for the SADC integration process. Therefore, the EU's development and trade policy towards developing countries will be outlined. Then, the relations between the EU and SADC structured by political, development and economic cooperation will be presented. Emphasis will be put on how the EU can use these forms of cooperation to exert influence on SADC. The last section will then analyze in how far the European Union's influence contributed to the adoption of institutions similar to those of the EU. Furthermore, the potential effects of the Economic Partnership Agreements (EPAs) on regional integration in Southern Africa will be discussed.

## **2. Theoretical foundations**

### **2.1.Introduction**

The distinction between regionalization and regionalism can serve as a starting point for explaining the process of rising interdependence and interaction between states and other actors involved.

Regionalization can be described as a bottom-up process in which increased societal and economic interaction leads to a higher level of interdependence. The driving forces for this rather uncoordinated process are on the one hand markets, private trade and investment flows or the policies and decisions of companies. On the other hand increasing flows of people and the establishment of international networks spread political attitudes and ideas which can lead to the creation of a transnational society (Hurrell 1995: p.334). The outcome of this process is “patterns of cooperation, integration, complementarity and convergence within a particular cross-national geographical space.” (Hettne & Söderbaum 2002: p.34).

In contrast, regionalism is a more coordinated process that is normally associated with a formal programme involving institution building and targeting a specific geographic area. Regionalism comprises “the body of ideas, shared values, and concrete objectives associated with a specific regional project that an identifiable group of actors wishes to realize” (Taylor 2011: p.1248). During the last decades regionalism has become ever more important in world politics. Hettne and Söderbaum (2002: p.34) hence speak of a “current ideology of regionalism, i.e. the urge for a regionalist order, either in a particular geographical area or as a type of world order.”. Regional integration is a form of regionalism in which states aim at maximizing internal and external economic, political, social and cultural benefits through institutionalized cooperation. Usually this process comprises both increasing market access for regional partners and the establishment of mechanisms to minimize conflicts (Lee 2002: p.4).

The following chapter will give an overview of how regional development can contribute to different forms of development.

## **2.2. Linking regional integration to development**

The literature (see f.ex. Thonke & Spliid 2012: p.43) provides both economic and political arguments in favor of regional integration. First, potential economic benefits of regional integration will be presented in this chapter. Market integration, development integration and open regionalism can be regarded as the main paradigms, each promoting different roles of the state and emphasizing different aspects of trade relations with third parties. Then an overview of political benefits arising from regional integration will be given.

### **2.2.1. Economic dimension**

Gibb (2009) argues that regional integration in sub-saharan Africa has been profoundly influenced by three theories of which each is connected to a development theory paradigm. First, Market integration has been promoted by modernist conceptions of development. It prescribes the abolishment of discrimination between contracting partners through the liberalization of intra-regional trade. Second, Developmental co-operation and integration based on dependency-theory prioritizes import-substitution programmes and protectionism and can thus be described as inward oriented. The third theory of open regionalism is a variant of the market integration approach and has been promoted by the neoliberal Washington Consensus since the 1990s. It emphasizes the importance of multilateral liberalization and integration into the world economy and is thus outward-oriented (Gibb 2009: p.705f).

#### **2.2.1.1. Market integration**

Market integration has been the most influential concept for regional integration. The underlying neo-classical ‘customs union’ theory developed by Balassa (1961) and Viner (1950) describes a five-step integration process in which each stage is regarded as a stepping stone for further integration.

## Customs Union Theory

A Customs Union is characterized by the abolition of basically all tariffs and trade restrictions among member countries on the one hand, and the establishment of uniform external tariffs and regulations for trade relations with non-participating countries on the other hand. This process thus denotes a reduction of trade discrimination between member states while increasing or maintaining discrimination between regional and foreign goods (Balassa 1961: p.21ff).

The creation of a customs union can have both static and dynamic welfare gains resulting from a reallocation of resources. The main features resulting from changes in tariffs are production effects, consumption effects, terms-of-trade effects, and administrative economies. Production effects materialize when goods that have been imported from outside the Customs Union are now being produced by protected partner-country producers or when expensive domestic goods are now purchased from cheaper partner countries. The establishment of external tariffs in combination with the abolition of trade restrictions between member countries can further lead to shifts in consumption, i.e. the substitution of commodities from partner countries for domestic and foreign goods. Administrative economies result from a reduction of obstacles to trade, like customs formalities or complex rules and procedures (Balassa 1961: p.23f).

Viner's (1950) distinction between trade creation and trade diversion plays a central role for the assessment of the possible benefits of market integration. While the former describes the new trade links between member countries the latter refers to a shift in trade patterns away from a low-cost foreign country to a higher-cost member country. Positive production effects can arise when trade creation outweighs trade diversion<sup>1</sup> as this entails a more efficient resource allocation and welfare gains.

Although emphasizing the specific environment of the countries, Robson (1998: p.27) makes some generalizations of the circumstances conducive to welfare enhancing customs unions. First, trade creation is likely to be more effective in large economic areas with a high number of member countries. Second, the change of the average tariff levels before and after the establishment of the customs union affects welfare, insofar as a reduction is likely to be trade-creating while an increase tends to be trade-diverting. Third, the bigger the overlap of the

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<sup>1</sup> F.ex: Measured as the difference of the amount of trade created, each item multiplied by differences in unit costs, and the amount of trade diverted, each component multiplied by differences in cost per unit (see J.E. Meade: Theory of Customs Union. In: Balassa, Bela (1961: p.26))

range of goods produced by high-cost industries, the greater the opportunities for reallocation and thus trade creation. And fourth, the greater the difference in unit costs of protected competing industries in different parts of the customs union, the bigger allocation gains and trade creation effects will be (Robson 1998: 27).

Critics, however, argue that due to their production and trade structures, these generalizations are not applicable to African economies. While mainly commodities are exported to a small number of industrialized economies, manufactured goods are imported from mostly former colonial powers. This region-wide focus on commodities and the limitations of industrial capacity to produce tradable goods are likely to prevent African economies from deriving benefits of trade creation from regional integration agreements (McCarthy 2007: p.16f). Whether this aspect is valid for the case of the Southern African Development Community (SADC) will be discussed in Chapter 4.2.

#### A 5-step model of economic integration

The first step of the neoclassical model of market integration is a Free Trade Area (FTA). It is characterized by the internal abolition of customs and non-tariff barriers, while each member state may determine individual external customs regimes. The positive effects are increased intra-regional trade as a consequence of price reductions and rising intra-regional investment due to the enlarged regional market volume in terms of potential customers. However, side effects include revenue loss resulting from competition over external tariffs and trade deflection, bureaucratic burdens as well as potential threats for infant industries crucial for industrialization (Peters 2010: p.52f).

The second step of economic integration, a Customs Union, is characterized by the abolition of basically all tariffs and trade restrictions among member countries on the one hand, and the establishment of uniform external tariffs and regulations for trade relations with non-participating countries on the other hand (Balassa 1961: p.21ff). Besides trade creation, other advantages of such a trade scheme include efficient allocation of resources in those countries with the best infrastructure and labor conditions, political stability or abundance of natural resources. Furthermore, in order to realize the economic potential of a customs union, large infrastructure projects like roads, energy grids or communication links require joint efforts and facilitate supra-national development planning. However, in order to compensate for a loss of customs revenues and to protect infant industries, countries tend to raise external

tariffs. This results in trade diversion which is according to neoclassical thinking detrimental to welfare. Also disputes over the distribution of customs revenues may cause conflicts among member states, as goods often enter the union through the most efficient ports or the biggest airports where customs are collected. Goods are then transported to the final destination country. Finding a suitable distribution system which ensures equity and prevents delays of monetary transfers to recipient countries is thus crucial (Bechler 1976, Peters 2010: p.54).

A common market adds the full liberalization of movement of people and capital to the features of a customs union. A common currency is furthermore distinctive for an Economic Union. One of the main advantages of a common market is a highly efficient allocation of production factors because they can move freely. As a consequence, investment takes place in those countries that offer the best combination of the production factors capital and labor. This leads in turn to increased attractiveness for regional and foreign investors and boosts competitiveness in a globalized economy. In an Economic Union the harmonization of policies, like labor and environmental regulations, becomes increasingly important in order to establish common rules for economic interactions and to prevent distortions of resource allocation. Consequently, tensions between national interests and regional necessities may arise, as nation states only reluctantly transfer sovereignty like monetary policy to supranational bodies. With regard to the division of labor, there is pressure for smaller countries to specialize economically and import large quantities of consumer products from larger economies (Peters 2010: p.56f).

The last step is the transformation into a political or supranational union which entails the transfer of national sovereignty to a regional federal state. While the EU has some of the characteristics, like regional institutions and a supranational parliament, this final stage of integration has not been reached so far. Theoretical advantages are an improved position in international negotiations, the ability to stimulate economic development in disadvantaged regions, a stronger role in international conflict prevention and crisis regulation, and the adoption of internal technical and political norms (Peters 2010: p.58f).

## **Possible benefits of regional market integration**

Welfare effects can be divided into static and dynamic effects. While static effects are derived from changing trade patterns and are limited in time, dynamic gains raise the rate of real income growth in a region and can have long-term effects beneficial to regional development (Mistry: p.122).

### **Static welfare effects**

Static gains stemming from regional integration traditionally focus on the above mentioned mechanisms of trade creation and trade diversion. If trade creation outweighs trade diversion, welfare gains are to be expected. McCarthy (2007: p.16) claims, however, that due to its one time effect, this reallocation of resources “has nothing to say about the impact regional integration has on growth and development”. Consequently, in order to analyze the benefits of regional integration for development, one has to focus on dynamic effects.

### **Dynamic effects**

As balkanization and the resulting limitation of small markets are regarded as detrimental to economic development, the increase in market size through regional integration offers a variety of opportunities for dynamic effects. By integrating smaller markets into one regional market consisting of a larger population, the demand base increases. This encourages industry growth and consequently leads to the use of economies of scale. Furthermore as the number of companies competing in the market increases, firms are inclined to cut costs. As a consequence, inefficient enterprises are forced to exit the market (Kritzinger-van Niekerk 2005). With regard to the issue of scale and industry growth, two sources of external economies may lead to a further decline in costs: On the one hand positive factors *internal* to the industry may develop as a result of an expansion of the industry concerned. Examples are the development of a large pool of skilled work force and industrial services. On the other hand a decrease in costs may stem from factors *external* to the industry. This occurs when many different industries grow and improve the quality of their products as a result of the enlarged protected market. Examples include the improved supply of transport services, commercial and financial services as well as public services (McCarthy 2007: p.18f)

Attracting investment is one of the main motivations for countries to enter into regional agreements. Bigger internal markets and more competitive production resulting from economies of scale and competition attract both domestic and foreign investment which leads to additional jobs and income growth (Peters 2010: p.35). However, also political factors like regional peace and conflict resolution mechanisms, policy credibility or democracy are crucial for attracting investment (McCarthy 2007: p.19). Schiff and Winters (2003: p.115) argue that regional integration arrangements “are not necessary for inducing investment. General reforms such as stabilization, market liberalization, and privatization should raise the returns to all factors and are likely to be more likely to increase private investment... What seems to matter most is the quality of domestic policies”. They conclude that “Regional integration may foster investment if it significantly increases policy credibility and market size, but it needs to be accompanied by good policy overall.” (Schiff & Winters 2003: p.18).

Other dynamic effects are cost-savings through coordinated investments and planning. Joint regional investments into cross-border infrastructure like telecommunication lines, electricity grids, railways, roads or water supply can finance projects which would not be possible on a national level (Mistry p.122). Moreover cooperation in the education sector can, for example, facilitate the establishment of specialized universities, training funds or research stations which lack capacity or demand on a national scale. Regional integration is also attractive for donors as it allows regional policy support for health sector initiatives like HIV/AIDS or Malaria, crime prevention efforts like drug and human trafficking or investment promotion (Peters 2010: p.36f).

From an international politico-economic perspective, regional integration offers the opportunity to attain a stronger position in a globalized world. If states formulate, publicize and defend their common interests through a regional body and speak with a common voice, they have more influence in international bodies like the WTO, the UNDP or WHO; have a stronger position in investment negotiations; and are more likely to enforce social, environmental, economic and legal standards vis-à-vis multi-national corporations (Peters 2010: p.38f).



### **Criticism and limitations of the neo-classical concept of market integration**

Critics argue that the neoclassical model of market integration is highly Eurocentric as both theory and practice are rooted in the experience of the European Union. Derived from Europe, the model is based on an “economic determinism” (Gibb 2009: p.708) which results from the integration process and which “will eventually bind sovereign states into ever-closer union” (Gibb 2009:p.708). However, pure neoclassical concepts of market integration have not been designed for developing countries and thus “tend to overlook developmental requirements of regional integration outside the industrialized North” (Peters 20110: p.60).

With regard to the applicability in developing countries the following points have been criticized: The neo-classical approach to regional integration does not sufficiently take differences between member states into account. They involve resource-endowment, political power or economic opportunities. Ideal conditions with equal partners on which the neoclassical approach is based hardly every exist in reality (Gibb 2001). Furthermore due to the belief that market forces lead to an optimal allocation of production factors irrespective of potential disadvantages and costs for individual member states, the neoclassical approach is not concerned with the equitable distribution of costs and benefits among member states. In fact, larger and stronger states tend to benefit at the costs of weaker states (Gibb 2001). Another issue raised is the integration into the globalized economy characterized by unequal power relations. While neoclassical thinking portrays investments by multinational corporations in low-cost segments as positive, records of poor working conditions, child labor and exploitation contradict this picture (Peters 2010).

Moreover, market integration focuses on inter-state and inter-governmental relations and is thus often described as state-centric and elite driven. Critics also question the general assumption that states have the capabilities to create a regulatory environment supportive of ever-close integration (Gibb 2009: 708). These points raise questions whether the model of market integration can actually be applied to the African context.

Criticism has also addressed the discrepancies between the theory of neo-classical concept of regional integration and its actual implementation, especially in developing countries. In this regard, it is striking that only a few regional bodies have actually followed the prescribed 5-step integration process explained above. (Peters 2010: 60).

While conventional customs theory as explained above has always warned against artificially raising external tariffs, not much emphasis was put on the external trade regime. The reason for this is the theory's focus on relations between members of the union rather than between the union and the rest of the world. The decision whether the external tariff should be high in order to protect infant-industries or rather low to open the market for foreign competition and investment was left to policy makers (Davies 1996). Two paradigms of regional integration which differ with regard to external relations have developed in the past decades, namely development integration and open regionalism.

#### **2.2.1.2. Inward-oriented Development integration**

From the outset development integration emerged as a critique of the neoclassical market integration model. The main points of critique are the lacking suitability of the underlying laissez-faire approach for effective integration and the amplification of regional disparities and uneven regional development. Development integration is thus concerned with the equitable distribution of the benefits of integration and the need for compensatory and corrective measures tailored especially to the economic situation of the least developed member countries during the process of liberalization. Accordingly they should be granted greater preference in access to the regional market and be given more time to reduce tariffs. Also regional banks and funds shall give special priority to the least developed members. One of the main objectives is regional industrial development which should be promoted through cooperation and coordination on a regional level. Consequently this approach requires more state intervention than the market integration model and strongly emphasizes the importance of close inter-state cooperation on both economic and political issues already at an early stage (Davies 1996).

The Development integration approach can be classified as inward-oriented. The main objectives of inward-oriented regionalism are the expansion of intra-regional trade and the promotion of regional industrialization. This requires preferential market access, the removal of trade barriers, and the reduction of transaction-costs within the region in combination with a protective common external tariff. Efficient production for internal and external markets is supposed to be achieved through learning effects arising within such a protected integrated region. Only then the industries are competitive enough for participating in the world market (Tsheola 2010: p.51).

The theoretical foundation for this approach can be found in List's works on infant industry protection. According to him market forces alone can not lead to high levels of development. Instead, infant industry protection measures should be used as temporary tools to boost manufacturing and increase competitiveness (McCarthy 2007: p.21f). List stressed the role of 'productive forces' for development, meaning that not only production factors and the possession of natural advantages in the sense of Adam Smith, but also institutional factors and the independence and power of nations play a crucial factor for the productive power of a country. Put differently the 'theory of productive power' can be compared to today's notion of capacity building and the notion of state-directed economic development (Shafaeddin 2000: p.7). List's view is contrasting the conventional neoclassical thinking as according to him "the power of producing wealth is ... infinitely more important than wealth itself; it ensures not only the possession and the increase of what has been gained, but also the replacement of what has been lost' (List 1922: p.108).

As a consequence of an inward looking strategy and the relatively high protective external tariffs, trade is diverted from cheaper external sources to more expensive sources within the region. However, according to this view the welfare losses arising from trade diversion are less important, as in the long run they are compensated for by economic growth and diversified industrial development. While from a neoclassical point, resources are used inefficiently, real income and production grows (McCarthy 2007: p.24). Axline (1984: p.8-9) thus concluded that "under conditions of underdevelopment inefficient production provides more gains than no production at all". This is in stark contrast to the below presented assumptions of open regionalism.

#### **2.2.1.3. Open regionalism**

The approach of open regionalism calls for low external tariffs and the integration of regional groupings into the world economy. The foundation of this approach is the positive link between trade performance and "the comparative advantage of exporting countries coupled with an open and multilateral trading system" (Grant and Agnew 1996: p.730, see Tsheola 2010). Countries should specialize in those production and export sectors in which they enjoy a comparative advantage, i.e. in which the absolute disadvantage is smaller, and import goods of its comparative disadvantage (Tsheola 2010: p.50). They can then benefit from free trade both with countries within and outside the region.

According to this view reducing external tariffs increases competition from foreign firms in the local market which is an additional incentive for local firms to decrease prices. Otherwise the already strong states within the arrangement would presumably dominate the regional economy, as their firms would have an advantage right from the beginning. Restructuring and the adoption of new technologies more suitable for future needs gives an advantage to those countries with the most cost-effective infrastructure. Also lowering external tariffs facilitates the free flow of goods to other regions and thus increases direct investment from outside the region (Kritzinger-van Niekerk 2005: p.2).

The approach of open regionalism counters the inward-oriented view of increasing productivity through learning effects within the region. Based on the theory of endogenous growth Schiff and Winters (2003) stress the importance of external knowledge in fostering productivity and growth. Through international contacts and trade knowledge can be transferred from knowledge-rich developed countries to developing countries. In this process firms in industrialized countries are regarded as better suppliers of most important goods as they have advantages in terms of efficiency and costs. Consequently regional integration agreements which shift import patterns from rich countries to poor countries are, according to this view, detrimental to economic growth rates. North-South integration is thus preferred (Schiff & Winters 2003: p.18f).

An open form of regional integration has increasingly been promoted by international financial institutions like the World Bank and the International Monetary Fund (IMF). Initially regional integration was either regarded as irrelevant or as an obstacle to the optimal economic solution, namely global free trade. The change of attitude came, however, around the year 1991 in the context of already undertaken Structural Adjustment Programs (SAPs) in large parts of Africa. The goal was to make the conventional market integration paradigm more compatible with unilateral trade reform (Davies 1996). Based on modifications of the traditional market integration approach new regionalist projects should be “consistent with an outward orientated strategy that promotes incentives which are neutral between production for the domestic market and export” (WB 1991, paragraph 2.09). Bearing a potential for trade diversion, the establishment of a Customs Union should no longer be the main objective of integration efforts. Instead the ultimate goal should be “to create conditions which would allow the private sector to freely work, trade and invest across African borders and with relatively low barriers against third parties” (WB 1991, executive summary paragraph 10). Regional integration was also presented as a way to support ongoing structural adjustment

programs and a step towards general liberalization and opening up to external businesses (Davies 1996).

In the context of and supported by unilateral trade reform, Structural Adjustment Programs and neoliberal globalization, implementing the Most Favored Nation principle rather than a protective external tariff is the main objective of open regionalism (Tsheola 2010: p.50f). Consequently preferences within the trading bloc were supposed to be cut as the Most Favored Nation principle “actually means non-discrimination, equal treatment of virtually all countries” (Olanrewaju 2007:6).

### **2.2.2. Political/security dimension of regional integration**

According to Peters (2010) there are three political rationales for regional integration, namely security, democracy and the reunification of regions that have been separated by artificial colonial borders. How regional integration can help achieving these three objectives and their link to development shall be discussed in the following section.

Since the end of the Cold War, the link between security and development has increasingly been discussed. Acknowledging that armed conflicts and wars are massive obstacles to economic development and exacerbate the problems of underdevelopment and insecurity, focus has been put on the securitization of development. According to this view, development is regarded as security issue and conflicts should be treated as important development issues (Francis 2006: p.8ff).

Peters (2010) summarizes the arguments of Meyns (2000), Peters-Berriers/Naidu (2003) and Hamsterstad (2003) in favor of a link between regional integration and security. Through the establishment of a response catalogue to armed conflicts, ranging from sanctions to military interventions, a regional organization can help deescalating violent disputes. Furthermore regional standards of dispute settlement can mitigate or even prevent the devastating consequences of armed conflicts. By setting regional rules of non-recognition of governments that took over power by force and leaving the option for military intervention open, the region can additionally be safeguarded against coup-d'états and ensure democratic stability. Cooperation in the security realm through joint planning, coordination and exercises can both contribute to a more effective fight against terrorism and illicit crimes and enhance the professionalization of security forces and capacity building. Last but not least, regional

integration can prevent external aggression (Peters 2010: p.39f). Besides greater political and social stability, regionalism also offers the opportunity to gain improved global risk management capabilities (Mistry 2009: p.123).

Another argument put forth in favor of regional integration is democratic convergence. The logic behind this claims that citizens' support for a regional body will only materialize and be sustained if human and democratic rights are respected by member states. If a member state is not accountable to its citizens, legitimacy of regional integration will suffer and become incoherent. Furthermore human rights abuses in one country affect the international reputation of the whole regional organization. In case of different democratic records, democratic convergence standards can help pushing for reforms like free and fair elections, an independent judiciary or an improved human rights record. However, the success of such standards depends very much on the political will to actually enforce them in case of non-compliance (Peters 2011 p.40f).

Finally, especially on the African continent where colonial masters have drawn artificial borders, regional integration offers the opportunity to mitigate the negative impact of the separation of peoples and natural regions. Regional Integration can facilitate the free movement of people that belonged together in pre-colonial times which consequently can help to (re)create transnational identities and minimize cross-border conflicts (Peters 2010: p.41).

## **2.3.Theories of regionalism**

### **2.3.1. Overview**

While the previous chapter has presented possible benefits deriving from regional integration for economic development and security in developing countries, the next section will discuss theories of regional integration which try to explain why states and various actors decide to establish modes of cooperation and form supranational organizations. There is a variety of theories which can be categorized by different criteria: While Söderbaum (2004: p.15) differentiates between rationalist and reflectivist theories, Hurrell (1995: p.339f), makes a distinction between systemic theories, theories emphasizing the link between regionalism and interdependence, and domestic-level theories. The following section will give a very brief overview of the main theories and explain the rather recently developed New Regionalism Approach (NRA) in more detail.

A general distinction can be made between rationalist and reflectivist theories. Rationalist theories are based on rational choice and take the interests, ideas and identities of actors as given. According to this view, actors are driven by self-interest. Neorealism, neoliberalism and market integration can be considered as rationalist. Reflectivist theories, on the other hand, do not take interests, ideas and identities for granted but try to explore how they develop in the process of social interaction. With regard to regionalism, the world order approach, the new regionalism approach and the new regionalism approach/Weave-world have a reflectivist foundation (Söderbaum 2004: p.15).

Neorealism tries to explain regionalism through external factors. The main features are the “external configuration of power, the dynamics of power-political competition, and the constraining role of the international political system considered as a whole” (Hurrell 1995: p.339f). Driven by conflict and competition, states which are regarded as unitary and rational egotists are the most important actors in this theory. They are constrained by the structures of the anarchical international system (Söderbaum 2004: p.18). From this point of view, economic integration can be regarded “as a strategy in the game of neo-mercantilist competition” (Hurrell 1995: p.341) and a bargaining chip in international negotiations. As neorealism emphasizes the role of hegemony and alliance building regionalism can be explained as (i) a response to the existence of an actual or potential hegemonic power, (ii) an attempt to restrict the free exercise of hegemonic power, (iii) a strategy of weaker states to

benefit from cooperation with a regional hegemon or (iv) a decision by the hegemon itself to become actively involved in the construction of regional institutions (Hurrell 1995: p.341f).

Based upon liberal institutionalism, functionalism and neofunctionalism are “constructed around the proposition that the provision of common needs and functions can unite people across state borders” (Söderbaum 2004: p.20). Increased interdependence between states creates common problems which have to be addressed collectively. In this view supranational institutions are regarded as the most effective means to solving these problems. As the creation of supranational institutions enhances interdependence, a dynamic leading to ever closer cooperation is triggered. Neofunctionalism has been the theoretical foundation for European integration (Hurrell 1995: p.348f).

Within the liberal strand of theories, neoliberal institutionalism has been the dominant approach. While it shares the neorealist view of the importance of states in the international system, the behavior and motives of states differ. States act as negotiators on intergovernmental and supranational levels and are constrained by domestic factors like political considerations and non-state actors. The main objectives are the procurement of public goods, the avoidance of negative externalities from interdependence, and absolute instead of relative gains. Regionalism is regarded as an “incremental problem-solving process, mainly driven by or through formal and informal institutions.” (Söderbaum 2004: p.22). As a consequence “institutions matter because of the benefits they provide and their impact on the calculations of the players and the ways in which states define their interests” (Hurrell 1995: p.351).

The reflectivist World Order Approach is based on the new international political economy developed by Robert Cox and is based on his method of historical structures, defined as configuration of forces, namely material capabilities, ideas and institutions. Structures are not given but can be created and changed by people, as for Cox “historical structures mean no more but no less than persistent social practices made by collective human activity and transformed through collective human activity” (Hettne 2003: p.46). With regard to the notion of power this approach not only takes into account material aspects, but emphasizes the need to include ideas for analyzing the notion of hegemony. The relationship between globalization, regionalism and the development of world order lies in the center of this approach. The main question in the new context of capitalist hegemony is “to what extent states (and particular state/society complexes) respond to globalization by building states-led regionalist schemes” (Söderbaum 2004: p.29). It is further concerned with how state-driven



regionalism can mitigate the negative effects of globalization like inequality and uneven development, remains, however, skeptical as regionalism is described as a fundamentally elite-driven process that reinforces the current hegemonic neoliberal order (Söderbaum 2004 p.29-30).

### **2.3.2. The New Regionalism Approach**

The New Regionalism Approach was developed in the context of a qualitative change of regionalism at the beginning of the 1990s. Hettne (2003: p.22f) distinguishes between old and new regionalism, their main differences being the global context characterized by multipolarity instead of bipolarity; outward instead of inward-orientation; more comprehensive and multidimensional objectives instead of rather specific objectives focused either on economic gains or security; and increased influence of globalization and non-state actors instead of primary concern with inter-state relations between neighboring countries (Hettne 2003: p.22f).

#### **2.3.2.1. Meta-theoretical foundations**

From a meta-theoretical point of view, the NRA views theory as constitutive, thus not as separated from but as part of reality which is in contradiction to explanatory/neo-utilitarian theory. Furthermore it claims that theories are not value-free but inherently biased (Söderbaum 2004: p.39). The main proponents of a New Regionalism Approach Hettne and Söderbaum (2002: p.35) call for a combination of certain strands of development theory and international political economy for analyzing historical power structures and their inherent contradictions as well as change and transformation expressed in normative terms like development (Hettne & Söderbaum 2002: p.35f). Consequently history forms an integral part of the analysis of regionalization processes. From its roots in critical International Political Economy the NRA derives “the ambition to understand and contribute to structural/social transformation and emancipation, with a particular emphasis on the impact and consequences of asymmetric power relations, patterns of dominance and hegemony” (Söderbaum 2004: p.39). As emphasis is put on the excluded, poor and marginalized people it is important to scrutinize established power structures and uncover whose interests are driving existing

strategies. In order to analyze regionalism, one thus has to critically question “for whom and with what consequences it is being put into practice, consolidated or resisted” (Söderbaum 2004: p.39).

The NRA is further rooted in social constructivism which emphasizes the “importance of shared knowledge, learning, ideational forces, and normative and institutional structures.” (Hettne & Söderbaum 2002: p.36) instead of merely material incentives for explaining how interests, motives, ideas and identities change over time. The latter are not regarded as exogenously given but as socially constructed by “*reflective* actors, capable of adapting to challenges imposed by the actions of others and changing contexts” (Hettne & Söderbaum 2002: p.37). As a result, regions are socially constructed and their boundaries can change over time, as will be described below (Hettne & Söderbaum 2002: p.36f).

#### **2.3.2.2. Main features of the NRA**

While early versions of the NRA have applied structure and systemic perspectives, more recent views propose a focus on the regionalization process and agency, actors, visions and strategies. Building on constructivism, the NRA emphasizes the mutual dependency and constitution between social structure and human agency: “the meaning given by individuals to their world become institutionalized or turned into social structures and then the structures become part of the meaning system employed by the individuals and their actions” (Söderbaum 2004 p.43). Following this argument, also political communities are socially constructed. They can not be regarded as given but are created through social interaction. Within this logic, agency is often motivated and explained by ideas, identity, accumulation of knowledge and learning rather than by traditional routines, structural factors or established institutions. “The behavior of regionalizing actors thus depends on who they are, their world views, who other actors are, as well as the quality of their interaction.” (Söderbaum 2004: p.45). Consequently regionalization can be perceived as an instrument to change existing structures, take advantage of new opportunities that arise as well as to create bonds of identity and community (Söderbaum 2004: p.44), as Alexander Wendt (1992) puts it: “regionalism is what actors make of it”. In this process the interests of the actors involved can change.

With regard to regionalizing actors, traditional theories have overwhelmingly stressed the role of states. However, according to the NRA, the so-called ‘national interest’ which is the

driving factor of states in mainstream theories, is “often simply a group-specific interest or even the personal interest of certain political leaders, rather than the public good or national security and development in a more comprehensive sense” (Söderbaum 2004: p.50). While not fully rejecting the importance of states in the process of regionalization, the NRA also takes into account the role of non-state actors and informal networks (Söderbaum 2004: p.49f). In Africa (and elsewhere) they become increasingly important in the context of subordinated incorporation into the globalized order and the thus declining sovereignty of states (Clapham 1999: p.53). They should especially be the center of attention in ‘weak’ states with shallow roots in societies and preponderance of patrimonialism. In addition to non-state actors and informal networks the NRA further stresses the importance of external actors especially in light of the dependency of many African countries on international official and private donor funds, International Financial Institutions, former colonial powers and International Organizations. One should thus frame the traditional three intertwining circles of states, market and civil society with a square in order to account for the crucial role of external actors. It is important to note that the four spheres are not separated but interconnected as actors interact and influence each other in different modes of regional governance and regional networks (Söderbaum 2004: p.49ff).

The NRA criticizes that in mainstream International Relations and International Political Economy theories, the notion of space is biased towards the national and the global level, thus leading to an underrepresentation of the regional scale. Furthermore states are treated like individual persons and have a problematic understanding of ‘inside’ and ‘outside’. The NRA, however, emphasizes the variety of geographical scales. They are not taken for granted but viewed as processes which are made and unmade. Consequently their boundaries are shifting in the course of time, new regions can emerge or existing ones can consolidate (Söderbaum 2004: p.45f). According to Neuman (2003: p.166) it is important to ask whose region is constructed, as one has to reflectively acknowledge that (re)defining a region is an inherently political act. This has so far been neglected by mainstream International Relations and International Political Economy.

### 2.3.2.3. The evolution of a region

A central task for the analysis of regionalism is the identification of regions. This entails the assessment whether a geographical area can be considered as “distinct entity, which may be distinguished as a relatively coherent territorial subsystem (in contrast with non-territorial subsystems) from the rest of the global system.” (Hettne & Söderbaum 2002 p.37). For this purpose the NRA uses the level of regionness as analytical tool. The process of regionalization is described as an increase in a region’s cohesiveness and distinctiveness as well as the improved capability to articulate the transnational interest of the emerging region. In the process of regionalization the region is thus transformed from a passive object to an active subject. It is important to note, however, that this flexible definition of regions entails that regionness can both increase and decrease, a region can be both constructed and deconstructed. Regionness can be divided into five generalized levels which will be presented in the following section (Hettne & Söderbaum 2002: p.38f).

The first level is *regional space* for which the importance of a common territory delimited by more or less natural physical barriers is crucial. People dispose of a certain set of resources and are united by a distinct set of “cultural values and common bonds of social order forged by history”(Hettne & Söderbaum 2002: p.39f). Further regionalization is likely to occur, when the region is characterized by increased social interaction and frequent contact between human communities, thus creating a regional social system.

A *regional complex* is the next level at which the formation of states normally leads to a temporary inward-orientation. As the monopolization of external relations causes a distinction between friend and enemy, social relations between nation states may be very hostile and there is little mutual trust and knowledge between peoples. While in security terms there is interdependence between the various national states in the region, there is no regional security mechanism. Also economic relations are characterized by hostile protectionism and relative-gain seeking, a regional welfare mechanism is thus missing (Hettne & Söderbaum 2002: p.40f).

The crucial level for regionalization is the development of a *regional society*. This process is triggered by intensified communication and interaction between a variety of state and non-state actors along economic, political and cultural dimensions. A distinction is made between the formal region, defined by members of a regional organization, and the real region, characterized by strong interaction between transnational non-state actors like businesses,

Non Governmental Organizations or social movements or social networks based on professional, ideological, ethnic or religious ties. The latter contribute to the creation of a regional economy and a regional civil society. In this context, the important question is therefore to “understand how the region is constructed in the interplay between various types of state, market and civil society actors in various regional spaces” (Hettne & Söderbaum 2002: p.42). For further regionalization the great diversity of processes in various sectors both at micro and macro level must become mutually reinforcing, increasing and widening relations between real and formal region create mutual trust and responsiveness and lead to an institutionalization of cognitive structures (Hettne & Söderbaum 2002: p.41f).

At the next level of a *regional community* the region transforms into an active subject having a distinct identity, actor capability as well as the legitimacy and structure for decision making. It relates to a regional civil society which transcends old state borders. Ideas, organizations and processes converge and become increasingly compatible with one another. At this level of regionness, the possible negative regional effects stemming from violent conflict resolution between states facilitate the creation of a security community. With regard to development, regional welfare mechanisms try to mitigate polarization effects. Dividing lines between national states decrease over time and the distinction between those inside and outside the region becomes increasingly relevant. However, the “established community spirit” (Hettne & Söderbaum 2002: p.44) may be harmed if the formal region is acting without regard for the real region, i.e. if a new and unprepared member is admitted to accede the regional organization as a consequence of political and opportunistic motives.

The last level of regionness, while still quite theoretical and never put into practice, is a *region-state*. (Hettne & Söderbaum 2002: p.44). Whereas the processes shaping the formal and informal regions are similar to state formation and nation building, a region-state is characterized by a much greater diversity of cultures and interests as well as a lesser degree of sovereignty. Region-states are by definition multicultural and heterogeneous and can not be based on force, as they would collapse in the long run. A region-state is rather formed by a voluntary democratic process of pooling sovereignty and integration of former national communities into one regional entity (Hettne & Söderbaum 2002: p.44f).

## **2.4. Conclusion and relevance for the paper**

The previous chapter provided an overview of different approaches to regional integration and theories of regionalism. Furthermore, possible benefits of regional integration were presented both in economic and in political terms. The most influential approach to regionalism has been market integration. From this point of view, cuts in production costs, an enlarged market and consequently increased investments are the main benefits for economic development. Development integration is more concerned with equity and uneven development. It emphasizes the importance of redistributive measures and the preferential treatment of the least developed regions. Furthermore, development integration is inward oriented and aims at establishing an industrial base through protective external tariffs. Open regionalism on the other hand, stresses the benefits of integrating a region into the global economy by lowering the external tariff to a minimum and abolishing all sorts of discrimination between local and foreign firms. By exploiting comparative advantages, the regional economies should benefit from interaction with the rest of the world through trade and knowledge transfer. Political benefits of regional integration have been discussed in the form of security, democratic convergence and the opportunity to transcend artificial borders imposed in colonial times.

Then the most common theories of regionalism were presented, ranging from neorealism, functionalism, neoliberal institutionalism to the world order approach. The New Regionalism Approach was presented in more detail as it will serve as framework for this paper. Rather than dealing with functional and institutional arrangements, it takes up a process perspective in order to analyze how the region has come into existence. In this process, a whole range of actors are involved. In addition to state actors, civil society actors and market actors, the approach includes external actors in the framework. In the light of Africa's dependence on international funds and its asymmetrical trade relations, including external actors is crucial for this paper. Furthermore, it has to be stressed that these four groups of actors are not separate entities but interact on various levels. The NRA further stresses that regions are constructed and that their boundaries can change over time. To understand this process history is of crucial importance.

This paper will take up main aspects of the New Regionalism Approach in order to analyze how the Southern African Development Community (SADC) has been created and changed by a variety of state, non-state, market and especially external actors. In order to account for the NRA's emphasis on history, focus will be put on how the Southern African region came

into being through the interaction of a variety of both regional and external interests. Then the interests of different actors as well as interactions and power asymmetries between them shall be analyzed in order to explain why there has been a strategic shift from development integration to market integration and open regionalism. Being the region's main trading partner and provider of development assistance, emphasis will be put on the mechanisms through which the European Union has been able to influence the integration process in Southern Africa.

### **3. Regionalism in Africa**

Regionalism in Southern Africa needs to be seen in the continental context. Therefore, the interplay of different interests in the process of creating the Organization for African Unity (OAU) and the African Union (AU) will be discussed. Then, the rationales for the New Partnership for Africa's Development (NEPAD) and the African Economic Community (AEC) and their implications for the Regional Economic Communities will be highlighted. They are referred to in various SADC documents and thus constitute important frameworks for the functioning and objectives of the organization.

#### **3.1.The Organization of African Unity (OAU)**

##### **3.1.1 First initiatives**

During the first half of the 20<sup>th</sup> century, W.E.B duBois and George Padmore had developed an ideological Pan-African perspective founded on common racial oppression and colonial domination. However, the project of African unity as a practical political project only gained momentum in the 1950s. One of the main proponents was Ghana's Prime Minister Kwame Nkrumah who strongly advocated Africa's unification and the formation of an all-African Union government as the best solution for overcoming underdevelopment and dependency. Unless unity was achieved, the continent would be in danger of balkanization and division into spheres of influence of external powers (Nkrumah 1963). Strongly concerned with external security threats, a collective bargaining bloc was supposed to be a strong motivation for African unity in the context of the Cold War. Not only did Nkrumah oppose the creation of regional blocs - as in his view this would lead to a split of Africa into different spheres of external influence – (Francis 2006: p.17), he also came into conflict with many African leaders who rather wanted to build upon the newly independent nation states (Nzisabira 2006: p.8). It becomes thus clear that from the beginning, African Unity aimed at self-sustainability and the limitation of external influence, while at the same time facing disagreement among the leaders of the young nation states.

For his vision, Nkrumah developed a four point program for African Unity (Nkrumah 1963) including a common foreign and security policy; common continental planning for economic



and industrial development similar to the concept of development integration mentioned above; a common currency, a monetary zone and a central bank; and a common security and defense system with an African high Command, i.e. an all-African military force to ensure stability in Africa and to liberate colonial territories and replace foreign military bases.

### **3.1.2 The creation of the Organization of African Unity**

During the All African People's Conference in Accra in 1958 regionalism was adopted as a strategy to achieve economic and political development (Mulaudzi 2006: p.8). However, Nkrumah faced a variety of differing opinions among African leaders of how unity should be achieved. In general, four groups can be identified: the first group favored a continental organization based on broad principles stipulated in a single charter to which all African states could subscribe. The second group supported the idea of a loose association of states founded on a declaration of principles. A third group emphasized the role of regionalism as an intermediate step to African unity. Regional integration and co-operation groups should thus be the driving forces for African unity. The last group supported Nkrumah's idea of a union government of Africa comprising all-African institutions and a federal political union with a constitution similar to those of the US or the UDSSR. In the course of the 1960s it became clear that the majority of states favored a step-by-step approach to African unity (Francis 2006: p.19).

In addition to disagreements over the process of achieving unity, a whole range of factors hampered the integration process. In the context of the post-independence era, some African leaders strongly opposed the idea of giving up the newly won political independence and rejected transferring sovereignty to a supranational body. Consequently, borders, while being regarded as artificial and imposed by former colonial masters, became an issue not to be touched. Furthermore, some of the main proponents of African unity like Nkrumah ended up being dictators and thus violated the hitherto postulated Pan-African principles of justice, freedom and tolerance. Other leaders favored the status-quo characterized by close ties with the former colonial powers, while in the most extreme cases puppet regimes controlled by foreign powers were naturally opposed the idea of African unity (Francis 2006: p.19f).

Although African leaders were motivated to achieve a better bargaining position in the international system, to divert economic dependence away from colonial masters to African

partners and to put some kind of Third World ideology into practice, disagreements limited the unity project to a pragmatic compromise establishing the Organization of African Unity (OAU) in 1963 (Francis 2006 p.22ff). Cooperation within the organization was based on the principles of equality between member states, self-determination, respect for sovereignty and territorial integrity, non-interference in domestic affairs, peaceful conflict resolution mechanisms, promotion of emancipation of Africa, as well as neutrality and non-alignment (Nzisabira 2006). The last principle has to be seen in the context of the Cold War and the demand of a number of states, called Casablanca-group, not to take sides with either the US or the UDSSR (Francis 2006: p.23). At the backdrop of the decolonization efforts of the General Assembly of the United Nations and African states' own experience with colonialism and liberation, the OAU focused on enhancing anti-colonialism (Nzisabira 2006: p.8). Therefore particular emphasis was put on assisting the liberation struggle against the South African apartheid regime (Francis 2006: p.23).

### **3.1.3 Achievements and criticism**

The achievements of the OAU give a mixed picture. On the one hand, one of the main achievements was to give momentum to the continent's decolonization process. Furthermore with regard to conflicts, it tried to mediate and settle inter-state disputes. Together with the UN-sponsored Economic Commission for Africa (ECA) the organization also facilitated the establishment of regional integration and co-operation groupings and the vision of the African Economic Community (AEC) which will be discussed below (Francis 2006: p.24).

However, critics argue that the organization's priority for national sovereignty and non-interference in domestic affairs has been applied to such an extent that little or nothing was done by nation states to prevent leaders or rebel movements in neighboring states from oppressing their people and committing human rights abuses. For some, the OAU was merely a "toothless talking shop" (Murithi 2006: p.26), consisting of dictator-like heads of state that lack democratic legitimacy. Furthermore, a re-organization or advancement was not high on the political agenda of many African leaders, as Pan-African unity was often only discussed when it appeared convenient for domestic politics (Francis 2006:p.24). Financial constraints combined with member state's unwillingness or inability to pay their contributions in time further aggravated the organizations perceived inefficiency. This is illustrated by the fact that the actual budget only accounted for 52,8% of the commitments made by member states

(Nzisabira 2006: p.27). The lack of financial resources triggered a vicious circle where some leaders' perception of the OAU as inactive and inefficient further reduced their willingness to pay financial contributions. As a consequence the Council of Ministers imposed sanctions restricting the voting rights of those countries that were behind their commitments (Nzisabira 2006: p.27f).

## **3.2 The African Union:**

### **3.1.1 The international context and Gaddafi's initiative**

Various public and private interests as well as a number of important global developments led to a renewed imperative for African unity. On the one hand, the external security situation changed at the end of the cold war. Disinterest of Western governments in African conflicts resulting from the continent's little strategic importance, boosted the objective to take the continent's security in its own hands. In this regard, one can speak of the notion of securitizing unity in Africa (Francis 2006: p.25). On the other hand, intensified globalization and the perpetuated marginalization of Africa in the world economy caused leaders to push for deeper economic and political integration (Nzisabira 2006:p.118). The global context thus offered incentives for greater cooperation and unity among African states.

Against this backdrop, Libya's president Muammar al-Gaddafi gave new impetus to the project of greater unity. Since Gaddafi took over power in Libya in 1969, he has very actively engaged in African politics to pursue his public and private interests, ranging from ending colonialism to isolating Israel and spreading Islam. Especially when surging oil exports provided the country with more international weight and financial power, Gaddafi supported befriended regimes, underground organizations or oppositional movements both financially and militarily (Nzisabira 2006:p.111).

When sanctions were imposed first by the United States and then by the United Nations as a result of Libya's support of terrorist organizations and its unwillingness to surrender two Libyan main suspects involved in a plane crash in Lockerbie, Gaddafi tried to gather support from his fellow statesmen in the Arab League (Nzisabira 2006:p.114f). Not only did he try to put an end to the sanctions, but he also wanted to present himself as a legitimate statesman to

do business with. Taking a leading role in the Arab World would offer the opportunity for rehabilitation on the international scene (Francis 2006: p.26).

However, Arab leaders rejected his efforts and respected the international sanctions including an arms embargo and flight restrictions. As a consequence, Gaddafi accused the Arab League of being incapable of defending Arab interests and called pan-Arabism an illusion. It was at this point, that Gaddafi turned to African heads of states that he had close ties with thanks to his financial and military support in the precedent decades. They took up a much more pro-Libyan stance, condemned and sometimes even ignored the international sanctions. Gaddafi's vision of a "United States of Africa", of which he wanted to become the leader, later led to the creation of the African Union (Nzisabira 2006: p.111).

In addition to Gaddafi's important role, also the interests of other African leaders have to be taken into account. The presidents of the two dominant states in Africa, Nigeria and South Africa, both came to power with reform packages of the OAU which were designed to serve their own economic interests. On the one hand, South Africa's president Mbeki and his predecessor Mandela tried to break the negative image of the country's apartheid past by playing a constructive and active role in inter-African diplomacy. For them, a peaceful and stable Africa was crucial for the South Africa's future as the continent's economic giant. Therefore, neoliberal strategies of economic liberalization were regarded as fundamental for achieving the objective of maximizing foreign direct investment. Over the years Nigeria's president Obasanjo had developed networks with important African leaders and Western donors through his African Leadership Forum initiative. His agenda also led to the establishment of major continental initiatives like the African Leadership Declaration and the Conference for Security, Stability, Development and Co-operation in Africa which were designed to develop a strategic vision for post-Cold War Africa. Both leaders agreed on central principles for reforming the OAU, namely stable, peaceful, democratic and accountable Africa based on civil society participation, progressive, leadership, good governance, respect for the rule of law and fundamental freedoms, and sustainable development based on good economic policies and management. Gaddafi's vision of a new continental organization thus offered the opportunity for Mbeki and Obasanjo to submit their own ideas and to find a financially strong contributor for the new initiative (Francis 2006 p.27ff).

### **3.1.2 The creation of the African Union**

During an extraordinary summit of heads of states in Sirte in 1999, a declaration visioning the establishment of the African Union instead of the United States of Africa was passed. The new organization was supposed to combine the Statute of the OAU and the Abuja Treaty which envisaged the creation of an African Economic Community (AEC). Following a number of additional summits, the Constitutive Act of the African Union entered into force during an OAU-summit in Lusaka in July 2001. One year later the first summit of the African Union was held in Durban (Nzisabira 2006: p.120).

Compared to the OAU the objectives stipulated in the Constitutive Act of the African Union are far more reaching and address a wider spectrum of policy fields. While still committed to some objectives of the OAU, like the intensification of cooperation to achieve better lives for African peoples, the defense of sovereignty and independence or the eradication of colonialism, new objectives include the acceleration of political and socio-economic integration, the promotion of democratic principles and institutions, popular participation and good governance; the protection of human rights; and coordination and harmonization between the various African Regional Economic Communities. The AU Charter also added some new principles with potentially large implications. They include the right of the African Union to intervene in member states under certain conditions; the condemnation and rejection of unconstitutional changes of government; the establishment of a common defense policy; participation by African people in the activities of the organization; and the promotion of gender equality (Maluwa 2012: p.42). While the OAU aimed at boosting decolonization and political independence, the AU rather focused on security and continental economic cooperation in the context of globalization.

## **3.2 Development Initiatives**

### **3.2.1 New Partnership for Africa's Development (NEPAD)**

One of the main innovations of the African Union which strongly related to the idea of market integration was the adoption of the New Partnership for Africa's Development (NEPAD) in 2001. Originally presented as New African Initiative (NAI), NEPAD was a merger of presidents' Mbeki, Bouteflika and Obasanjo's Millenium African Recovery Program (MAP) and President Wade's Omega Plan. Civil Society was to a large part excluded from participating in establishing the initiative (Francis 2006: p.131).

NEPAD is a "strategic framework for pan-African socio-economic development" ([www.nepad.org](http://www.nepad.org)) designed for "African countries to take full control of their development agenda, to work more closely together and to cooperate more effectively with international partners". NEPAD was created to address especially the problems of poverty, development and Africa's marginalization in the international economy. NEPAD focuses on six thematic areas: agriculture and food security; climate change and national resource management; regional integration and infrastructure; human development; economic and corporate governance; and cross-cutting issues including gender, capacity development and ICT ([www.nepad.org](http://www.nepad.org)). The expected overall development outcomes include: economic growth and development and increased employment; reduction in poverty and inequality; diversification of productive activities, enhanced international competitiveness and increased exports; and increased African integration (African Union 2001: p.14f).

NEPAD links peace, security, democracy, good governance and human rights and sound economic management to development (Bischoff 2008: p.185). Its main principles are good governance as basic requirement for peace, security and sustainable political and socioeconomic development, equal partnership between and among African peoples as well as with international actors, acceleration of regional and continental integration, and anchoring the development of Africa on its resources and the resourcefulness of its people. With regard to good governance and human rights, NEPAD is in line with the so-called Post-Washington consensus which views a competent state as prerequisite for the continent's recovery (Taylor 2010: p.53f).

Concerning subregional organizations on the continent, NEPAD emphasizes the importance of pooling resources and enhancing economic integration in order to become more

competitive, to end the marginalization of the continent in the global economy and to bridge the gap between Africa and the industrialized world. Therefore, the regional organizations needed to be strengthened, projects improving the provision of public goods should be financed and economic and investment policies harmonized. NEPAD also puts emphasis on capacity building for improving the effectiveness of existing regional structures and the rationalization of existing regional organizations (African Union 2001: p.20). Through NEPAD the African Development Bank has promoted the RECs as well as multilateral and bilateral initiatives aiming at enhancing inter-African trade and extra-continental exportation. NEPAD thus emphasizes global openness and trade liberalization in accordance with the Structural Adjustment Programs of the past (Tsheola 2010 p.46).

With regard to the Southern African context, NEPAD is embraced in SADC's Regional Indicative Strategic Development Plan (RISDP) agreed to in 2003 "as a credible and relevant continental framework, and this RISDP as regional expression and vehicle towards the ideals contained therein." (SADC 2003: p.5). The document also makes reference to the importance of Peace, Security, Democracy and Good Governance. Moreover, the RISDP identifies with "NEPAD's emphasis on inclusive participatory national economic policy process, good corporate ethics underpinned by the principles of openness, integrity and accountability, as well as enforcement of internationally accepted relevant codes and standards." (SADC 2003: p.6).

While NEPAD was welcomed by international actors like the EU, the WTO and the World Bank, criticism has also been raised on a variety of issues. According to Maloka (2006: p.87) critics can be categorized into two groups: On the one hand a cultural argument popular among Northern political scientists emphasizes the importance of neo-patrimonialism in African states. Unless this is understood properly, NEPAD is likely to fall short of expectations.

On the other hand, mainly African non-state actors like trade unions, the intelligentsia, or trade NGO networks, critically question the post-Washington consensus and Africa's integration into the world economy. They focus criticism around six major points: First, there is concern over the lacking participation of civil society and non-state actors in the process of developing NEPAD (Maloka 2006: p.88). In fact, NEPAD only has a well defined public profile in those countries that were most involved in the process of its development, i.e. South Africa, Nigeria and Senegal, and even there civil society was, according to them, not given the adequate opportunity to provide the project with sufficient legitimacy (Bischoff 2008:

p.186). Second, NEPAD's ideological and conceptual foundation in neo-liberalism and classic economics has been the center of much criticism. This reproduces the neoliberal economic policy frameworks advocated by the World Bank and the ECA which according to critics had devastating effects for the continent (Maloka 2006: p.88f). In the light of this, NEPAD is seen as a continuation of the Structural Adjustment Programs imposed by the World Bank and the IMF (Omotola 2010: p.126). Third, critics argue that instead of overcoming Africa's marginalization by integrating the continent into the world economy, one should recognize that Africa already is one of the most integrated continents in the global economy. Efforts should thus be put on challenging the form and terms of African integration into the global economy and its relations with the Bretton Woods institutions and transnational corporations (Maloka 2006: p.90). Fourth, there is opposition against conditionality including matters of corporate, political and economic governance imposed by western donors as they are regarded as a "reintroduction of adjustment conditionalities through the back door" (Maloka 2006: p.90). Another problem associated with this is the view that NEPAD was at the core a "deal between elites" (Taylor 2010: p.55) in which African leaders promised to hold each other accountable and committed themselves to the principles of good governance in return for financial support. Against this backdrop, NEPAD can be seen as an "attempt to guarantee continuation of resources flows to Africa in order to maintain the personal rule of various autocrats on the continent" (Taylor 2010: p.55f). Fifth, critics stress that NEPAD makes no reference to the large number of pan-African documents signed during the preceding years (Maloka 2006: p.91). They were based on the principles of "self-reliance, self-sustainment, socio-economic transformation, holistic human development and the democratization of the development process" (Adedeji 2002) which should not be compromised. Finally, criticism evolved around the relationship between NEPAD and the African Union, insofar as it was regarded as setting up parallel structures and thus posing a threat to pan-African unity (Maloka 2006: p.91).

With regard to relations between African countries and foreign powers, one has to critically question the notion of partnership enshrined in NEPAD. Critics argue that the term "partnership" is often used to "camouflage material processes of exploitation and unequal exchange" (Taylor 2010: p.55). One should thus take unequal power relations into consideration (Taylor 2010: p.55). Generalized norms of reciprocity, trust and guiding principles are crucial for the establishment of a true partnership. According to Omotola (2010) it is, however, doubtful whether NEPAD incorporates these features. Instead, what has been witnessed so far is "the desperation of a continent to go on begging" (Omotola 2010: p.123),



i.e. the continuation of aid dependence. Indeed, NEPAD's overall objectives can be qualified as outward oriented. In fact, some believe that the initiative mainly serves as a framework for improving relations with the West and to some extent with China rather than as an instrument to strengthen inter-African economic ties with the aim of promoting self-reliance and empowerment. The weight on outside expectations on the one hand entails a danger of dependence and on the other hand explains why civil society has not been included in the process of drafting NEPAD (Bischoff 2008: p.185f).

### **3.2.2 The African Economic Community (AEC)**

During the 1970s the problems of African underdevelopment were addressed at various meetings that focused on the continent's economic independence and sovereignty over national resources. In the course of these meetings, the call for economic integration became stronger. As a consequence, the Lagos Plan of Action was adopted in 1980 and envisaged the establishment of an African Economic Community (AEC) by the year 2000. Then, in 1991 51 out of 52 of the OAU member states signed the Abuja Treaty in 1991 which established the African Economic Community and entered into force in 1994 (Mbenge & Illy 2012: p.189f). In the process of developing the framework for the AEC, the UN-sponsored Economic Commission for Africa (ECA) played a crucial role (Francis 2006: p.24).

The main long-term objectives of the AEC were economic development and a better integration of Africa in global trade structures. With regard to the former, integration of African economies was to increase self-reliance and promote an endogenous and self-sustained development. For this purpose, the development, mobilization and utilization of human and material resources should be addressed through a continental framework. Cooperation should further be enhanced and policies among existing and future economic communities harmonized. In order to attain a better position in international trade, the AEC aimed at increasing competitiveness and integrating the continent into the world market. Ultimately, the Abuja Treaty also envisaged the establishment of an African Central Bank, an African Monetary Fund and a single African Currency (African Union: 1991: p.8f).

The integration logic follows the market integration model described above, with the eight Regional Economic Communities being the main pillars of integration. The first stage prescribes the stabilization of tariff and non-tariff barriers, customs duties and internal taxes

within the REC. This should have been concluded by 2007. At the second stage lasting until 2017, the RECs should remove all barriers within the community and establish a Free Trade Area. At the third stage, they should later transform into customs unions with common external tariffs. It is crucial, but in light of the different political and economic contexts equally hard, to ensure that the RECs attain this level at the same time. During a fourth two-year phase the RECs external tariffs should be coordinated and transformed into a single continent-wide Common External Tariff, while an African Common Market should be established by 2023. During this period common policies in areas like agriculture, transport and communication or industry shall be adopted; monetary, financial and fiscal policies harmonized; the free movement of persons and the rights of residence and establishment implemented; and common resources of the Community established. The sixth and final stage completes the integration process with the creation of the African Economic and Monetary Union by 2028 supported by the establishment of an African Monetary Fund and an African Central Bank with a single currency (Mbenge & Illy 2012: p.194f).

### **3.2.3 Relations between the AEC and the regional organizations**

The Lagos Plan of Action and the AEC treaty stipulated the creation of five Regional Economic Communities, i.e. one for each cardinal point – North, East, West, South and Central. However, there were no provisions regarding the exact geographical scope and the number of member states that would constitute a viable regional community. As a consequence, the RECs were established without the direct involvement of the OAU. Rather, strategic and political motivations were key in this process. In the course of time the RECs evolved and expanded outside of the 5 designated geographical regions (Karangizi 2012: p.240).

When the Treaty establishing the AEC was signed, many Regional Economic Communities had already been formed under their own treaties. Eight major RECs are recognized by the African Union, namely: the Economic Community for West African States (ECOWAS) established in 1975; the Common Market for Eastern and Southern Africa (COMESA) established as a Preferential Trade Area of Eastern and Southern States in 1981 and transformed into COMESA in 1994; the Southern African Development Community (SADC) transformed in 1992 from the Southern African Development Coordination Conference (SADCC) established in 1980; the Economic Community for Central African States (ECCA)

established in 1983; the Arab Maghreb Union (UMA) established in 1989; the East African Community (EAC) established in 1999; the Intergovernmental Authority on Development (IGAD) established in 1996 and initially created as Authority for dealing with Drought and Desertification (IGADD) in 1986; and the Community of Sahel-Saharan States (CEN-SAD) established in 1999. They constitute the building blocks for the AEC. Therefore each organization has signed the Protocol on Relations between RECs and the African Union (Karangizi 2012: p.232).

In addition, there are six organizations which also have an integration agenda but which are not considered as principal building blocks for the AEC, namely the Mano River Union (MRU); the Indian Ocean Commission (IOC); the West African Monetary Union (UEMOA); the Central African Economic and Monetary Community (CEMAC); the Economic Community of the Great Lakes (CEPGL); and the Southern African Customs Union (SACU) (Karangizi 2012: p.232).

The relations between the RECs and the AEC are formalized in the Protocol on Relations between the African Economic Community and the Regional Economic Communities signed in 1998. The main objective was to strengthen the RECs and promote coordination and harmonization of policies, measures, programmes and activities in order to facilitate the transformation in a continent-wide Economic Community (Karangizi 2012: p.240).

Many African states have multiple memberships in two or more regional organizations, as they have both economic and security interests a number of regions (Thonke & Spliid 2012: p.60). For half of the states, political and strategic reasons are the main drivers for joining more than one organization, followed by economic interests (35%) and geography (21%). This, however, comes with the danger of duplicating and overlapping activities leading to inefficient use of the already scarce financial resources. Coordination of African integration becomes increasingly complicated, scarce human resources have to be employed, markets are fragmented and unnecessary competition is promoted (Tavares & Tang 2011: p.223). Furthermore, one AU audit stressed that multiple membership leads to “irrational configurations, negotiating positions, and inconsistencies in harmonization and coordination of trade liberalization and facilitation” (African Union 2007: p.122). While thus far, states were free to join a number of regional organizations, the planned establishment of customs unions in the near future, will make this much more difficult (Thonke & Spliid 2012: p.60). In contrast to the general view that overlapping memberships are an obstacle to effective integration, Söderbaum (2004: p.83) argues “that from the perspective of market integration

this does not constitute a major problem as long as they contribute to the same goal of state deregulation, market liberalization and a deeper integration into the global economy”. He also views this argument as an explanation why donors have not demanded a strict rationalization of regional integration arrangements.

However, the regional organizations do not have a pure economic character. They have increasingly become involved in peace making, peace keeping and peace enforcement activities. A factor contributing to this development has been the increasing retrenchment of UN-missions resulting from a so-called ‘strategic overstretch’ in terms of resources and capacity to respond to the many crises in the world. As their peoples are the ones most affected by the regionalization of conflicts, regional organizations are well suited for conflict related activities. Their troops also have the advantage of profound knowledge of the conflict situation, including geography, culture, or language. Furthermore, they can be deployed on relatively short notice. In order to make them more effective donors have contributed to capacity building and provision of equipment through the EU-African Peace Facility or bilateral programmes mainly financed by Nordic countries (Francis 2006: 98ff).

One can witness the emergence of security regionalisms in which geographically proximate states decide to co-operate on security issues. According to Alagappa (1999, In: Francis 2006: p.114), this process increasingly takes places as a result of a general regionalization of world politics; the collapse of the Cold War security framework, the inability of one state to manage the multiple security challenges in combination with the emergence of regional powers and non-state actors; a desire of regional states to have greater control over their environment in the context of globalization; and the growth of economic regionalism. However, these security regionalisms are characterized by unequal power relations in which a dominant states or regional hegemons can determine the directions of smaller regional members. Furthermore, one has to keep in mind that interventions or the creation of regional security mechanisms can pose a problem to financially constrained states, as they divert resources which could be used for the country’s socio-economic development (Francis 2006: p.114).

United by the objective of ending marginalization but disagreeing over the actual institutionalization the heads of states reached a compromise that led to the creation of the OAU. Both the external environment and the interests of particular state actors then contributed to the transformation into the AU. NEPAD has a clear focus on promoting regional integration in Africa and emphasizes trade liberalization and global openness as instruments to improve Africa's position in the global economy and to end marginalization. It is based on the principles of good governance and aims at establishing a new form of partnership with international donors. For NEPAD, the Regional Economic Communities are crucial and should be strengthened and harmonized. SADC's Regional Indicative Strategic Development Plan (RISDP) embraces NEPAD as an important framework and refers to itself as a regional expression of NEPAD. Through NEPAD, the RISDP thus identifies with inclusiveness, participation and accountability as well as openness and the enforcement of internationally accepted standards.

Aiming at self-reliance and self-sustainability, the establishment of the African Economic Community (AEC) can be regarded as a framework for continental integration. To this end, Regional Economic Communities constitute important building blocks. Based on the market integration model, trade barriers should first be abolished within the RECs in order to establish an African Common Market by 2023. However, the fact that many countries have multiple memberships poses a challenge to deepening regional integration, especially when it comes to establishing a customs union. Furthermore, it is important to note that the RECs do not have a pure economic character but increasingly adopt policies related to security issues.

## **4 The Southern African Development Community (SADC)**

The following chapter deals with regional integration in Southern Africa and the integration policy of SADC in particular. The first part wants to explore the historical factors that led to the construction of the Southern African region. Therefore, emphasis will be put on the interests behind increasing flows of people, goods and capital. Then, the creation of SADCC and the transformation into SADC will be the center of attention. In the second part of this chapter it will be analyzed whether the current social, political and economic conditions in the region, which can be regarded as the outcome of the previously described construction process, are conducive to deeper integration in the future.

Subsequently, SADC's development and integration policies and their implementation progress will be presented. The main interest is to outline the features of SADC's policies since its establishment and to discuss the influence of state actors, civil society actors, business actors and external actors. In the third part of this chapter, emphasis will thus be put on the drastic shift from development integration to open regionalism. The fourth part will then analyze the interests and roles of different actors involved in the integration process. Therefore, the relevant actors are not regarded as separate but their interactions and interdependences and especially their dependence on external actors are highlighted.

### **4.1 The Construction of the Southern African Region**

#### **4.1.1 The Evolution of a South African centered region**

Struggles over territory, race, sovereignty and economic, social and political goals have significantly shaped the construction of Southern Africa in the past. Before the 15<sup>th</sup> century Southern Africa was inhabited by mostly small communities. Although the emerging kingdoms and political strongholds experienced wars and migration flows, external relations did not significantly affect everyday life. The regionness was thus low (Söderbaum 2004: p.55f). When Europeans arrived in 1482 with the objective of profiting from slave trade, their presence was limited to small armed settlements in coastal areas. These settlements were integrated into a colonial network based on naval trade. The areas occupied by Europeans can be regarded "as an extension of other spaces" (Niemann 2001: p.68), as they served as links to

other colonies around the globe. The settlements connected, for instance, Brazil to Portugal's other colonies over the Atlantic, or the Dutch possessions in the East Indies with other trade networks over the Indian Ocean. The Europeans thus integrated the region into a transcontinental colonial space (Söderbaum 2004: p.54ff).

Both ecological changes and pressure from the European settlers led to mass migration of indigenous people in the early nineteenth century. As a consequence, larger and more organized states with improved capabilities to control the production and flows of goods emerged. At the same time, the descendants of the first Dutch settlers moved to the North as they rejected the British takeover of the Cape Colony. Migration was thus an important regional factor in the 19<sup>th</sup> century. Moreover, the interest of foreign capital and particularly the mining industry played a crucial role for the construction of the region. When huge reserves of gold and diamonds were discovered during the "scramble for Africa" (Niemann 2001: p.69f) in the 1880s, foreign capital mainly targeted South Africa. European firms invested especially in the mining sector and contributed to the development of a railroad infrastructure designed to export resources to overseas markets. The newly established railroad system connected some regions in South Africa with the Southern African region. As a consequence, it became easier to travel and to transport goods to important markets within Southern Africa. The railroad system hence became an integrative factor tying the region closer together (Schicho 1999: p.141f). In the case of Mozambique, for example, the establishment of important railroad infrastructure and ports together with the booming mining sector in South Africa contributed in some cases to the development of local commercial and industrial centers around the year 1900. However, infrastructure projects were designed for the regional economy based on resource extraction and export orientation. The uneven concentration of investment led to a separated development of regions within the country. Designed for exportation towards South Africa and Rhodesia these transport lines still play a crucial role in Mozambique's economy today (Schicho 2013: p. 5).

The regional political economy was centered on the mines in South Africa and to a lesser extent in today's Zambia and Zimbabwe. For their functioning the abundance of cheap labor force was crucial. Therefore, harsh working conditions and regional migratory flows to the gold and diamond mines became an integral part of the regional economy (Niemann 2001: p.69f). While at the beginning the recruitment of cheap labor from outside South Africa was based on individual traders or agents, the system became more formalized at the dawn of the 20<sup>th</sup> century. In 1900 the Chamber of Mines established a recruiting organization called the

Witwatersrand Native Labour Association (WNLA) which focused its activities initially on Mozambique. An agreement between South Africa and the colonial government of Mozambique stipulated that in return for the right to recruit laborers, the railway freight rates between Maputo and Johannesburg and some customs duties would be lowered. Other recruitment organizations followed (Kowet 1978: p.87f). In summary, the regional space was characterized by a regional railroad system linking important centers of mining sector and patterns of migration to South African mines.

The end of the 19<sup>th</sup> century was characterized by the racialization of the region. One of the outcome was the formation of the South African Union in 1910 combining thus far separated states. As there was no consideration for non-white people it was constructed on the basis of race and group identity. This was even intensified by the Natives Land Act from 1913 which prohibited Africans from owning and renting land outside designated areas (Niemann 2001: p.70) and the Native (Urban Areas) Act from 1923. This must be seen in the context of pressure from mining and farming industries: Restricting Africans to congested reserves ensured a constant flow of migrant labor. Together with the neighbors' colonial government's policies of under developing African reserves, introducing taxes and establishing foreign recruitment organizations, this system served to push away internal Africans and pulling foreign migrant labor into the union to replace them (Kowet 1978: p.91f).

In this period the region played a critical part for the political economy. In the course of industrialization in South Africa and Rhodesia the region became ever more important as a market for manufactured goods. As a consequence, goods increasingly crossed regional borders. Moreover, both local and particularly British and German capital had circuited within the region and established infrastructure links and hence the physical structures of the region. To sum up, the Southern African region was "defined by an intricate web of relations which consisted of a flow of people (labour), commodities (increasingly manufactures) and capital (both of South African and foreign origin)." (Niemann 2001: p.70). However, "the region and the states were mutually consolidated in such a way that it was detrimental for the poor and beneficial to the interests of the white oppressors." (Söderbaum 2004: p.60). South Africa emerged as the dominant economy, with the other states having the role of peripheral service economies. In addition to labor migration, the region was tied together by land policies and legislation and large infrastructure projects designated for mineral production and cash crops. This system served the interests of mining and plantation capital, and cemented patterns of domination, subordination and racism (Söderbaum 2004 p.59f).



The period after the Second World War was dominated by apartheid, decolonization and the Cold War. External actors played an important role for the anti-apartheid struggle and the regional order. While the UN voiced criticism of the apartheid regime, major European powers and the United States remained rather silent and Britain was mostly worried about the dominant position of South Africa in the region, rather than the oppression of black people. On the one hand, the apartheid regime received support from the US administration, some European governments and a variety of lobby groups and foundations. On the other hand, the anti-apartheid coalition gathered Nordic countries and both European and American solidarity and popular movements on its side (Söderbaum 2004: 63f).

The apartheid regime did not only oppress black people in South Africa, it also pursued a regional destabilization policy targeting its opponents. Together with the Cold War proxy wars, these military conflicts had devastating effects on the regional infrastructure and development prospects of the region (Francis 2006: p.188). Politically rather independent but economically closely connected homelands should serve for South Africa as buffers against the rest of the African continent (Söderbaum 2004: 63f). When this strategy failed in the context of changed economic structures, the oil crisis and the rise of the anti-apartheid movements, South Africa was under pressure and reoriented its efforts towards the initiative of the Constellation of Southern African States (CONSAS). This organization aimed at promoting economic interdependence between South Africa and the rest of the region, the outcome being in fact increased dependence on the dominant economy of South Africa. For South Africa, this would have entailed a number of advantages like the neighbor states' reduced motivation to support liberation movements, a decreasing risk of international sanctions and the safeguarding of markets for South African businesses (Gibb 1998). Whereas it was strongly rejected by the neighboring countries, the idea of a South African centered region reemerged among certain actors at the beginning of the 1990s (Hentz 2005: p.28).

In conclusion, the Southern African region was especially constructed through migration and the railroad infrastructure which facilitated the flow of goods and people. When foreign capital was invested in the thriving South African mining sectors, the provision of labor force became increasingly important. Therefore, patterns of labor migration from the region to the South African mines became institutionalized through recruiting agencies. Moreover, the regional infrastructure and the railroad system in particular were improved in order to transport goods to important ports for overseas markets. South Africa became the dominant

regional economy. When the apartheid regime pursued aggressive policies towards its neighbors and increasingly introduced racist legislation that benefitted the white minority, other countries in the region decided to cooperate in order to break South Africa's dominance (see later in this chapter). The next section will give an overview of regional integration initiatives in Southern Africa.

#### **4.1.2 Regional integration initiatives in Southern Africa**

##### **The Southern African Customs Union**

The first step towards regional integration was the creation of a customs union between the Cape Colony, the Orange Free State, Botswana and Lesotho in 1893. It entailed free trade, a common external tariff and equitable distribution of customs revenues. Swaziland joined in 1910 through a customs agreement with the Union of South Africa. At this point, the customs revenues were pooled together and their distribution was based on the 1906-1908 import levels. The distribution system allocated 1.31% of revenues to Botswana, Lesotho and Swaziland, while South Africa received the rest. However, there was no mechanism to adjust the revenues distribution to changing import patterns until 1965. Consequently, the three countries were deprived from additional customs revenues over the years. In addition, South Africa imposed import restrictions especially on cattle and in 1925 also on manufactures and thus violated the principle of free trade and free interchange of goods enshrined in the customs union agreement. While being entirely dependent on the South African market and the South African railway monopoly, the three countries subsidized South African businesses by purchasing uncompetitively priced South African goods and faced export restrictions. Exempt from these restrictions was the flow of labor which increased over the years (Kowet 1978: p.112ff).

In addition to the restrictions Botswana, Lesotho and Swaziland were in a monetary union with South Africa "without any formal agreement" (Kowet 1978: p.136). Consequently, the three countries faced major disadvantages like the loss of control over monetary policy – which was mainly designed to the advantage of South Africa –, the loss of income from foreign exchange reserves or the loss of control over capital flows. As a result of the restrictions, the economic gap between South Africa and the other three countries widened.

The dissatisfaction among the BLS countries increased over the years, which led to the new negotiations of the distribution system after independence in 1968. The new agreement provided for clauses favoring the less developed members: The agreement increased the share of revenues of the thus far disadvantaged countries and foresaw measures to protect infant industries. However, SACU was from the outset designed as a mechanism for South Africa to extract cheap labor and raw materials from its neighboring countries (Kowet 1978: p.112ff).

### **The creation of SADCC**

In the context of the apartheid struggle and as a result of the devastating effects on infrastructure, growth, trade and development, a regional security mechanism emerged that was based on the cooperation between countries opposing the South African apartheid regime (Francis 2006: p.188). In the context of the Rhodesia conflict, representatives of Tanzania, Zambia, Botswana and Mozambique decided to co-ordinate their regional policy in 1974. As a result, the organization of the Frontline States (FLS) was established which Angola and Zimbabwe joined in 1976 and 1980. The common objective was to counter South African dominance through a strategy of coordination among the independent Southern African states (Ressler 2007 p.44).

Against this backdrop, the Southern African Development Coordination Conference (SADCC) was created in 1980. It aimed at boosting regional integration and economic ties among member states in order to counter South Africa's dominant position (Francis 2006: p.190). For this purpose, emphasis was put on intergovernmental organization and functional coordination for specific projects in a number of sectors. Due to the project specific cooperation and the fact that sovereignty was meant to stay untouched, the organization can be characterized as cooperative rather than integrative (Ressler 2006: p.44ff). It consisted of the Summit, the Council, the Standing Committee of officials and the Secretariat (Saurombe 2009: p.100).

SADCC pursued a strategy of development integration that aimed at improving industrial productive capacity and conducting infrastructure projects in a coordinated manner. One of the reasons why trade integration did not become the preferred option at that time was the fact that there was little to trade with among SADCC members due to the similarity of their economies (Niemann 1995: p.139). Despite some successes, like the creation and military

protection of the Beira-corridor linking Mutare in Zimbabwe and Beira in Mozambique through railways and oil-pipelines or some infrastructure projects, the objective to break the structural and economic dependence of South Africa was not attained. Nevertheless, SADCC was an important step for regional integration in Southern Africa, as it represented the first structured cooperation of regional significance between independent states (Ressler 2006: p.44ff). Moreover, the emergence of a sense of mutual interdependence, solidarity and common values on how to fight a common enemy was fuelled by the anti-apartheid struggle. Finally, a regional security complex was established through the confrontations between the FLS and apartheid South Africa (Francis: 2006: p.183).

According to Söderbaum (2004: p.63), SADCC was “explicitly designed as an instrument to mobilize development assistance in the region as part of the anti-apartheid struggle”. For some donors, supporting SADCC was a means to compensate for the fact that they were still keeping up economic ties with apartheid-South Africa and resisting sanctions. This was the result of the Cold-War dynamic in which South Africa successfully framed its racial oppression as crucial for the struggle against communism (Söderbaum 2004. p.63). The Front Line States also played a major role in countering Cold-War propaganda, especially from the US, Great Britain and Germany which portrayed South Africa’s apartheid regime as a bastion against communism. Due to their history, the sovereignty of the FLS has long been viewed in a regional context and rhetoric commitments were also followed by economic, military and political support (Thompson 2000: p.50).

### **The transformation into SADC**

Around 1990 a variety of factors led to a change in South African politics. The end of the cold war marked a reducing interest of both sides in Africa and a de-escalation of potential conflicts. Furthermore, Namibia gained independence in 1990. The rising economic costs resulting from the apartheid regime’s aggressive strategy together with the international isolation increasingly became a threat for the white population in South Africa. In the light of this, the South African Klerk-government initiated reforms and decided to enter into negotiations with the African National Congress (ANC) led by Nelson Mandela. As a consequence, South Africa was re-accepted into the international community (Ressler 2006: p.48f).

Moreover, SADCC member states were afraid that after the end of apartheid Western donors would lose interest in the region and disengage. This came with the fear that SADCC would become irrelevant and that South Africa could even consolidate its dominant role by becoming a regional donor. Hence, SADCC's main concern was to maintain the cooperation framework with Western donors after the end of the apartheid regime in order to make sure that the flow of financial resources would be sustained. Combined with changing donor priorities in the early 1990s, now increasingly emphasizing regional institutions, SADCC member states had incentives to push the integration process ahead (Pallotti 2004: p.515). Furthermore, the AEC-Treaty aiming at continental integration and assigning a crucial role to Regional Economic Communities had just been signed in 1991.

In the light of this, a major step for regional integration perspectives in Southern Africa was the Windhoek Declaration signed in 1991. It allowed for South Africa's accession to SADCC which changed its name to Southern African Development Community (SADC). With the end of the apartheid regime, South Africa's isolation was no longer justified and there were hopes that the whole region could benefit and gain dynamic from the country's impressive economic strength. Instead of reducing independence from South Africa, region-wide integration, including the former pariah-state, became the center of attention (Ressler 2006: p.48f). The foundation for this process was market integration aiming at integrating the whole region into the global economy. Following a neo-liberal development agenda, trade became the main component for achieving the economic objectives (see Chapter 4.3). In addition, the establishment of regional institutions should help facing regional challenges "in a coherent and unified approach, thus recognizing the link between peace, security, stability and regional development" (Francis 2006: p.190).

In the post-apartheid era, Nelson Mandela became the chair of SADC. Regionalism was now taking place in a different context characterized by political and economic (neo)liberalism, structural adjustment and economic globalization which has led to a new power balance between state, market and society actors. These new configurations were affecting the political economy of regionalism. External actors still play a crucial role in regional integration today, mainly through international capital and international aid. Their influence also has implications for the process of regionalization and the strategies chosen. According to Söderbaum (2004: p.67), donors' interests have moved from Cold War and apartheid towards the promotion of market liberalization, state deregulation and democracy. "This has, in turn, resulted in a transcendence of state-centric policy strategies in favor of neoliberal

policies and the formation of ‘partnerships’ with states, private markets and civil society actors.” (Söderbaum 2004: p.67).

## **4.2 Conditions for regional integration in Southern Africa**

The next section will provide an overview of the social, political and economic conditions in the region. It will be analyzed which factors are promoting or hampering regional integration in Southern Africa. Especially the economic configuration of the region and South Africa’s dominant position can be regarded as the outcome of the historical construction process described in chapter 4.1. Many of the challenges described below, like production structures and the HIV/AIDS pandemic are also addressed through the Regional Indicative Strategic Development Plan (RISDP) adopted by the SADC-Secretariat in 2003.

### **4.2.1 Social conditions**

Regional cooperation and integration are believed to be more effective in situations where countries face common or transnational problems that can be tackled with a joint response. One common challenge in Southern Africa is for example transnational crime, especially corruption, drugs and arms trade. Criminal networks increasingly span over territorial boundaries and create the necessity to react with a common regional response. Furthermore, the region has for a long time been characterized by strong migration flows, especially labour migration. At the backdrop of the political will voiced by the heads of states to facilitate the movement of people and goods, it becomes ever more important to define common policies towards migration. One of the main challenges for Southern Africa is the high HIV/AIDS prevalence rate which not only affects the infected persons but also hampers socio-economic development through the decrease in young workforce and income (Ressler 2006: p.74f). Estimates, dating back to 2009, show that Southern Africa is the region with the highest prevalence rates in the world. Swaziland (25,9%), Botswana (24,8%), Lesotho (23,6%), South Africa (17,8%) and Zimbabwe (14,3%) are the most affected countries in the region (CIA Factbook). Ressler (2006: p.74f) also mentions the preponderance of Christianity as common religion and the absence of major religious tensions with the exception of Tanzania, as

additional social factors creating a sense of community and thus providing incentives for regional integration.

However, there are also strong disparities of socio-economic development between societies, with the southern countries being relatively rich and the northern countries rather poor (Ressler 2006: p.81). When comparing the regional values of the Human Development Index (HDI), one can see a large gap between the most and the least developed countries in Southern Africa (Table 1). The HDI is a combination of life expectancy, education and gross national income indicators and ranges from 0 to 1. With a score of 0,81 the Seychelles rank first, followed by Mauritius (0,74) and Botswana and South Africa which both have a HDI of 0,63. At the other end of the spectrum, the Democratic Republic of Congo is the least developed country with a HDI of 0,3. Also Mozambique (0,33), Zimbabwe (0,4) and Malawi (0,42) are among the least developed countries in the region. During the last decades Angola, Tanzania, Mozambique and Malawi have experienced the sharpest increase. Swaziland, the DRC, Lesotho, Namibia, the Seychelles, South Africa, Zambia and Zimbabwe have only experienced a slight improvement or have remained stable. It is striking that the HDI of Malawi, Lesotho, Zimbabwe and the DRC has actually decreased during the 1990s but recovered between 2000 and 2011 (<http://hdrp.undp.org>).

	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>2012</b>
<b>Angola</b>			0,38	0,50	0,51
<b>Botswana</b>	0,45	0,59	0,59	0,63	0,63
<b>Congo (Dem. Rep.)</b>	0,29	0,30	0,23	0,30	0,30
<b>Lesotho</b>	0,42	0,47	0,43	0,45	0,46
<b>Madagascar</b>			0,43	0,48	0,48
<b>Malawi</b>	0,27	0,30	0,35	0,41	0,42
<b>Mauritius</b>	0,55	0,63	0,68	0,73	0,74
<b>Mozambique</b>	0,22	0,20	0,25	0,32	0,33
<b>Namibia</b>		0,57	0,56	0,60	0,61
<b>Seychelles</b>			0,77	0,80	0,81
<b>South Africa</b>	0,57	0,62	0,62	0,62	0,63
<b>Swaziland</b>		0,53	0,50	0,53	0,54
<b>Tanzania</b>		0,35	0,37	0,47	0,48
<b>Zambia</b>	0,41	0,40	0,38	0,44	0,45
<b>Zimbabwe</b>	0,37	0,43	0,38	0,37	0,40

Table 1: HDI per country between 1980 and 2012

#### 4.2.2 Political conditions

Many of the states in the region are characterized by strong and autocratic leaders, also described as personal rule. Such personalized systems of governance often serve the interests of the ruling heads of state and a small number of elites. For them, regime survival is the main objective and motivation for engaging with regional organizations (see Chapter 4.4.1). It is striking that, although SADC-member countries have formally passed constitutional limits of tenure, some rulers like Eduardo dos Santos of Angola or Robert Mugabe of Zimbabwe have been in office for more than 20 years. Unconstitutional changes of power, like the coup-d'état of Andy Rajeolina in Madagascar, have also taken place. However, the case of South Africa also illustrates that autocratic political systems have been replaced by liberal democracies in which the limits of tenure are respected. Botswana and Mauritius are also considered as stable democracies holding regular elections and conducting peaceful transitions of power. "In general, democratic and autocratic developments are rather evenly balanced in the SADC



region” (Peters 2010: p.265). Putting emphasis on the importance of common values for boosting regional organizations, Nathan (2002: p.62) argues that together with a division of states into pacific and militarist orientations in their foreign policies, the divide between democratic and autocratic states can be a hampering factor for the creation of supranational institutions like a common foreign policy. Autocratic regimes can also hinder state-building. In general, many states in Southern Africa are “weak” states, meaning that political structures are lacking assertiveness and attractiveness in order to secure legitimacy in the long run. While most states are capable of using their monopoly of force in order to enforce coercive measures, they lack the infrastructural power to establish a functioning tax system, fight corruption, provide health services or to implement their constitutional provisions regarding rule of law (Ressler 2006: p.84f).

The crisis in Zimbabwe illustrates how an internal conflict can have negative effects for the region. In the case of Zimbabwe, there was the threat to split SADC into a pro-Mugabe and an anti-Mugabe group. Additionally, migration flows leaving Zimbabwe were increasingly posing challenges to the neighboring states which did not dispose of adequate institutions to cope with the large number of people entering the countries. An economic collapse of the country would also have drastic effects for the whole region (Ressler 2006: p82f).

### **4.2.3 Economic conditions**

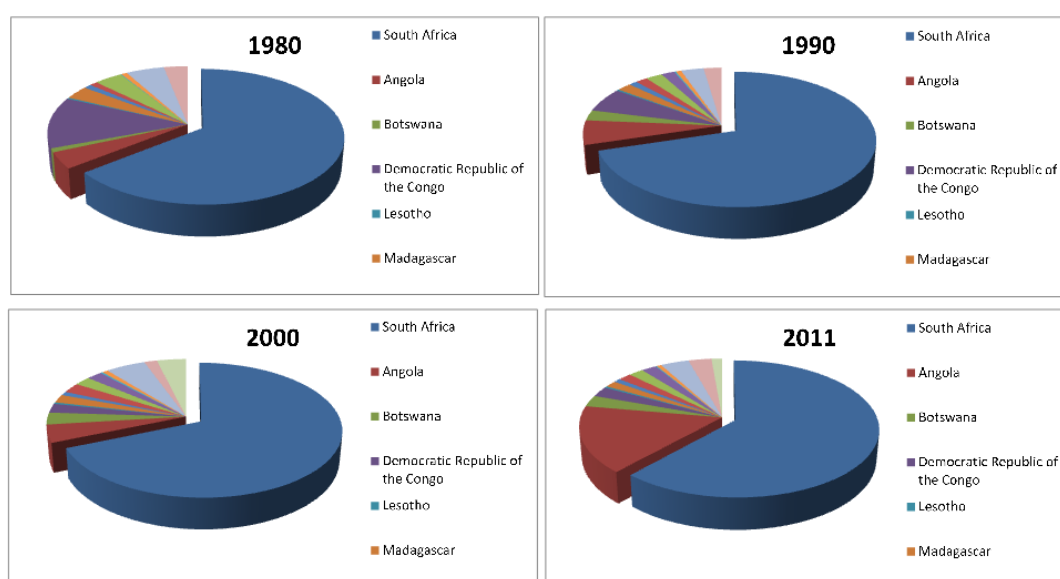
#### **4.2.3.1 Production structures in the SADC Region**

Graph 1 shows that for the last three decades the regional economy has been characterized by a dominance of South Africa. Between 1980 and 1990 the South African share of total GDP in the region has increased from 64% to 70% and then remained stable. At the beginning of the 21<sup>st</sup> century the relative importance of South Africa decreased to 62% in 2011 mainly due to Angola’s strong growth (IMF 2013).

The SADC-region is characterized by a limited degree of complementarity of economic structures. Minerals and agricultural raw materials dominate the production of most member states. To a very large extent capital and intermediary goods have to be imported. In general, SADC is characterized by a (relatively) strong, though in the past falling, tertiary sector and a growing secondary sector (Peters 2010: p.210).

Being the drivers of trade-based regional integration, especially the manufacturing sector is of high importance. However, apart from South Africa the manufacturing sector as a share of total GDP is only higher than 10% in Malawi, Mauritius, Mozambique, Namibia and Zambia which are all relatively small economies. Besides South Africa, a strong industrial basis for the large-scale production of consumer goods like textiles and processed food is only available in Mauritius which is the second most industrialized country in SADC. While Mauritius was mainly a producer of sugar in the 1970s, the country has diversified production into tourism, textile production and food processing during the last decades (Peters 2010: p.210f).

Many SADC countries are important producers of mineral or agricultural raw materials, as the region is one of the most resource-rich regions in the world and disposes of resources of strategic importance for many industrialized countries. However, the actual value-added in the region is quite low, as processing opportunities are limited because of insufficient industrial facilities. This is one of the consequences of the exploitative structures that were established in the past. They are still relevant today and contribute to the region's integration into the global economy as exporter of raw materials and importer of capital and consumer goods. Due to globalization this position has been consolidated as rising commodity prices have increased revenues and profits. However, the investment rate remained low which indicates that local processing of raw materials remains a challenge (Peters 2010: p.213).



Graph 1: share of GDP per country between 1980 and 2011

#### **4.2.3.2 Trade and investment structures**

As most countries specialize in the same sectors, namely the production of minerals and agricultural raw materials and because of the small size of most manufacturing sectors, the potential for intra-regional trade seems limited. Between 1995 and 2005 intra-regional trade only averaged at around 10% of total trade. Due to South Africa's dominant economic position and its role as main provider of consumer and capital goods, most countries have a trade deficit with the SADC as a whole (Peters 2010: p.214). South Africa is the main trading partner for almost all SADC members. However, the most important countries for South African imports and exports are outside Africa, i.e. in Europe and the US. Due to South Africa's diversified and industrialized economy as well as its good infrastructure, the country is regarded as a bridge for foreign investors interested in the region (Ressler 2006: p.116).

Inter-regional trade has been quite low, however increasing during the past decades (Ressler 2006: p.117). One of the reasons is that on the one hand the strong South African economy is mainly oriented towards Europe and the US. On the other hand, the rest of the SADC countries mainly trade with South Africa and extra-African markets instead of their neighboring countries as their income is lower.

Table 2 illustrates the importance of South Africa and the European Union for both imports and exports of SADC member states today. South Africa is the most important origin of imports for seven of the twelve member states in the table. Import dependence on South Africa is especially strong in Lesotho (95,2%), Swaziland (81,4%) Namibia (75,8%) and Botswana (65,7%) which are all members of SACU. Among the non-SACU members particularly Zimbabwe (56,2%) Mozambique (33,6%) and Malawi (25%) source their imports mainly from South Africa (WTO).

With regard to exports it is striking that, while there is no doubt that South Africa is an important export destination, the region is mainly exporting to the European Union which is the main export market for 8 out of the twelve SADC members. Furthermore, South African trade accounts for 68,1% of intra-SADC exports while only for 46,2% of total SADC-exports illustrating the close links between South Africa and its regional trading partners. Angola on the other hand only accounts for 8,5% of intra-SADC exports but for 31,2% of total SADC-exports (Sandrey 2013: p.7).

2011	Imports from SA		Exports to SA		Imports from EU		Exports to EU	
	Ranking	% share	Ranking	% share	Ranking	% share	Ranking	% share
<b>Botswana</b>	1	65,7	2	13,5	2	13,2	1	65,2
<b>Lesotho</b>	1	95,2	1	48,9	3	1,6	4	1,9
<b>Madagascar</b>	4	5,8	-	-	2	16,6	1	54,3
<b>Malawi</b>	1	25,0	4	8,2	2	12,6	1	29,8
<b>Mauritius</b>	4	7,1	3	7,7	1	23,6	1	63,1
<b>Mozambique</b>	1	33,6	2	16,2	2	21,6	1	52,9
<b>Namibia</b>	1	75,8	2	29,1	2	8,6	1	35,6
<b>Seychelles</b>	5	6,2	-	-	1	29,7	1	40,9
<b>Swaziland</b>	1	81,4	1	79,8	3	2,7	2	13,9
<b>Tanzania</b>	-	-	2	18,1	1	14,0	4	12,1
<b>Zambia</b>	-	-	-	-	1	30,6	1	22,3
<b>Zimbabwe</b>	1	56,2	1	67,2	4	5	2	6,3

Table 2: Import and Export Structures

Increased regional investment also deepened economic integration in the SADC region. However, uneven investment patterns also contribute to economic polarization. Only between 1997 and 2001, did South African investment quadruple from 5.983 million SA Rand to 24.149 SA Rand. In this period South Africa has increasingly focused its business activities on the region and raised investment to the region as a share of total South African investment in Africa from 63,3% in 1997 to 90,1% in 2001. Here it is important to note that South African investment to the region is uneven and is concentrated in a number of countries and specific regions. While investment to Malawi and Zimbabwe has been stable during that period, Botswana, Namibia, Lesotho and Swaziland have decreased in importance. Zambia has witnessed a strong increase at a low level while, in general, Mauritius and Mozambique were the main destinations of South African investment (Palotti 2004: p.525f). But also within the countries investment patterns have increased polarization as illustrated in the case of Mozambique. 85% of South African investment into Mozambique was concentrated in the Maputo region. This trend was even reinforced through the creation of the Maputo Development Corridor in the early 1990s. A sectoral analyses shows that 76,9% of investments were mainly concentrated in metal production, mineral beneficiation and the mining and quarrying sector. South African investment into Mozambique is capital incentive and concentrated in those sectors which do not have any significant forward and backward linkages with the rest of the host economies (Palotti 2004: p.526f).

With regard to the region's dependence on donor funds Table 3 shows that the majority of the SADC member states are characterized by a high ODA to GNI ratio compared to other Sub-Saharan countries. With the exception of the DRC, Lesotho, Swaziland and Zimbabwe all countries experienced a decline or remained more or less stable between 2000 and 2011. The countries most dependent on ODA are the DRC (38,48%), Mozambique (16,73%), Malawi (14,64%) and Tanzania (10,32%). Angola, South Africa and Botswana on the other hand are the countries with the lowest dependence.

Country/Year	1980	1990	2000	2011
<b>Angola</b>		3,24	4,06	0,22
<b>Botswana</b>	10,38	3,94	0,58	0,76
<b>Congo, Dem. Rep.</b>	3,06	10,44	4,52	38,48
<b>Lesotho</b>	13,41	15,37	3,61	9,08
<b>Madagascar</b>	5,71	13,42	8,41	4,54
<b>Malawi</b>	12,41	27,23	26,13	14,64
<b>Mauritius</b>	2,97	3,36	0,44	1,61
<b>Mozambique</b>	4,71	42,15	22,24	16,73
<b>Namibia</b>		5,01	3,86	2,18
<b>Seychelles</b>	15,14	10,01	3,97	2,07
<b>South Africa</b>			0,37	0,36
<b>Swaziland</b>		4,57	0,84	3,36
<b>Tanzania</b>		28,56	10,52	10,32
<b>Zambia</b>	8,82	15,78	25,66	5,80
<b>Zimbabwe</b>	2,46	3,93	2,78	7,83
<b>Sub-Saharan Africa</b>	2,96	6,28	4,00	3,93

Table 3: NET ODA as % of GNI

As shown above, the Southern African region is characterized both by conditions facilitating and hampering regional integration. On the one hand, transnational crime, migratory flows, or the potential negative effects of conflicts provide incentives for coordinated regional responses. On the other hand, Southern Africa is also characterized by a high degree of inequality of economic capabilities. South Africa is both the dominant producer and the main provider of manufacture goods in the region. Regional exports are mainly oriented towards extra regional markets, in particular the European Union. While trade in manufactured goods is regarded as the main driver for regional integration, many countries are dependent on the extraction of raw materials and lack processing capabilities. The similarity of economic structures thus constitutes an obstacle to effective regional integration. Furthermore, there is both a large regional gap with regard to development indicators as well as political systems ranging from democracies to autocratic regimes.

## **4.3 SADC's approach to regional integration**

### **4.3.1 The early adoption of a development integration model**

The transformation of SADCC into SADC and the subsequent evolution of the regional organization came with changes in the organizational structure for economic governance. Due to the historical experience with inequalities deriving from market cooperation, examples being the BLNS states in the Southern African Customs Union (SACU) or Tanzania in the East African Community, SADCC originally refused the market integration model (Hentz 2005: p.28). SADCC rather emphasized the importance of developing productive capacities before attaining a rising level of intra-regional trade. The organization favored a strategy of dirigist import substitution industrialization, coupled with the equitable distribution of costs and benefits. Initially SADCC thus pursued a development integration approach (Söderbaum 2004: p.70)

With regard to the economic model pursued by SADCC it is important to note, however, that since the late 1980s the organization has undergone a reorientation phase and put increasing emphasis on the market and the private sector in the development process. While the industrial strategy adopted in 1989 still included the objectives of reducing dependence on South Africa and of transforming the region's productive structures, the organization now stressed the importance of strict macroeconomic policies, privatization and regional trade liberalization as instruments for regional industrialization. This shift towards more private-led policies ensured the industrial strategy's alignment with the ongoing conditional Structural Adjustment Programmes, while at the same time the organization continued to portray itself as striving for self-reliance and independence from South Africa (Pallotti 2004 p.516).

In practice, SADCC conducted multilateral negotiations in those sectors in which the region already had quite a high degree of interdependence and from which the most trade-offs were expected (Hentz 2005: p.28). Cooperation was focused on decentralized project coordination especially aiming at developing infrastructure (Ressler 2006: p.121). Therefore, a sectoral approach with each member state being responsible for one sector like energy, mining, industry, etc. was chosen. SADC later took up this sectoral approach and maintained a focus on infrastructure projects in the 1990s. In order to improve infrastructural links, emphasis was put on cross-border infrastructure projects like the Trans-Kalahari-Highway linking the port of Walvis Bay in Namibia with Mozambique's capital and main port Maputo via Botswana

and the economic region surrounding Johannesburg. Other projects like the Lesotho-Highland-Water-Project or the Southern African Power Pool, for which SADC is often given credit for, were, however, rather the outcome of private business cooperation and bi- or trilateral agreements. SADC succeeded in establishing an organizational and structural framework for inter-state cooperation for the coming years. Its juridical and organizational foundation not only facilitated further regional integration efforts, but it also increased the organization's credibility as a responsible interlocutor for international organizations like the EU. As a result, SADC was increasingly attractive for donors. Furthermore, the organization succeeded in formulating a framework for economic integration which will be discussed in the following section (Ressler 2006: p.122).

#### **4.3.2 The adoption of a market integration model**

The founding Treaty signed in 1992 stipulates the objective of equitable inter-state cooperation using the framework of development integration. Transcending the pure neoclassical model of market integration, economic liberalism should be accompanied by socio-economic coordination and planning by SADC, hence regulating the market forces and mitigating the effects of rapid liberalization (Ressler 2006: p.122). Accordingly, the preamble of the SADC Treaty names as one of its responsibilities "to promote the interdependence and integration of our national economies for the harmonious, balanced and equitable development of the region" (SADC 1992: p.3). Article 5 outlines the objectives of the organization, including amongst others economic development and poverty alleviation, peace and security, maximization of productive employment and the promotion of "self-sustaining development on the basis of collective self-reliance, and the interdependence of Member States" (SADCC 1992: p.5).

In order to promote integration and to put the regionalist rhetoric into practice, a number of protocols covering the joint use of water resources, energy, tourism, trade, mining, human resources, transportation, communication and meteorology, the fight against drug trafficking, immunity and diplomatic privileges were ratified (Ressler 2006: p.123). The most important document for economic integration is the Protocol on Trade. Its objectives include the liberalization of intra-regional trade "on the basis of fair, mutually equitable and beneficial trade arrangements, complemented by Protocols in other areas" (SADC 1996: Article 2), effective production based on comparative advantages of member states, improving



investment climate, promotion of economic development, diversification and industrialization and the establishment of a Free Trade Area (SADC 1996). For this end, it stipulates the reduction of 85% of mutual tariffs by 2008 and the abolition of all tariffs among member states by 2012, only excepting of the DRC (Ressler 2006: p.123). As a response to concerns of SADC-members about a consolidation of South Africa's dominant position resulting from economic liberalization, the protocol provides for an asymmetrical reduction of industrial tariffs. They mostly concern clothing and textile sectors in which South Africa agreed to make the fastest and deepest tariff cuts. Moreover, provisions were made for infant industry protection measures designed for granting industries time to grow before facing competition with already established businesses (Alden and Le Pere 2009: p.154). To sum up, both the SADC Treaty and the Trade Protocol include important features similar to the development integration model.

Söderbaum (2004: p.71), however, attests that the provisions for balance, equity and mutual benefit enshrined in the organization's commitments to development integration, remained mere rhetoric. According to him, the few planned balancing measures like budgetary transfers, the establishment of a regional development fund and postponed trade liberalization are actually in conformity with the neoclassical model of market integration, while introverted strategies for industrial development have been abandoned. In fact, open regionalism and market liberalization have become the guiding principles in Southern Africa. Therefore, two components can be regarded as the foundation for regionalism: on the one hand, the underlying assumption that any regional trading bloc in Africa would be too small to generate economic development postulates, that not just internal but also external liberalization should be the ultimate objective of the regional organization. This is in line with open regionalism and aims at the region's integration into the global economy. On the other hand, market integration is influenced by neoliberal ideology calling for a retreat of the state and deregulation. While state intervention is regarded by many policy makers as distortion, market forces are portrayed as engine for economic development. The state should thus be limited to a minimum and focus shall be put on efficiency (Söderbaum 2004: p.71). Indeed, the change towards an approach focused on the market needs to be seen in the context of conditionality programmes of International Financial Institutions aiming at economic liberalization. In combination with the debt crisis and the high dependency on external funding, the organization was increasingly willing to adopt EU-style institutions promoting regional market integration (Lenz 2012: p.162). The adoption of institutions similar to those of the EU will be discussed in Chapter 5.5.

Furthermore Pallotti (2004: p.520) notices that regional trade liberalization as the only instrument for economic development has led to the isolation of each member state at the regional level, the reason being tensions arising from competition between member states over access to the South African market. He further argues that “the liberalization of regional trade has remained an end in itself and has compounded the international (the increased economic competition under globalization), regional (the end of apartheid in South Africa), and national (the effects of the structural adjustment programmes) pressures that each SADC member state has to face.” (Pallotti 2004: p.520).

#### **4.3.3 The Regional Indicative Strategic Development Plan (RISDP)**

In 2001 SADC opted for an institutional reform and transformed the various sectoral cooperation mechanisms into clusters under four directorates under the SADC Secretariat. The clusters include Trade, Industry, Finance and Investment; Infrastructure and Services; Food, Agriculture and natural resources; and Social and Human Development and Special Programmes. On a regional level they are coordinated by an Integrated Committee of Ministers (ICM), while SADC national committees coordinate the national interests of member states. Furthermore, a Troika system and the Organ on Politics, Defence and Security were introduced. In 2001 the SADC-Secretariat was also assigned the task of preparing the Regional Indicative Strategic Development Plan (RISDP) (SADC 2003).

The Regional Indicative Strategic Development Plan (RISDP) approved in 2003 is a strategic framework for regional integration between 2005 and 2020. It outlines priority areas and policies important for eradicating poverty and achieving other economic and non-economic development goals. With regard to the regional and global context, it makes reference to NEPAD and the AEC, as well as the process of globalization. The WTO agenda, the Cotonou Agreement with the EU and the USA’s Africa Opportunity Act (AGOA) are described as “key challenges and opportunities for SADC” (SADC 2003: p.5). Their implications for SADC and especially the importance of the Cotonou Agreement between the EU and the ACP countries will be discussed below.

The RISDP aims at “maintaining a development integration strategy” (SADC 2003: p.7). However, in the light of the strong economic and political differences between member states, it also emphasizes the importance of a flexible approach towards deeper integration and

implementation of policy reforms. In line with NEPAD, it stresses the significance of good political governance, democracy and security as well as good economic and corporate governance emphasizing sound macroeconomic management; transparent public financial management and accountability, banking supervision and financial regulation; and best practice corporate governance. Based on NEPAD the document furthermore subscribes to the principles of “openness, integrity and accountability, as well as enforcement of internationally accepted relevant codes and standards” (SADC 2003: p.6). In order to achieve its objectives the RISDP outlines 12 priority intervention areas including, amongst others, poverty eradication; combating of the HIV and AIDS pandemic; private sector development; trade, economic liberalization and development; infrastructure support for regional integration and poverty eradication; and human and social development (SADC 2003).

Of particular relevance for this paper is the target area of trade, economic liberalization and development. Referring to success stories of other regional groupings, the RISDP highlights the need for combining small markets to achieve economies of scale and efficiency gains in the production process in order to compete in the global market. In line with the objectives of the AEC, the RISDP therefore foresaw the establishment of a Free Trade Area by 2008, a Customs Union by 2010, Common Market by 2015 and a Monetary Union by 2016. Moreover the plan also mentions the objective of establishing a Monetary Union in the long run through macroeconomic convergence, stable and harmonized exchange rates systems, liberalization of the capital and current accounts transaction and the adoption of market oriented approach to the conduct of monetary policy. Furthermore, the RISDP aims at attracting Foreign Direct Investment and boosting the competitiveness in industrial and mining and other productive activities crucial for participating in the world market. The RISDP foresees the implementation of industrial development strategies for the purpose of achieving an export growth rate of 5% annually especially in non-traditional export sectors, increasing intra-regional trade to 35% by 2008 and boosting manufacturing as a percentage of GDP to 25% by 2015 (SADC 2003: p.65f).

The document also refers to important aspects similar to the development integration model. According to the RISDP, trade policies and strategies “should take into consideration the special needs of less developed member countries and ensure that a win-win situation prevails.” (SADC 2003: p.65). Like the Trade Protocol it mentions the principle of asymmetry for tariff reductions in order to account for the needs of least developed countries. Policies should also boost industrial development in peripheral or less competitive areas for which

cross-border investment and corridor development are presented as an option (SADC 2003: p.65).

#### **4.3.4 Implementation of the RISDP**

In order to achieve the objectives of the RISDP, Strategic Plans covering a time-span of five years were developed. They include medium-term objectives as well as output and activity targets, priority areas of intervention and performance indicators for each sector. In the light of slow progress with regard to the implementation of the RISDP, efforts were made in 2006 to reprioritize the programmes. Therefore, four priority areas were identified with trade, economic liberalization and development enjoying the highest priority for achieving the regional integration objectives. Trade liberalization thus became a key-strategy for boosting development in the SADC region (tralac 2012).

The establishment of a Free Trade Area was achieved in 2008 with a minimum compromise of 85% of intra-regional trade having no duty. According to SADC, the maximum liberalization was attained in January 2012, when the phase-down process for tariffs for sensitive products was completed. However, regarding imports from South Africa, Mozambique will only complete the process in 2015. Allowances of 25% import duty were also granted to Malawi, Zimbabwe and Tanzania so that their sugar and paper industries had enough time to adjust. Angola, the DRC and the Seychelles are, however, not part of the agreement. Furthermore, some products like prepared foodstuffs, animals, textiles and clothing or vehicle parts are exempt to a considerable degree (Sandrey 2013: p.2f).

Although scheduled for 2010, the SADC Customs Union with a common external tariff is still not implemented (<http://www.sadc.int/about-sadc/integration-milestones/customs-union/>). The delay can be attributed to the complex tariff structures and the difficult process of finding a common external tariff, as this signifies a loss of national sovereignty over external trade policy. In light of the varying degree of dependence on customs revenues, ranging from South Africa at 2.9% and Lesotho at 41%, finding a fair formula for distributing the common revenues is crucial but at the same time very complex. In light of the already delayed implementation of the Customs Union, achieving the objective of implementing a Common Market by 2015 and a Monetary Union by 2016 with a regional currency by 2018 seems out of reach (Saurombe 2009: p.101f).

Another issue related to trade liberalization is the decision of SADC, COMESA and the EAC in 2011 to enter into negotiations of a tripartite Free Trade Area. Based on the pillars of market integration, infrastructure development and industrial development the agreement should boost economic growth and welfare of the citizens through regional trade. Therefore, focus is put on tariff reductions and the improvement of the enabling environment through harmonization of the three Regional Communities (<http://www.sadc.int/about-sadc/continental-interregional-integration/tripartite-cooperation/>).

Besides tariffs, efforts were made to reform other aspects to trade. While some initiatives intended to reduce the complexity of procedures and administrative requirements, like customs clearance procedures, documentation and interpretation and application of Rules of Origin or lacking harmonization of standards, Non-Tariff Barriers still pose an obstacle to trade. Especially the complexity of various Rules of Origin was identified as a significant barrier to trade. As a result, they were reviewed in 2008 in order to facilitate intra-regional trade. However, while South Africa started to tackle reforms, some Member States are lacking significantly behind implementation (SADC 2011: p.30f).

In addition to trade in goods, the Ministers of Trade increasingly regarded liberalization of services as crucial for regional integration. Therefore, they agreed on six priority areas, including communication, construction, energy related services, financial services, tourism, and transport services. The RISDP foresaw the adoption of a services protocol by 2009 (tralac 2012: p.10f). In 2012 nine member states signed the Protocol on Trade in Services aiming at a progressive and asymmetrical liberalization of trade in services in the priority areas and emphasizing the principles of equity balance and mutual benefit (SADC 2012).

Besides trade related matters, the RISDP includes targets for investment and industrialization. Despite some delays, an investment promotion programme was launched in 2010 which raised awareness of regional investment opportunities in the SADC region through joint investment promotion events. Also a high-level forum of Regional Investment Agencies was organized in 2011 to improve networks, share information and encourage policy advocacy in order to promote SADC as an emerging investment destination (tralac 2012: p.13).

Although industrialization and diversification of the region was regarded as crucial for economic development in the Trade Protocol, SADC has only recorded a limited degree of success in these areas. While the Trade Protocol initially envisaged a number of policies and programmes for that purpose, their planning and especially their implementation phases were

lagging behind schedules. One of the main objectives in this regard was the development of a common industrial strategy. Therefore, SADC developed a Draft Industrial Development Policy in 2003. Its advancement, however, has been deferred and delayed. Currently, consultations by member states on the draft are carried out and an agreement is expected to be reached in the near future (talac 2012: p.14).

Some concrete initiatives were launched in the area of industrial development. As one of the components of the final industrial development strategy, an Industry Value-Chain Strategy was discussed by the Industry Development Forum in 2007. The strategy targets nine priority sectors, namely agro-food processing, processing of mineral and metallic and non-metallic products; leather and leather products; forestry, wood and wood products; fisheries; chemicals, petroleum, and pharmaceuticals; textiles and garments; machinery and equipment; and services were discussed by the Industry Development Forum (IDF) in 2007. Although facing financial constraints for implementation, an Industrial Upgrading and Modernisation Programme (IUMP) targeting Small and Medium Enterprises (SMEs) was furthermore adopted by the Committee of Ministers of Trade in 2009. A review of the RISDP conducted in 2011 identified the main challenges and bottlenecks for enhancing the productive competitiveness of SADC. They included the lack of a coherent industrial policy framework and strategies to diversify away from primary commodities, the low export capacity due to the inability to meet international standards, the inadequate capacity within the Secretariat to deal with industry related matters, and inadequate sectoral cooperation (SADC 2011: p.40f).

#### **4.3.5 Conclusion**

With regard to SADC's approach to regional integration one can see a shift from inward-oriented policies based on equity and balance as well as industrial development towards a classic model of market integration. While the SADC-Treaty and the Protocol on Trade both refer to these principles their actual implementation was centered on market liberalization in order to promote intra-regional trade. The RISDP is a comprehensive framework for regional integration and foresees amongst others gradual market liberalization and the improvement of productive capabilities. Referring to NEPAD, the plan is based on the principles of good political and economic governance. In the light of lacking progress, efforts were intensified to boost the market integration agenda, while the formulation of a regional industrial development strategy was left behind. The development model pursued by SADC was thus

only to a limited degree concerned with regional disparities and imbalances. As described in Chapter 4.2., SADC's market integration model has not contributed to reducing South African dominance. In general, implementation of SADC projects and protocols is low. In 2006 only 14 out of 23 SADC protocols have been ratified and entered into force. This was also highlighted by Botswana's President Festus Mogae during a SADC summit in 2004 when he claimed that SADC "is weakest in getting things done" (Mulaudzi 2006: p.12).

## **4.4 The role of actors in the process of regional integration**

While the preceding chapters dealt with the continental environment, the historical construction of the Southern African region and the conditions for and implementation of regional agreements in the SADC region, the following chapter will explore the roles of different actors as described by the New Regionalism Approach. As already mentioned in Chapter 2, in addition to state actors, business actors and civil society actors, emphasis will be put on the role of external actors and their interactions with the former three.

### **4.4.1 State class**

The social structure in Southern Africa is characterized by a high share of peasants and limited influence of labor movements and national bourgeoisies. Therefore, bureaucrats, managers of public enterprises, security personnel and religious leaders can be considered as most influential in society. They are described as state class. Peters (2010: p.255) notes that the legitimacy of this class depends on a variety of factors, including the ability to secure peace, claims to traditional and historical rights such as, for example, contributions to the liberation struggle, the satisfaction of demands in a patronage system by granting access to state resources, or the regional and international reputation. Taylor (2011: p.1242) describes the state in Southern Africa as characterized by “personal rule, presidentialism and patronage politics” and attests the ruling class a lack of hegemony. Consequently, state power is often connected with accruing private benefits and self-enrichment. Söderbaum (2004: p.96) argues that the states in Southern Africa are considered weak and that in such a context regimes put heavy emphasis on formal sovereignty, the maintaining of existing borders and the principle of non-interference into domestic affairs. In addition, leaders are reluctant to transfer sovereignty to a supranational body. In light of the above, it is interesting why leaders, who attach high importance to national sovereignty, engage in regionalist projects like SADC. One explanation is regime-boosting regionalism, meaning that regional organizations can serve as instruments to strengthen or maintain the power of the ruling class (Söderbaum 2004: p.96). The following section will analyze how regionalism can be used for self-enrichment and the preservation of power through improving regional reputation and relations with the donor community.



As already mentioned above, the legitimacy of state class depends, amongst other factors, on regional and international reputation. Hence, leaders may engage in a regionalist project if it provides them with an opportunity to improve their image. In this regard, presenting oneself as a respected and active leader on the regional scene can increase the acceptance in the eyes of the citizens as well as the ruling elite and can consequently strengthen legitimacy. In fact, large and prestigious regional summits offer such opportunities (Peters 2010: p.253ff). Holding up the regionalist values like democracy and the rule of law in public can also improve legitimacy. However, at the same time leaders express loyalty for each other regardless of authoritarian characteristics or worrying human rights records. Thus, there is a discrepancy between the regionalist rhetoric serving the leaders' reputation and the actual actions (Söderbaum 2004: p.96ff).

The signing of numerous protocols without implementation can be considered as an outcome of regime-boosting regionalism. Between 1992 and 2004 SADC leaders signed 23 sectoral protocols, while not even ratifying half of them. Signing a large number of protocols provides an opportunity to portray the organization as progressing and the leaders as being actively involved in the promotion of regionalist goals and values (Söderbaum 2004: p.96ff). However, in some cases members of the state class may actually be interested in preventing the implementation of protocols. As mentioned earlier, state power is often connected with private benefits that are not given up voluntarily. For example, especially governance reforms promoted by SADC incorporate changes that would "cut the opportunities for informal manipulation over economic resources, rent-seeking and the ability to show favour to clients by state actors" (Taylor 2011: p.1244). As a result, state actors have incentives to obstruct the reform process. Implementing a Free Trade Area and a Customs Union can, for example, have negative effects on the country's customs revenues which can endanger the sustainability of existing patronage systems. If the elite's legitimacy is dependent on sustaining customs revenues, the regional integration agenda may suffer as a result of the state class' motivation to stay in power (Peters 2010: p.255). Therefore, whereas leaders sign protocols in order to keep up the image of a progressing organization, the aim of preserving control over resources can actually prevent their implementation.

Furthermore, many of the foreign funded SADC-projects had a regional perspective on paper, while in fact they can be considered as national projects that lack a regional focus. This enables regimes to boost national objectives by attracting external funding. At the same time, by presenting the portfolio of regional projects, they can portray themselves as promoters of

regionalism. In this respect, also SADC's quite innovative institutional structure allocating sectoral responsibilities to each member state provided opportunities for governments to use the regionalist rhetoric as a means to promote their own national goals (Söderbaum 2004: p.96ff).

In addition, the connection between the interests of capital located in industrialized countries and local state elites plays a major role for the construction of the region, mainly along neoliberal lines. State elites in Southern Africa, who are described as dependent and exploitative, take an intermediary position between the region and the international system. They want to present themselves as responsible leaders in order to gain moral and material support from donors and transnational institutions (Taylor 2011: p.1242). Gibb (2009: p.718) notes: "While the African states might want to convey an outward impression that they "buy into" the Western model of regional integration and seek to emulate it, their approach is actually rather more nuanced and sophisticated, designed principally to support the neo-patrimonial African state system". While the demands of international donors and international financial institutions have a strong influence on the local political elites in South Africa, keeping up the flow of financial resources requires the manipulation of the donor community. Taylor (2011: p.1245) attests that "Many of the SADC's elites are masters at such strategies and have long ago learnt that donors very rarely if ever walk away from recipient countries, however non-co-operative they may be in applying reform measures". To sum up, SADC leaders present themselves as responsible leaders in the eyes of donors by publicly supporting regional integration, while at the same time they intend to support the patrimonial system through foreign assistance and obstruct reforms that might undermine their power.

In the context of the Structural Adjustment Programs and consequently decreasing power over state resources, the ruling class was inclined to find new ways of accruing funds to stay in power. At this point, the donor community put ever more emphasis on citizens' participation. As a consequence, the ruling class formally opened up new ways for civil society participation in decision making processes in order to sustain or increase financial assistance from international donors. However, the actual influence of CSOs remained quite low (Söderbaum 2007: p.328). This strategy allowed the ruling class to maintain good relations with donors and thus to sustain their power. At the same time, they limited the actual participation of CSOs, so that their own central role in decision making processes was not

affected. The role of civil society in the regional integration process in Southern Africa will be discussed in Chapter 4.4.3.

#### **4.4.2 Business actors**

Business actors have actively shaped the patterns of regional integration by increasing flows of goods, capital, and labor and contributed to rising interdependence and increasing ties between SADC member states. In addition, business actors have also tried to exert influence on their respective government in order to shape regional policies according to their needs. In this regard, especially South African companies were successful in pushing their government for liberalization and an environment conducive for business expansion. Additionally, SADC has a framework for the involvement of regional business associations.

Both the RISDP and the Trade Protocol include provisions for the involvement of the private sector. In this respect, the RISDP's objective "is to integrate the private sector in policy and strategy formulation and programme implementation in SADC in order to accelerate and achieve sustainable regional economic integration and poverty eradication" (SADC 2003). On the regional scale, the Association of SADC Chambers of Commerce and Industry (ASCII), uniting chambers of commerce and industry of the member states, was established in 1999. Its objective is to represent the interests of the private sector vis-à-vis SADC institutions and to promote trade and investment in the region. Therefore, ASCII has provided analysis of the integration process from a private sector point of view and developed recommendations for the future development of the organization in a "White Paper on Economic Policy Issues in the SADC Region" in 2001. However, despite its formalized relationship with SADC through a memorandum of understanding, experts argue that the capabilities of the association to actually influence the SADC policies are limited, mainly due to its lack of financial resources and support. Other regional business organizations unite companies that are active in the same industry, like banking or transport associations. In 2004 eleven of these organizations decided to form the SADC Business Forum which aims at representing private sector interests in the implementation of the RISDP. Another objective is the supervision of the implementation of legally binding regional agreements, especially the Trade Protocol (Jaspert 2010: p.332).

According to the RISDP and the Trade Protocol, the dialogue between SADC and the private sector needed to become more institutionalized, the memorandum of understanding between

SADC and ASCII should be strengthened and ASCII's White Paper implemented (Jaspert 2010: p.333). Despite the formal provisions for participation, experts attest only weak involvement of private sector actors in the processes and structures of SADC. There are several reasons for this. One factor is the structural weakness of national associations. Lacking both financial resources and sufficient members, they already face challenges on a national level and are consequently not able to play a greater role on the regional scale. Furthermore, private sector actors often lack information on the regional trade agenda. According to the experts interviewed by Jaspert (2010), the private sector associations have not yet realized the possible benefits of lobbying activities on a regional basis. Instead, they concentrate their efforts on the national level in order to influence the individual governments. Here it is important to note that the relative strength of business associations varies from country to country. South African and Mauritian associations have quite a strong position vis-à-vis their respective governments. Moreover, the thematic agenda has an effect on the involvement of business associations in negotiations regarding trade integration. In areas considered particularly sensitive, like sugar or fish production, the private sector tends to be more involved in policy making (Jaspert 2010: p.334).

### Informal economic regionalism

As mentioned in the RISDP, informal economic activities play an important role in the regional economy. Informal economic activities often include cross-border trade and represent an important source of income for many people (SADC 2003: p.65). This process involves a whole range of cross-border activities between "small and private business, traders and people" and includes a great variety of ethnicities, religions and backgrounds like migrants and refugees. Moreover, informal economic activities are often based on family ties. While informal activities often constitute a survival strategy, they can also involve criminal acts. For the emergence of informal economic regionalism a variety of factors can be important. They include socio-cultural and historical factors, price and institutional differences between countries sharing borders or tax and tariff evasion (Söderbaum 2004: p.108).

Due to the inherent creativity and innovation informal regionalism can have positive welfare effects. Creativity and innovation are especially needed in times of economic crisis as sources of income and development. The case of Mozambique shows that during the gradual unbuttoning of the old social safety net at the end of the socialist project, informal market

transactions have significantly increased and provided additional income. A range of goods was brought mainly across the borders from Lesotho and South Africa and transported to markets in Maputo. Söderbaum (2004: p.110) argues that the challenge for policy-makers is not to end informal regionalism but rather to find ways how to use its creativity and innovative potential.

### The role of South African businesses

As illustrated in Chapter 4.2 South Africa is the dominant economy in the region. This highlights the importance of analyzing South Africa's positions towards regional integration and the interests of main actors within the country. One of the reasons for the organization's rhetoric preference for development integration was its compatibility with the history and ideology of the African National Congress (ANC). Having formed and evolved as a liberation movement, the goal of establishing equitable relations within the region was inherent in the liberation rhetoric and served as demarcation to the predeceasing apartheid government (Hentz 2005: p.29). Already before the transition, the ANC emphasized: "We are convinced that the long-term interests of the South African economy will best be served by an approach to regional cooperation and integration which seeks to promote balanced growth and development" (ANC 1993: p.9-10). Within South Africa, development integration was supported by labor, especially by the Congress of South African Trade Unions (COSATU), the ANC's most important electoral ally, as well as the Afrikaans Handelsinstituut representing mainly small and medium-sized enterprises owned by Afrikaners (Hentz 2005: p.29).

However, important business actors preferred other options. In 1994 representatives of the Department of Finance Foreign Affairs and Trade and Industry, the Central Economic Advisory Centre, the Development Bank of Southern Africa and the Industrial Development Corporation gathered at an interdepartmental meeting to discuss South Africa's regional role in the post-apartheid era. Their final document voiced a preference for market integration as the best option for the Southern African region. Furthermore, South Africa's dominant position and the dependence of its neighbors on the country's regional telecommunications, electricity grids and railways provided benefits to South African corporations. As a result, representatives of the old regime, big businesses and parastatals preferred an approach of ad hoc cooperation in selected sectors, instead of a comprehensive development integration

approach that could restrict South African businesses for the benefit of less developed member states (Hentz 2005: p.29f).

The South African government's initial preference for functional cooperation, incorporating a strong state and a low institutionalization, was a compromise between the two dominant views. Therefore, South Africa embraced Spatial Development Initiatives (SDIs) as a strategy for regional development. This allowed incorporating main concerns of the two views. On the one hand, a strong role of the state in planning the SDIs was an important element for proponents of a development integration approach. On the other hand, a low institutionalization of regional cooperation took into account the concerns of big businesses (Hentz 2005: p.29f). An example for an SDI is the Maputo Development Corridor (MDC) which was designed as a mixed industrial and agro tourism project and involved the improvement of infrastructure links between the port of Maputo and South Africa's economic heartland of Gauteng. This provided South Africa with the opportunity to access the port of Maputo for extra-regional trade and to develop the economically marginal province of Mpumalanga which is bordering Mozambique. While portrayed as a project benefiting all involved regions and promoting development, Mulaudzi (2006: p.13f) argues that it did not live up to its expectations. According to the author, the MDC has mainly advantaged South African businesses, has increased the cost of living for ordinary people in both Mozambique and South Africa and has not met the expectations of job creation (Mulaudzi 2006: p.13f).

In the mid-1990s South Africa underwent a strategic shift in its development policy. In 1996 the South African government launched the Growth, Employment and Redistribution (GEAR) plan, aiming at job creation through economic growth. While officially presented as redistributive the actual objective of the plan was to make South Africa a competitive open economy (Söderbaum 2004). Therefore, through GEAR South Africa introduced a regressive tax on consumption, increased liberalization of exchange controls, wage freezes, and supply-side incentives to promote investment and export competitiveness. Moreover, state assets underwent restructuring through privatization and joint public-private ventures. GEAR was significantly shaped by ideological pressure from international financial institutions and particularly the World Bank, as well as the interplay between domestic elites and key constituencies (Bond 2000: p.80 In: Evans 2010: p.113).

GEAR aimed at boosting the competitiveness of the South African economy. However, with the exception of mining and wine production, South African firms were not competitive in the global market. Only in Africa did South African firms have an advantage over their African

competitors and could also compete with companies from outside the continent. By trying to exploit this advantage, South Africa pursued a strategy of aggressive business expansion into Africa and especially into Southern Africa. Due to the strong links between government institutions and businesses, the South African government has very actively promoted the interests of the corporate sector. Therefore, business expansion of South African enterprises was portrayed as beneficial not only for South African firms, but also for the whole region through the transfer of expertise and technology (Söderbaum 2004: p.85).

In this context, South Africa increasingly pushed for trade liberalization and the adoption of neoliberal policies on a regional level. Taylor (2011: p.1236) argues that especially South Africa's elite has actively promoted the "rejuvenation of the region (institutionalized now as SADC)". Together with the post-apartheid government's adoption of a neoliberal agenda, policies aimed at engaging with transnational and domestic capital as drivers of growth. According to Taylor, this served a certain outward oriented capitalist class whose "regional vision is to bring into being the environment most advantageous to the unimpeded operation of capitalism within Southern Africa" (Taylor 2011: p.1236). However, while it is true that South African capital has expanded into the region, the author also stresses that South Africa's political influence is constrained as "class relations in much of Southern Africa derive not from relations of production but from networks of political state-based power" (Taylor 2011: p.1237). Moreover, the process of South African business expansion is not just a matter of the government in Pretoria. The successful business expansion into the region is also dependent on the target countries' governments as well as external actors like donors and international financial institutions. According to Söderbaum (2004: p.86), the region has witnessed a coalition of the political ruling elite with big businesses. However, it is important to note that there has also been increasing opposition to South African capital's expansion and dominance in the region (Taylor 2011: p.1237).

#### **4.4.3 Civil Society Actors**

##### The relationship between civil society, state actors and foreign actors

The literature on regionalism has mainly focused on market and state-led integration and has neglected the role of civil society in the process of regionalization. If receiving attention, then focus was mainly put on how CSOs can exert influence on their respective regional organizations. Civil society in Africa has often been misunderstood as a consequence of the domination of Western political thought. It is important to note that civil society organizations are never independent of their external environment and are characterized by tight interconnections at different levels (Söderbaum 2007: p.322). Chingono (1996) views the relationship between state and society as dialectic and constantly being redefined. The state is neither a coercive instrument of the dominant class, nor a neutral arbiter. Instead, the state in Southern Africa has been at the same time “the primary instrument for expansion of dominant group power, and a coercive force that keeps subordinate groups weak and disorganised” (Chingono 1996: p.7). Moreover, the state has been “an arena for struggle and an effective weapon in that struggle worth fighting for” (Chingono 1996: p.8). The state-society relationship has thus been complex, with the state undermining some civil society organizations while supporting the actions of others (Chingono 1996: p.8).

Civil society has the ability to bypass the state and to offer private avenues for dissent, opposition and change. By forming broad coalitions, civil society has the potential to confront and defeat existing powers. For example, when there is no public arena of dissent, civil society can organize street protests and mass defiance in order to destroy established institutions. Furthermore, national conferences where representatives of civil society discuss potential blueprints for new institutions can exert pressure for change. In the process of confronting the state, however, civil society itself is confronted with pre-emptive counter-strategies by existing rulers. Motivated by the fear of losing power, they can try to diffuse civil protest through co-optation in order to remain in power. Co-optation refers to the integration of civil society actors into the established power system, by making minor concessions. Moreover, in their quest to undermine civil protest and ensure their power, rulers may organize national conferences themselves. However, while opposition groups are allowed to participate in these conferences, their influence can be limited by delegating a large number of pro-governmental phantom parties. As a result, opposition groups find it hard to make their voice heard. Additionally, “African dictators can still rely on a powerful



apparatus of coercion, patronage, and communication to repress, co-opt, and manipulate adversaries” (Fatton 1992: p.109). In their struggle for change members of civil society thus face obstacles introduced by existing rulers in order to stay in power.

It also has to be kept in mind that civil society is not a uniform group of interests but rather comprises a variety both democratic and undemocratic elements. If a civil society coalition succeeds in overthrowing an authoritarian regime, for example, the transition into a new political system can be characterized by dissent and even violence. During the transition process the former members of the challenging coalition enter into a competitive struggle for power. Disagreement over the establishment of a new political system and constitutional agreements may thus cause fragmentation and conflict. In addition, it is important to note that not all anti-authoritarian forces that unite in a civil society coalition are pro-democratic. Civil society includes opportunists that want to use the democratic system to create “a monopoly on representing the national interest, to repress opposing views, and to eradicate all conflict.” (Fatton 1992: p. 109f).

Nongovernmental Organizations are influenced on the one hand by state actors and on the other hand by international actors through foreign assistance. With regard to the state, they fill a vacuum caused by the retrenchment of the state and are often involved in project funding. Furthermore, when succeeding to mobilize the grassroots level and increase the participation of marginalized groups of the population, they can contribute to establishing a democratic culture. However, because of their organizational weakness and the fear of many governments of a revolution of the subordinate classes, they are constrained by government actions and regulations. As Fatton (1992: p.115) points out: “... NGOs have little choice but to accede to the disciplinary code of the state” and they are entrenched in asymmetrical power relations.

Due to the large amounts of foreign assistance they receive, many NGOs are dependent on foreign capital. Because of perceived or actual inefficiencies and corruption in partnerships with state bodies, international donors were looking for alternatives in the 1990s and consequently increasingly put attention on cooperating with NGOs. As a result, NGOs may appear as competitors for foreign assistance in the eyes of state officials (Fatton 1992: p.113). The motivation of donors to engage with regional forms of civil society in developing countries is twofold: Firstly, international donors increasingly engage with civil society actors as a result of their objective to establish ‘partnerships’ with a variety of actors in the development process instead of focusing support only on the state. There is a widespread belief that strengthening civil society contributes to a pluralistic society and economic,

political and democratic development. Secondly, the ideology of regionalism especially rooted in Europe has led donors to increasingly push for regional forms of cooperation (Söderbaum 2004: p.129).

Fatton (1992: p.114) thus concludes that “The space occupied by nongovernmental activities is therefore constrained by financial dependence, organizational deficiencies, and state interference”.

### Civil society in the regional integration process in Southern Africa

It is important to note that Civil Society in Southern Africa is characterized by a great heterogeneity, involving forces both against and in favor of regionalism. In order to account for the comprehensiveness of the New Regionalism Approach, it is crucial to emphasize the strong links between civil societies and state actors and between civil societies and external actors. Civil society’s stance towards regionalism can thus not be analyzed without looking at its relations and interactions with the state and external actors (Söderbaum 2004: p.116f).

Regional cooperation patterns between Civil Society Organizations in Southern Africa range from loose networks to more centralized and institutionalized regional projects. In general, the areas of cooperation between civil society organizations are numerous. Most important are social and economic justice, debt and structural adjustment, trade and globalization, human rights and law, health and HIV/Aids, food security, student associations, trade unions, and regional research and education networks. Söderbaum (2007: p.325) provides a list of the most important regional organization in each of these fields.

While the SADC Treaty foresees the involvement of Civil Society Organizations, Söderbaum (2004: p.126) notes that “The SADC governments are supportive only of the non-controversial and non-critical sections of civil society and the broader NGO sector, particularly those who want the SADC governments to provide the means and strategy for regionalism”. In this context, representatives of CSOs have stated that they felt excluded from state-led frameworks and that the ruling class’ stipulated objective of involving civil society was only ‘lip-service’. According to them, this strategy results from the leaders’ main concern of sustaining power through mobilizing aid and resources (Söderbaum 2004: p.127). This is especially relevant in the context of a de-scaling of the state during the Structural Adjustment programs. In this regard, the formal involvement of NGOs can be partly seen as a new

strategy by the ruling elite to stay in power through new modes of resource extraction in the form of donor funds (Söderbaum 2007: p.328). Moreover, the perceptions of NGOs by politicians are of importance for their attested weakness, as they are sometimes regarded as “trouble makers” by statesmen. This attitude is illustrated by the concern of Heads of States voiced during a summit in 1996 in Lesotho, that international donors would use NGOs in order to undermine the governments’ policies (Jaspert 2010: p.330). Saurombe (2009: p.104) makes a similar point by stressing that “Generally, most SADC member states treat civil society like opposition political parties even though they advocate for constructive opposition”. Furthermore, one can speak of “a clear tendency by the SADC leaders to force civil society to conform with top-down policies rather than promote civil societies on their own terms, or simply exclude and counteract those actors who are critical or seek change.” (Söderbaum 2004: p.127).

Although there are formal participation structures, most of the experts interviewed by Jaspert (2010) agreed that civil society actors do not play a relevant role for regional trade policy. They consequently criticize that regional integration is a top-down process which lacks the link to and legitimization of civil society. The experts attribute this to a general weakness of civil society organizations in the region, resulting from organizational challenges and a lack of capacity and resources. Consequently, their capacity to represent the interests of civil society on a regional level is rather limited.

Godsäter and Söderbaum (2011: p.151) argue that civil society organizations also use the regional arena to pursue their local, national and regional interests. In addition, they have different views towards regional governance and thus chose different strategies to shape, resist or manipulate regionalism. On the basis of the strategies and modes of cooperation with regional organizations, CSOs can be categorized into four groups: civil society as partner in regional governance; civil society as legitimating regional governance; civil society as resisting regional governance; and civil society as manipulating regional governance. In how far these four categories are present in Southern Africa and how they try to influence and engage with SADC institutions will be described in the following section.

### Civil society as partner

In general, partner CSOs agree with the regional agenda of the organization at hand and engage with state actors and regional organizations on a consultative basis. By doing so, they fulfill two tasks: on the one hand, partner CSOs try to modify policies and programmes or accelerate their implementation. They thus play a monitoring and lobbying role. On the other hand, they cooperate with governments in order to provide services (Godsäter & Söderbaum 2011: p.151f).

Examples of successful partner CSOs include the Wildlife and Environment Society of South Africa (WESSA), which implements the SADC Regional Environmental Education Programme (SADC REEP) through capacity training and the development and dissemination of information and education material. Another example is the Southern African Research and Development Centre (SARDC). It cooperates closely with the SADC Secretariat and aims at influencing policy making through lobbying and research especially in the areas of informal trade and development programmes (Godsäter & Söderbaum 2011: p.154f). The SADC Council of Non-governmental Organisations (SADC-CNGO) is one of the most prominent examples of partner organizations in Southern Africa. It unites various national umbrella NGOs in order to raise awareness, influence policy and pressure monitoring and implementation of SADC protocols. It mainly engages in the areas of poverty alleviation, promotion of democracy and good governance, and resolution of internal conflicts. The relationship with SADC was institutionalized by a Memorandum of Understanding signed with the SADC Secretariat in 2003 and the Civil Society Guide of 2006. On paper the modes of interaction between the SADC-CNGO and SADC are consultation and participation at meetings. Additionally, SADC-CNGO holds workshops with the SADC-Secretariat and organizes Civil Society summits where the progress and actions in the area of CSO engagement are discussed (Osei-Hwedi 2008: p.71ff). However, while the participation of CSOs is often verbally encouraged by SADC, the main challenge for SADC-CNGO is the practical exclusion from the SADC framework. According to a CNGO official, civil society participation is not a high priority despite verbal commitments by SADC. As a result, the actual consultation activities are constrained in practice (Godsäter & Söderbaum 2011: p.155).

### Civil society as legitimating regional governance

While also collaborating with state actors, legitimating CSOs pursue a more critical engagement and have more controversial relations with state actors. Instead of developing and implementing existing policies, they aim at promoting policy reform and enhancing accountability and democratic principles in regional governance. The Southern African Trade Unions Co-ordinating Council (SATUCC), for instance, consists of national labor unions. It pursues coordination and advocacy functions vis-à-vis SADC and aims at reforming regional socio-economic policy and incorporating labor issues (Godsäter & Söderbaum 2011: p.156f). Through participating in annual tripartite meetings that bring together the ministries of labor of member states and employers, SATUCC disposes of a relatively formalized channel to interact with SADC and to represent workers interests (Osel-Hwedi 2008: p.74f).

### Civil society as resisting regional governance

The objective of this kind of CSOs is structural change in current regionalist regimes. Service provision is viewed as reproducing the capitalist order and a highly unjust society. As a result, CSOs resisting regional governance aim at identifying and transforming patterns of unsustainable development. The main instrument for this purpose is popular mobilization, while cooperation and interaction with state actors are viewed with skepticism (Godsäter & Söderbaum 2011: p.157). The Southern African Peoples' Solidarity Network (SAPSN), for example, comprises Southern African civil society organizations with various backgrounds, ranging from development NGOs, religious NGOs, and trade unions to community-based movements. Their common objective is to counter economic and neoliberal globalization. According to them, the neoliberal paradigm manifested, for example, in the United States' African Growth and Opportunity Act (AGOA) or the EU's Cotonou agreement, as well as the adherence to free trade as road to development need to be resisted. Furthermore, they criticize the ruling elites' use of SADC as an instrument for mutual support in cases where their own interests contradict democratic and human rights principles and the development aspirations of their own population. For this purpose, the organizations involved share experiences, exchange information, increase awareness and consciousness of its focus issues and aim at contributing to the mobilization of mass movements. Criticism towards this kind of critical regionalism includes, however, that they too are elite-driven and dominated by a rather small number of NGO representatives and activists (Söderbaum 2007: p.334). In fact, it has to be

emphasized that resisting CSOs are not necessarily positive forces contributing to a better society and democracy. While filling a “vacuum created by the absence of real alternative state-led regionalisms” (Godsäter & Söderbaum 2011: p.158), the links to the grassroots and the people that they proclaim to have, are sometimes not existent and thus need to be scrutinized.

#### Civil society manipulating regional governance

These CSOs mainly serve as instruments for private economic and political gains and can even become repressive forces. They often have strong links to government officials and are formed by small groups of people for the purpose of extracting resources. CSOs manipulating regional governance exist especially in regimes where neopatrimonialism is strong, like Botswana, Kenya, Lesotho, Malawi, Rwanda, Swaziland, Zambia or Zimbabwe and in rentier-based economies. Furthermore, due to the large amount of foreign financial assistance to CSOs in Africa, civil society has become an attractive opportunity to accrue financial benefits. In those cases where regional CSOs can be described as semi-governmental or extensions of intergovernmental institutions and donors, civil society may be used to legitimize controversial and repressive forms of regional governance like, for example, large-scale infrastructure projects. Under the guise of information sharing and popular education, CSOs of this kind use propaganda in order to pursue their own economic and political gains. They rarely voice criticism of the government they benefit from, especially when they have family ties with members of the ruling elite (Godsäter & Söderbaum 2011: p.152ff).

Zajontz (2013) analyzes the roles of four CSOs in regionalism in Southern Africa, including the above mentioned SADC-CNGO, SATUCC and SAPSN. He comes to the conclusion that significant trends and common challenges can be identified. While the organizations pursue different strategies and have ideological divergences, they share, to varying degrees, criticism towards certain SADC policies. They denounce the neoliberal form of SADC regionalism and its outward orientation in particular, as, in their view it is detrimental to inclusive regional development. Moreover, they criticize the exclusive nature of SADC and denounce the integration process as elite driven and characterized by insufficient civil society involvement. Lastly, they criticize the perceived lack of Southern African ownership in the process of regional integration. In this regard, they especially view the dependency on donor funds as

problematic, as this uneven relationship brings the SADC policies in line with the hegemonic ideology and donors' preferences (Zajontz 2013: 93ff).

To varying degrees, SADC-CNGO, SATUCC and SAPSN also face common challenges that hamper their transformative potential and their engagement for an alternative regionalism: Firstly, due to a lack of resources the organizations suffer from constrained institutional capacity. Additionally, the available funds are mainly provided by Western donors. Hence, CSOs are less likely to fundamentally challenge neoliberal market integration, as they could lose financial support. Secondly, the organizations face representational issues and a detachment from the population. Because of their concentration on lobbying decision-makers, it is especially difficult for SADC-CNGO and SATUCC to keep a critical distance to SADC on the one hand, and to engage with the regional population on the other hand. In spite of its self-understanding as a grassroots movement, also SAPSN has mobilization problems for a transformative regionalism. Thirdly, despite some efforts, the CSOs have not yet succeeded in developing a coordinated approach towards social transformation. This would involve merging the respective strengths of each CSO in order to combine "technocratic/academic engagement with regional issues and actors with the popularization of an alternative regionalism and social mobilization." (Zajontz 2013: p.100). Instead of pursuing strategies for coordination, CSOs in Southern Africa develop rivalries and internal conflicts as a result of competition for scarce donor funds. As a consequence, the work of many CSOs is concentrated in those sectors which are high on the donor agenda. The outcome is duplication rather than coordination (Godsäter & Söderbaum 2011: p.161).

#### **4.4.4 External actors**

Krapohl and Muntchick (2008) identify two logics of regional integration: On the one hand, regional integration can be pursued as a reaction to intra-regional interdependence as neo-functionalism suggests. On the other hand, regional integration can be a reaction to economic dependence on other world regions. The authors suggest that the latter case is more relevant for developing countries, as their neighboring countries mostly don't constitute their relevant market, their economies are competing mainly in the raw materials sector and FDI is mainly attracted from developed countries. Regional integration is thus pursued in order to improve the region's standing in the international economic system. In light of the dependence of most developing countries on foreign resources, a regional integration strategy can be adopted in

order to attract FDI and development assistance as well as to have a better bargaining position in international negotiations. As a result, “regional integration schemes in the South need to seek positive feedback from outside the region. If they are successful FDI increases, development aid grows and international negotiations end with better results” (Krapohl & Muntschick 2008: p.8). Consequently, the integration process may be promoted by external actors but they may also come to a halt in cases where positive feedbacks do not materialize. However, positive feedbacks do not occur solely because of the region’s integration steps, but also depend on the global economic climate as well as on the external actors themselves, particularly regarding the political and economic situation in donor countries (Krapohl & Muntschick 2008: p.5ff). Therefore, the main external actors will briefly be presented in the following chapter.

Experts for regional integration in Southern Africa interviewed by Jaspert (2010: p.336) stress by a large number the influence of external actors on the process of regional integration, especially in the economic realm. On security issues the member states have rather successfully been able to resist influence and develop their own positions. As most important external actors they named almost exclusively states belonging to the international donor community. In this respect, the role of the European Union was highlighted as being of special importance. This paper takes up this assessment by analyzing the role of the EU in more detail. With regard to the way external actors try to exert influence, two channels can be considered as important: The first channel of influence is constituted by direct financial support to regional organizations and member states. In case of strong donor dependence, the withdrawal of financial assistance can have huge implications for the organization concerned. The second channel of influence is derived from donors’ involvement in important Southern African planning institutions, for which the financing of staff is key. This is either done by directly financing posts in some specific SADC departments or through international consultants supported by donors to provide information and draft reports. Besides financial contributions, also trade policies of industrialized countries affect the region. Examples include subsidies for exported agricultural products or conditions for the conclusion of international trade agreements. In the light of the above mentioned, one has to conclude that external actors play a crucial role in the process of regional integration in Southern Africa and should thus be included in analysis (Jaspert 2010: p.335f).

In this respect, it is important to note that since the late 1980s the interests of foreign powers and donor agencies have changed. Instead of Cold War and anti-apartheid interests, they



increasingly promoted liberal market integration and open regionalism. In this process, main actors were the World Bank and the IMF, the United States and the European Union (Söderbaum 2004: p.91f). Some argue that international donors continue to support regional organizations even when their performance is low, because of their objective to penetrate new markets. According to this view, one of the main objectives of the US and the EU to support regional organizations is to negotiate Free Trade Agreements with African countries (Mulaudzi 2006: p.10). This should also be kept in mind for the ongoing EPA-negotiation process presented in Chapter 5.4.3 In the following section a brief overview of activities with regard to the promotion of regional integration by the World Bank and the USA shall be given. The subsequent chapter will deal with the role of the European Union for regional integration in the SADC region.

In the past the Bretton Woods institutions, i.e. the IMF and the World Bank attached little priority to regional integration and support for regional organizations. Instead, global free trade was seen as the optimal solution for global development. Therefore, regional integration was either viewed as irrelevant or as an obstacle. In 1991 the World Bank underwent a change of attitude and put regionalism higher on its agenda. It emphasized that regional trade agreements should be consistent with an outward oriented strategy and the abolition of discrimination between local and foreign companies (Davies 1996). Based on the ideology of the post-Washington Consensus and the ideal of a neo-liberal state, the World Bank has continued, however, to focus its attention and support on nation states and thus neglected regional organizations. While publications on the effects of regionalism on poverty have increased since the 1990s, they have not received much attention. Consequently, the bank's lending mechanisms have continued to target nation states and country offices (Engel 2010: p.57). More recent reports have stressed the potential positive effects of regional structures for mitigating negative regional externalities (World Bank Independent Evaluation Group 2007) and benefits for economies of scale, factor mobility and transport costs stemming from both regional and global integration (World Bank 2008: p.260). Engel (2010: p.61) points out that the reports are in line with the World Bank's emphasis on good governance and the importance of the private sector for development. The International Financial Institutions not only influence regional organizations through direct financial contributions. As many countries in the region are characterized by high levels of debt, International Financial Institutions also have leverage on economic policies. In the past they have encouraged the downsizing of the state and boosting market forces. As mentioned in Chapter 2 this runs counter the strong role of state interventions as highlighted in the development integration

model and further pushes regional organizations to adopt a strategy of open regionalism (Mulaudzi 2006: p.27f).

Under the African Growth and Opportunity Act (AGOA) the United States rewards those countries that liberalize, privatize and democratize with access to the American market. Other rewards include debt relief, loan guarantees or business partnerships. Eligibility criteria include good governance, transparency, ending corruption, opening up markets especially to the US, economic reforms, protection of human rights and worker rights, and the elimination of certain child labor practices (Söderbaum 2004:p.93). AGOA is an instrument that “offers tangible incentives for African countries to continue their efforts to open their economies and build free markets” ([www.agoa.gov](http://www.agoa.gov)). Furthermore, in addition to bilateral support, USAID finances regional programmes named special Initiatives for Southern Africa (ISA), which aim at opening markets and promote export-oriented growth (Söderbaum 2004: p.93). The African Global Competitiveness Initiative also promotes export competitiveness in order to enhance trade with the US, other extra-continental trading partners and other African countries ([http://sawip.usaidallnet.gov/southern\\_africa/content/african-global-competitiveness-initiative-agci](http://sawip.usaidallnet.gov/southern_africa/content/african-global-competitiveness-initiative-agci)). To facilitate the initiatives in the region, USAID has established a Southern African Trade Hub for the purpose of supporting regional competitiveness, intra-regional trade and food security (<http://www.satradehub.org>).

#### **4.4.5 Conclusion**

This chapter analyzed how state actors, civil society actors, business actors and external actors shaped the regional integration process according to their interests. First, state elites are both interested in maintaining sovereignty and staying in power. At the same time, they are dependent on external funds which they want to sustain. Promoting regionalism can serve these interests in a number of ways. Signing a whole range of protocols at large summits provides leaders with the opportunity to portray themselves as responsible and committed to the values of regionalism. On the one hand, this can improve domestic legitimacy through increasing international reputation. On the other hand, in the context of increasing emphasis by international donors on regional integration, this strategy ensures good relations with the international community. However, interests of state actors that personally benefit from existing regional arrangements can lead to the obstruction of the implementation process.

Especially where neopatrimonial ties exist, reforms that could reduce, for example, customs revenues necessary for sustaining the power base of the ruling class, are resisted.

While business actors dispose of formal cooperation mechanisms with SADC, their actual influence through these channels is limited. This is the consequence of organizational and financial constraints and a bias of business associations towards the national level. However, especially South African businesses have been successful in shaping their government's regional integration policy. Therefore, they pushed for liberalization in order to create an environment conducive for business expansion. Furthermore, transnational informal economic regionalism is widespread in Southern Africa and has often emerged as a survival strategy.

Civil society was described as a private avenue for opposition and change. If succeeding in forming coalitions, civil society has a transformative potential that can lead to changes in power structures or institutional arrangements. The relationship between civil society and the state is, however, constantly being redefined. There are constant interactions and actors can be part of both civil society and state class. In the process of pushing for change, however, civil society faces counter-strategies by state elites that want to stay in power. Furthermore, civil society is not a group of uniform interest, but instead includes a variety of backgrounds and both democratic and authoritarian forces. CSOs are constrained by dependence on external funds, organizational deficiencies and state interference. On a regional level, cooperation between Civil Society Organizations takes different forms and addresses a range of issues. The chapter identified four groups of CSOs, each having a different relationship with SADC. They are partner CSOs; CSOs legitimating regional governance; CSOs resisting regional governance; and CSOs manipulating regional governance. While they dispose of formal cooperation mechanisms, the actual influence on regional policies appears to be quite limited.

With regard to external actors, there is a consensus among some of the most important donors that market-driven integration is beneficial for the region. They promote “the synchronization of globalization, multilateralism (within the WTO) and barrier-dropping market integration.” (Söderbaum 2004: p.95). Furthermore, donors agree on the benefits derived from South Africa's reintegration into the regional economy. The following chapter will present the EU's strategy towards regional integration in Southern Africa in more detail.

## **5 The role of the European Union for SADC integration**

The objective of this chapter is twofold: on the one hand, it wants to identify channels that allow the EU to influence the policies of SADC. On the other hand, the effects of the EU's influence on SADC institutions and the regional integration process shall be analyzed. For this purpose, light will first be shed on the EU's development and trade policy towards developing countries. Then, the relations between the EU and SADC in the areas of political, development and economic cooperation will be presented. Emphasis will be put on asymmetrical power relations. Afterwards, the EU's involvement in SADC's organizational structures and the adoption of institutions similar to those of the EU will be discussed. In the last section attention will be put on the Economic Partnership Agreement negotiations between the EU and SADC and their possible effects on regional integration in the region.

### **5.4 The EU's ACP and Africa policies for trade and development**

Relations between the European Union and developing countries date back to the times of colonialism. When the Treaty of Rome established the European Economic Community in 1957, many of the countries in Africa and the Caribbean were still ruled by their European Colonial masters. The treaty stipulated preferential trade access both for the colonies and for member states and also included financial assistance through the European Development Fund (EDF). In 1963 the Yaounde Convention was signed with 18 countries which had just become independent. It maintained the system of preferential trade access and financial support of the EDF (Hurt 2012: p.497).

The Lomé Convention signed in 1975 already covered a larger geographic area including 46 countries called the African, Caribbean, Pacific group of states (ACP). The convention included new arrangements for trade relations, based on non-reciprocal preferences and specific protocols for sugar, rum, beef, veal and bananas of which the European Union agreed to import a set quota at a guaranteed price. Furthermore, the System for the Stabilization of Export Earnings (Stabex) was created with the aim of mitigating the fluctuations in revenues that ACP states had to face in agricultural exports. The Lomé Conventions that succeeded in the 1980s and 1990s increasingly included neoliberal development thinking. As a result, the European Union put ever more emphasis on financial support for Structural Adjustment

Programmes. Furthermore, in the context of increasing alignment with the Washington Consensus, the preferential nature of trade relations with the ACP states lost support among EU policy makers (Hurt 2012: p.498).

Based on the view that the preferential trading scheme had failed to boost exports in the ACP countries, the European Commission emphasized in 1996 in a Green Paper on the relations between the European Commission and the ACP countries the importance of multilateral trade liberalization and conformity with WTO rules (European Commission 1996). This process led to the signing of the Cotonou Agreement in 2000. It envisaged a change of trade relations in order to make them compatible with WTO provisions. Under the new agreement, only the least developed countries (LDC) in the ACP region qualified for preferential trade relations. In contrast, for non-LDC countries the agreement foresaw the negotiation of Economic Partnership Agreements (EPAs) in accordance with WTO rules. It is important to note, however, that the EPA negotiations go beyond the WTO requirements and also include trade-related issues like services, investment and intellectual property rights (Heron & Siles-Brügge 2012: p.255). The negotiations between with African countries and in particular with Southern Africa will be elaborated in more detail in Chapter 5.4.

Relations between the European Union and the ACP countries need to be seen in the context of neoliberal hegemony. In this logic, the preferential trade regimes under Lomé were regarded as obstacles to increased competitiveness. In contrast, the Cotonou agreement is in conformity with the neoliberal objective of multilateral neoliberal market liberalization in the developing world (Hurt 2012: p.499). Farrell (2009: p.1176) explains this shift towards a new policy vis-à-vis the ACP based on reciprocal liberalization by a change in development thinking now much more influenced by the view that trade and not aid should be the driver for development. In addition, dissatisfaction with the effectiveness of public aid together with the EU's objective to improve coordination and effectiveness of its institutions created an environment conducive for a policy change. (Farrell 2009: p.1176).

### The EU's promotion of regional integration

Compared to other foreign policy issues, regional integration has not been subject to controversial debates and has been supported both on European and national levels. One of the reasons is that regional integration on the foreign policy agenda neither poses a threat to national sovereignty nor to common interests. As many directorates have taken up a regional integration policy and because of the increasing emphasis on trade in development policy, interactions between the development, the trade and the external relations directorates have intensified in the past. "In practice, the EU policy [...] has operated not through the kind of common approach to be found in other policy areas (such as trade, competition, agriculture) but instead by a diversified strategy based on a range of policy instruments, a mix of conditionalities and incentives, generally tailored to the economic, security and geopolitical interests of the EU" (Farrell 2009: p.1169).

Regional integration is promoted by the EU through three approaches, namely enlargement, norm diffusion and interregional agreements. First, through enlargement the European Union has implemented regional integration policy in new and potential member states. The process of accession is inherently connected to the adoption of the rules, regulations, standards and policies of the community *acquis*. Second, regional communities in other parts of the world are persuaded to "adopt certain practices, institutional arrangements, or other forms of governance modeled on the European regional governance system" (Farrell 2009: p.1170). The form and effectiveness of this policy depends, however, on the respective agreements and the reaction of the target region. Third, the conclusion of interregional agreements has been an instrument to promote regional integrations outside the continent. Their nature varies according to the partner region. Examples include the Asia-Europe meeting (ASEM) or the Cotonou Agreement with the ACP countries. There is a great variety of policy instruments to promote inter-regional cooperation, including "aid programmes, regional trade, agreements, support for regional integration and more comprehensive strategies" (Farrell 2009: p.1170). The latter mainly cover a large spectrum of issues like development, trade, technical assistance, and political reform. Some also have a specific focus like integrating African countries into the global economy in the case of the Cotonou Agreement (Farrell 2009: p.1170).

In general, promoting regional integration can serve the EU as means for achieving a whole range of objectives: to export the EU model of governance; to exercise international influence through the spread of EU values; and to strengthen the identity of the EU without

compromising the national interest of the respective member states (Farrell 2009: p.1171). During the last couple of years the EU has increasingly used trade agreements to strengthen the relations with other regions. The promotion of regional integration is presented by the EU as a two-tier approach. On the one hand, support for regional integration should create links between African countries and on the other hand, integration between Africa and the EU should be promoted by the conclusion of Economic Partnership Agreements (Farrell 2009: p.1175).

### **5.4.3 Trade relations between the EU and ACP-states**

#### Preferential trade initiatives

In 2001 the EU introduced the Everything-but-Arms (EBA) Initiative. It grants quota and tariff-free access to the market of the European Union to LDC countries in the whole world (Hinkle & Schiff 2004: p.1323). Except from the EBA are arms and ammunition. However, until 2009 quotas and duties were maintained for bananas, rice, and sugar as well as products containing them (Lwanda 2011: p.15). Contrary to the Cotonou agreement, the EBA regime is WTO conform, as it applies the same rules for market access to all LDCs and thus to all countries at the same level of development (Goodison & Stoneman 2005: p.18). Furthermore, the EU introduced the General System of Preference (GSP) in 1971. In total, there are five GSPs available, granting either duty free access or tariff reduction to imports from GSP beneficiaries. The particular preferences depend on the GSP arrangements that a country enjoys (Lwanda 2011: p.15).

#### The Economic Partnership Agreements

As already mentioned above, in conformity with WTO rules the Cotonou Agreement foresees the negotiation of Trade Agreements with Non-LDC countries, while LDCs continue to benefit from preferential trade relations. The EPAs aim at establishing free trade areas with 77 ACP countries and opening markets on both sides of the negotiating table. For this purpose, the ACP countries were expected to form regional blocs in order to enter into negotiations and to boost regional integration (Hinkle & Schiff 2004: p.1322). In general, the conclusion of EPAs should contribute to the creation of larger and economically integrated markets as a stepping stone for liberalized world trade (Krapohl & Muntschick 2008: p.12f).

Until 2007, the EU negotiated with six regional sub-groups of the ACP states: the Caribbean Forum (CARIFORUM), West Africa, Central Africa, Eastern and Southern Africa (ESA), Southern Africa in the form of the 'SADC-minus' group, and the Pacific. In 2007, however, the members of the East African Community (EAC) Burundi, Kenya, Rwanda, Tanzania and Uganda decided to form their own negotiation group (Stevens 2008: p.215). However, as negotiations proved to be tough, the EU so far only succeeded in concluding an EPA with the Caribbean region (Lwanda 2011: p.16).

In addition to the objective of aligning trade relations between ACP countries and the EU to WTO rules, the EPAs also aim at rendering trade relations more effective in promoting trade and broader development goals. In this regard the European Union voiced the objective of using the EPAs as a development instrument (Hinkle & Schiff 2004: p.1322). Although the EPAs and trade relations have been framed as development issue by the European Union, the responsibility for trade relations with the ACP states has moved from DG Development to DG Trade in 1999. Being an issue that covers both development and trade, the EPAs have thus created tensions between the two DGs, whereas DG Development was more critical (Hurt 2012: p.503).

There is no doubt that economic interests of the European Union play an important role for the EPA negotiation process. In its Global Europe strategy paper the Commission outlines both domestic and internal strategies that contribute to achieving the objective of becoming more competitive in the global economy. One of the goals of trade policy is thus the opening of markets abroad in order to reinforce the competitive position that EU industries enjoy (European Commission 2006). While the European Union has tried to convey a positive picture, leaving out the role of its economic interests, many NGOs both in Europe and in the South have criticized and campaigned against the EPAs. Critics saw the EPAs as instrument for the EU to promote its own businesses (Hurt 2012: p.500). In fact, Fontagné (2010: p.182) notes that studies on the impact of the EPAs on ACP countries tend to show that EU exporters derive most benefits of these reciprocal FTAs as their sales to ACP markets rise significantly after implementation.

The European Union's trade policy also needs to be seen in the context of competition with the United States and China. In the past they also concluded Free Trade Agreements, usually with individual states instead of regional groupings. The European Commission thus argues that "where our partners have signed FTAs with other countries that are competitors to the EU, we should seek full parity at least" (European Commission 2006: p.9). Furthermore,



regarding the opening of the South African economy the EU stated: “The further opening up of the South African market... will create competitive advantages for EU exporters compared to exporters from the USA, Japan and other suppliers of South Africa. The price the EU would have to pay for such an improved position in terms of loss of customs revenues is relatively low...” (Goodison & Stoneman 2005: p.20). Goodison and Stoneman (2005) furthermore argue that once the framework for the EPA negotiations had been designed, the offensive interests of the EU disappeared in the EPA discussions. Instead, the benefits for ACP countries were increasingly emphasized. The rhetoric and justifications of the EPAs have thus changed (Lwanda 2011: p.18).

Besides tariff and quota reductions, the EPAs also deal with other issues of a regulatory nature that are not covered by the WTO. They are transparency in government procurement, trade facilitation, trade and investment, and trade and competition policy. These became known as new generation issues (NGIs) or Singapore issues. Although still supporting the WTO negotiations, the Global Europe strategy stressed the benefits of FTAs going “further and faster in promoting openness and integration.” (European Commission 2006: p.10), as “Many key issues, including investment, public procurement, competition, other regulatory issues and IPR enforcement, which remain outside the WTO at this time can be addressed through FTAs” (European Commission 2006: p.10). In the light of the stuck WTO negotiations, the EU increasingly pursues bilateral strategies to achieve their trade objectives. In this context, the EU’s strong support for the inclusion of the Singapore issues which developing countries have resisted in WTO negotiations in Cancun in 2003, are of relevance for further evolution of the EPA process. The fact that the EPAs also aim at harmonizing regulatory standards leads Hurt (2012: p.499) to call the negotiation process “a concerted attempt to secure much ‘deeper’ roots for the neoliberal development model.” (Hurt 2012: p.499). This process is described as ‘locking in’ neoliberal policies. As a consequence, the choice of alternative development strategies is reduced, in particular trade policies that the now developed countries have pursued in times of industrialization, i.e. export subsidies and infant industry protection (Hurt 2012: p.499).

## **5.5 EU-SADC relations**

Relations between the European Union and SADC are structured by development cooperation, political cooperation and economic cooperation (Kösler 2007). While the following section will give a brief overview of political cooperation, the main emphasis will be on development cooperation in the form of the European Development Fund and economic cooperation and in particular the Economic Partnership Agreement (EPA). Furthermore, the chapter will discuss the question of in how far political cooperation, development cooperation and the region's economic dependence have allowed the EU to influence SADC's integration process in the past.

### **5.5.1 Political cooperation**

Political dialogue between the European Union and SADC was institutionalized through the Berlin Initiative, which followed a ministerial meeting in 1994 in Berlin. The declaration aimed at a dialogue contributing to peace, democracy and sustainable development. Therefore, regional integration, trade and economy, private investment and development, health, and combating international crime were, amongst others, defined as fields of cooperation. Since then, ministerial meetings were held every two years. They served as an exchange of information on the latest developments in the regions and included a variety of topics, like trade and economic liberalization, the fight against HIV/AIDS, infrastructure support, etc. (Kösler 2007: p.27). In addition to the ministerial conferences, senior officials from both SADC and the EU gather once or twice a year. Their task is to prepare or review the issues for ministerial meetings. Furthermore, the Joint Steering Committee (JSC), which assembles four times per year, consists of the SADC Troika (chair; incoming chair; and outgoing chair) and the EU Troika (presidency, incoming presidency and commission). Its task is the preparation of issues of importance for senior officials and ministers (Broczka & Broczka 2012: p.154).

The Berlin Initiative led to a couple of activities like seminars in the stipulated areas of cooperation, some of which contributed to the implementation of specific programmes. Specific outcomes included the EU SADC Investment Promotion Programme (ESIPP) or initiatives on the DRC Peace Process and on HIV/AIDS (Broczka & Broczka 2012: p.155).

According to Kössler (2007: p.27), “[o]ne effect of the institutionalization of the political cooperation between SADC and the EU is certainly the improvement of reciprocal understanding, although the dispute over the Zimbabwean case may provide a different picture”. In fact, the whole credibility of SADC suffered as a result of Zimbabwe’s military involvement in Congo and Mugabe’s undemocratic policies. Additionally, the member states decision not to openly speak out against Zimbabwe despite the set out principles of democracy and rule of law in the EU-SADC interregional agreements led to irritation on the side of the EU (Broczka & Broczka 2012: p.155ff).

### **5.5.2 Development cooperation**

The European Development Fund (EDF) is one of the main instruments of development cooperation between the European Union and developing countries. Established through the Treaty of Rome in 1957 it initially aimed at providing financial assistance to colonies in the form of collective financial contributions by member states. The European Commission was responsible for administering the funds and coordinating member states. Today’s structure is still based on the same principles with the EU managing the financial contributions provided by member states. The 10<sup>th</sup> EDF, covering the period between 2008 and 2013, disposes of a total budget of €22.682 million of which €116 million have been allocated for assistance to the SADC (Buzdugan 2013: p.18).

With regard to the thematic use of the funds the EU-SADC Regional Strategy Paper and Regional Indicative Programme 2008-2013 describes the EC’s development strategy for the SADC. It foresees 80% to be allocated for assistance toward regional economic integration, 15% for regional political cooperation and 5% for non-focal areas. (European Commission & SADC 2008).

The funds designed for *regional political cooperation* aim at improving governance, political stability and democratic institutions and focus on four areas of assistance: they involve supporting SADC institutions which encourage and monitor democratic elections in the region; enhancing the SADC’s capacity to mediate potential political crises in or among its member states; financing ‘joint exercises’ with law enforcement in the region to promote human rights and anti-corruption; and supporting regional defence initiatives through the procurement of military equipment, ‘capacity building’ initiatives and efforts to recruit

personnel into SADC defence institutions (European Commission & SADC 2008: p.54f). Thus, the European Commission is involved in important political processes and has leverage on crucial dimensions of regional integration (Buzdugan 2013: p.18).

With 80% of the EDF's budget allocated for *regional economic integration*, the EC has a strong position to exert influence on the direction that regionalism takes. Being aligned with the Cotonou Agreement, the EDF is based on similar principles. The EDF focuses its efforts on four outcomes: the implementation and consolidation of the existing SADC Customs Union and FTAs; the move towards a SADC Common Market and a Monetary Union with integrated rules and standards, free movement of factors of production (goods, services, labour, capital), competition policy, and macroeconomic convergence; strengthening the development and implementation of regional trade agreements in goods and services, EPAs, and multilateral trade arrangements, specifically WTO; support to those SADC countries liberalizing their trade regimes to enable them to make the necessary economic adjustments and address possible short-term revenue losses; the improvement of regional infrastructure; and the improvement of food security (European Commission & SADC: p.39). Here it is interesting to note that the European Union provides financial assistance for a regional market integration project ranging from a Free Trade Area via a Customs Union towards a Common Market. The EU thus supports a regional integration process similar to its own.

The EU justifies the focus on these areas of regional economic integration is justified by its own experience in “designing and implementing programmes which assist the deepening and strengthening of regional integration” (European Commission & SADC 2008: p.41). The mentioned strategies of promoting regional economic integration include technical and managerial support. It is striking, however, that in addition, the programme also involves interventions in economic policy. In order to promote the establishment of a customs union the EDF will “support the development and implementation of instruments and legislation related to trade liberalization and tariff reform” (European Commission & SADC 2008: p.39). Buzdugan (2013: p.20) consequently argues that this structure of cooperation “goes beyond the promotion of neoliberal reforms through aid conditionality [...] and involves direct policy intervention in the SADC and its member states to influence the process of regionalism in manner which is consistent with the EU's interpretation and experience of it”. Following this argument, the EC wants to boost the regionalism process which from the EU's point of view has stalled.

In November 2012 the European Union agreed to provide EUR 36 million to support regional integration in the SADC region and to improve the institutional capacity of the SADC-Secretariat, Member States and civil society. Therefore EUR 18 million are assigned for Regional Political Co-operation in the area of politics, governance, peace and security in the region. EUR 12 million are directed for capacity development of the SADC-Secretariat and EUR 6 million are provided for a Technical Co-Operation Facility aiming at improving coordination, harmonization and the development of national-regional linkages (<http://www.sadc.int/news-events/news/european-union-and-sadc-sign-multimillion-euro-agreements-su/>).

In 2003 a Joint SADC-ICP Task Force (JTF) leading to further institutionalization of development cooperation between SADC, the EU and other donors was established. The objective was to streamline the organization and to centralize decision-making processes which were hitherto governed by the member states. Interaction between SADC and the donor community now takes place with the donors “discussing, monitoring and, to some degree, coordinating funding” (Buzdugan 2013: p.16). Foreign actors have thus become even further embedded in and interwoven with the SADC-organization and “have become not only integral to the process but also intrinsic to the institution” (Buzdugan 2013: p.16).

The JTF is divided into thematic groupings in which different donors are present. They offer SADC the opportunity to estimate donor support. Through the JTF the SADC directorates can furthermore present their demands (or “shopping list”) to donors. Approval of the projects is then subject to “alignment of interests, the degree to which these projects would be truly ‘regional’ as opposed to transnational in nature, the legal and accounting procedures in donor countries and several additional conditions on the part of some donors” (Buzdugan 2013: p.17) including democratic accountability. Through the TJF, donors increasingly take part in budget programming and joint project-planning missions with the SADC and other donors. As a consequence, “international actors have become embedded within the regional organization and have had direct input on policy and strategy” (Buzdugan 2013: p.17).

One can conclude that the European Union disposes of a variety of channels to exert influence on SADC. On the one hand, the European Union is the main trading partner of the majority of the member states, as shown in Chapter 4.2.3.2. On the other hand, SADC is dependent on the continuation of financial support in order to fund their projects and institutions. Saurombe (2009: p.104) goes as far as to say that “if the EU will withdraw its funding, the whole SADC Secretariat based in Botswana will lose their jobs”. Lastly, the EU has increasingly been

embedded in important regional institutions where it gets insight into crucial political processes which it can influence. In this regard, funding external consultants which work inside political and administrative structures is an important component. The following section will describe how EU influence contributed to the diffusion of EU-style institutions will be discussed.

#### **5.5.2.1 The EU's involvement in the evolution of SADC**

In light of the above mentioned relations between the European Union and SADC, the next chapter will analyze which channels the European Union used to push for the adoption of institutions similar to its own. In this regard, it is striking that at the beginning SADC rejected the EU model of market integration and pursued a strategy based on development integration. However, policy makers in SADC “are increasingly adopting EU-style formal institutions in more recent periods” (Lenz 2012: p.155).

Lenz (2012: p.156) argues that institutions based on the EU role model are most likely to be introduced when there is a strong functional demand for institutional change. This occurs when existing institutions are discredited as a result of an economic or political crisis. When there is a simultaneous change of the external structural conditions institutional negotiations take place. This process can then lead to a change in state preferences and power configurations that have thus far supported the existing institutional structures. Consequently, this functional pressure can provide a “window of opportunity” for the diffusion of EU models (Lenz 2012: p.157). However, EU-style institutions are not emulated through a natural process. Instead, they need to be promoted by different actors. The EU provides assistance to advocacy groups and epistemic communities that promote institutional change resembling the European Union (Jetschke & Murray 2012). A key factor for them is the existence of the European Union and its widely perceived success. This provides them with legitimacy for demanding institutional change in the form of EU-institution and improves their position vis-à-vis those often powerful actors that want to resist such a change. Moreover, the emulation of EU-style institutions is spurred by financial and technical assistance to those regional arrangements that have strong similarities with the European Union. The more dependent the region on donor funding, and thus the more painful a loss of financial support would be, the more influence donors have on the process of regional integration (Lenz 2012: p.158).

### The EU's influence on the creation of SADCC

By reviewing literature on the establishment of SADCC, Buzdugan (2013: p.11) shows that international actors and particularly the European Economic Community (EEC) played a crucial role in the formation and operation of the organization during its initial phase. Anglin (1983: p.685-6) argues, for example, that the EEC represented by a number of officials had the role of a “midwife” in “discretely promoting the birth of the SADCC”. According to him, especially the head of EEC Delegation to Lesotho, David Anderson, was instrumental in this process by suggesting the idea of SADCC for the first time in 1977 “to influential intellectuals and academics in Zambia and Tanzania, as well as to a number of EEC officials, amongst others” (Anglin 1983: p.685). In this context, Leys and Tostensen (1982: p.52) describe SADCC as part of an initiative with “western states for a massive programme of reconstruction in southern Africa after years of war”. After the creation of SADCC, international donors also had strong influence on the functioning of the organization. One aspect in this regard is the fact that SADC Secretariat was mainly staffed with British nationals until 1984. They had a crucial role in the establishment of the institutional structures and thus the functioning of the organization (Buzdugan 2013: p.11).

### The effects of the EU's involvement in SADC institutions on the adoption of market integration

Around 1990 there were two trends that increased the leverage of international actors on SADCC policies. On the one hand, SADCC was highly dependent on donor assistance in order to fund its projects. On the other hand, the debt crisis and the structural adjustment programmes put financial constraints on the national budgets of member states. Keeping up international support consequently became ever more important. With regard to the former, the organization needed to attract donor funds, in order to realize the large number of planned development projects that were often designed by foreign consultants. For this purpose, large summits were held and donor pledges continued to rise. For a period of five years, the organization had been allocated a sum of 650 million USD with the European Union being the main contributor of 100 million USD. Consequently, the project portfolio was characterized by a strong dependency on (mainly European) donor funds which accounted for over 70% of the total budget in 1990. SADCC thus pursued a paradox strategy of trying to decrease

economic dependence from South Africa and industrialized countries on the one hand, while actually increasing dependence on donor funds (Buzdugan 2013: p.13).

Furthermore, huge foreign debt contributed to tying the region to the West. The redemption of debt to the IMF exceeded new financial assistance between 1986 and 1990. Together with the global recession of the 1980s, this triggered a serious debt crisis in the region. As debt was denominated in USD, the constant depreciation of national currencies made it almost impossible for Southern African countries to emancipate themselves from political control of the West as the region continued to depend on foreign aid and debt relief (Tsie 1996: p.77). Moreover, the EEC was a particularly strong supporter of the adjustment programmes and increased its contributions by 97 million ECUs in 1988. They aimed at liberalizing trade regimes and keeping the organization from establishing a protected market. The EEC thus shaped the region's development strategy and the nature of regionalism by tying regional development assistance to the adoption of SAPs (Buzdugan 2013: p.14). The adoption of EU-style institutions in the SADC region needs to be seen in the context of economic liberalization through the conditionality programmes of international financial institutions in the 1980s. The Programme of Action designed to implement economic adjustment put financial burdens on the countries' budgets that posed difficulties for amortizing debt. This uncertainty was further enhanced by the end of the Cold War and the donors' reluctance to continue financial support for the organization as a consequence of its decreasing geostrategic importance (Lenz 2012: p.13).

At the backdrop of these uncertainties, policy makers regarded regional economic integration as a means to overcome Africa's marginalization in the global economy. Despite the absence of a profound discussion of alternative and the positive and negative effects of adopting the European model, the common market model based on the experiences of the EU soon became the preferred option for the majority of heads of state. The terminology of Windhoek Treaty was similar to the one of the European Union. It aimed at establishing an Economic Community, entailing the establishment of the free movement of capital, labor, goods and services and people and the harmonization of policies. While this was, according to Lenz (2012: p.163), not a causal consequence of the active EU diffusion efforts, it is interesting that a European lawyer paid by the EC assisted at drafting the Treaty.

In light of the integration of South Africa into the regional organization, the European Union increased ambitions to improve relations with SADC. However, as the implementation of liberalization measures was perceived as too slow by donors and the sectoral cooperation



remained the preferred option of SADC-members, the organization lost credibility and trust among the donors. “This externally induced legitimacy crisis of the organization” (Lenz 2012: p.163) remained in place when reforms continued to stall. At that time, SADC was still very dependent on external funds, with 60% of the budget provided by international donors. When the Dutch completely ended their support for the organization in 1998 and rumors warned of a possible retreat of the Regional Indicative Programme as a result of a restructuring of the EU’s development cooperation to Africa, pressure to improve SADC’s performance increased (Lenz 2012: p.163f).

As a result, SADC undertook profound restructurings designed at enhancing market integration. While the EU has not made the adoption of EU-style institutions conditional for continued funding, “the Regional Indicative Strategic Development Plan (RISDP), adopted in 2003, essentially emulates the Community’s Maastricht Treaty” (Lenz 2012: p.164). It is based on the transformation from a Free Trade Area towards a Customs Union and a common market including a common currency. While not fully proved by evidence, interviews conducted by Lenz (2012: p.164) point to a strong influence of European or EU-paid consultants in the process of drafting the RISDP. One interviewee recalled that “a senior SADC official once telling me that RISDP was written by European consultants and they basically just took the Maastricht Treaty and adapted it and put it in the language of the region” (Lenz 2012: p.164).

Buzdugan (2013: p.12f) summarizes: “Instead of a set of intra-regional state and non-state actors cooperating and creating a formal regional institution of their own accord through mutual self-interest, or as a reaction to an imbalance of power, the SADC was strongly shaped by the direct intervention of international actors. In this way, international actors acted as a catalyst to the process of regional integration, whilst a set of enabling conditions such as the apartheid government of South Africa’s hostilities in the region and ideas amongst SADC states of reducing economic dependence on both South Africa and the industrialized countries allowed the process of regionalism to emerge within southern Africa.”. As a result, international donors and especially the EU became involved in the organizational structures of SADC. A combination of aid and trade allowed donors to influence the policies and strategies during the decades after the organization’s creation. This illustrates why Buzdugan (2013: p.6) does not speak of interregionalism between the core (EU) *and* the periphery (SADC) but rather “one of the EU *within* the SADC”.

### **5.5.3 Economic cooperation: the Economic Partnership Agreements**

Negotiations of the EU-SADC EPA were launched in 2004. It is striking that the fifteen SADC-member states were divided into four different regional negotiating blocs, namely the SADC-minus group, the ESA, the EAC and Central Africa. Right from the start, fragmentation of the SADC group was evident. Instead of forming a single group, all members except the BLNS group, Angola, Mozambique and Tanzania joined the ESA negotiating group. South Africa had an observer status, as its trade relations with the EU were already regulated under the Trade Development and Cooperation Agreement (TDCA). In 2006 South Africa joined the SADC-minus negotiating group as a full member (Stevens 2008: p.220). The Democratic Republic of the Congo opted for the geographically close Central Africa group and Tanzania left the SADC-minus group to join the EAC group.

Due to a number of factors negotiations in Southern Africa were quite complex right from the beginning: on the one hand, there is a mix of both LDCs and non-LDCs which poses problems to implementation of the trade agreements (Hurt 2012: p.498). While Lesotho, Mozambique and Swaziland are considered as LDCs, Namibia and Botswana have the status of an upper middle income country (<http://ec.europa.eu/trade/policy/countries-and-regions/regions/sadc/>). If the non-LDCs open their markets for European imports in the course of the EPA negotiations and the LDCs do not due to their preferential treatment under the Everything but Arms Initiative, keeping up the common external tariff established through a Customs Union will become increasingly difficult. Even though one of the objectives of the EPA-process is to boost regional integration, it could thus actually have detrimental effects (Hinkle & Schiff 2004: p.1323).

Furthermore, the fact there exist several regional organizations, including SACU, rendered negotiations difficult. What even further complicated the negotiation was the fact that South Africa had already signed an agreement with the EU in 1998. The Trade Development and Cooperation Agreement (TDCA) was designed as a reciprocal trade agreement between the European Union and South Africa. The negotiation of the TDCA resulted from the EU's decision not to give South Africa access to the Cotonou Partnership Agreement, because its economy was considered to be at a different level than other ACP countries. Consequently, a WTO compatible agreement was envisaged (Lwanda 2011: p.16). With regard to the trade in goods, the TDCA foresaw the elimination of duties on 86% of South Africa's imports from the EU over a 12-year period. The EU on the other hand agreed to abolish duties for 95% of

its imports from South Africa over a ten-year period. Furthermore, the EU agreed to reduce tariffs during the first couple of years after the signing of the TDCA while South Africa mainly lowers tariffs in the end phase. While the total amount of new duty free access seems to be favorable for South Africa, the European Union appears advantaged in terms of the level of tariff protection to be removed. This is especially clear when looking at the protection of agricultural goods: The European union agreed to abolish tariffs on 61% of agricultural imports from South Africa and to grant tariff quotas for particular agricultural products amounting to an additional 13%. In contrast, South Africa was supposed to eliminate 83% of tariffs on its agricultural imports from the EU (Goodison & Stoneman 2005: p.18). Because of their membership in SACU the TDCA was de facto also valid for Botswana, Lesotho, Namibia and Swaziland, even though they were not part of the negotiations. This not only complicated the EPA negotiations but also threatened to undermine the regional integration process, as it created different trade conditions for South Africa and de facto SACU than for the rest of the SADC countries. The TDCA can thus be regarded as negative external feedback despite the EU's voiced objective of boosting regional integration (Krapohl & Muntchick 2008: p.13f).

Because of the challenges of overlapping memberships and the already existing trade agreement between South Africa and the EU, SADC suspended the negotiations at the end of 2005. Some months later SADC presented a framework proposal for the EU-SADC negotiations. It aimed at supporting the regional integration agenda in Southern Africa and particularly proposed the inclusion of South Africa and alignment of the TDCA with the EPA process (Lwanda 2011: p.31). Concretely, it foresaw the TDCA as a benchmark for negotiations while taking the sensitivities of the BLNS states into account; the continuation of the EBA initiative granting LDCs non-reciprocal duty-free access; duty free access to the EU market to all SADC-EPA states including South Africa while taking into account the EU's sensitivities in agriculture; and the inclusion of 'new generation trade issues' like services, investment, procurement, intellectual property, competition, labor, and environment which go beyond WTO compliance to be dealt with in non-binding cooperative arrangements. One year later the European Union welcomed the inclusion of South Africa, challenged, however, the other three proposals (Lwanda 2011: p.31f).

Due to the phase-out of the Cotonou Agreement and the delay of negotiations Interim Partnership Agreements were concluded in 2009 granting preferential access to the EU market. While signed with Botswana, Lesotho, Swaziland and Mozambique Namibia decided

not sign the interim-EPA. The ongoing negotiations include market access as well as trade related issues, rules of origin and commutations. Furthermore services were included in negotiations with Botswana, Mozambique, Lesotho and Swaziland (<http://ec.europa.eu/trade/policy/countries-and-regions/regions/sadc/>).

#### **5.5.3.1 Expected economic effects**

Before dealing with the effects of an SADC-EU EPA agreement it is important to explain the current trade structures in terms of tariffs and customs revenues. It is striking that SADC's tariff structure is characterized by higher intra-regional tariffs averaging 14.6% than tariffs for imports from the European Union which stood at 7.1% in 2010. Compared to other regional groupings, SADC is thus one of the most liberalized regions towards the European Union (Fontagné et al. 2010: p.183). Moreover, a high percentage of SADC exports enjoy duty free access to the EU market: Under the EBA initiative, all the 8 LDCs have duty free access on over 90.2% of tariff lines. Additionally, also non-LDCs enjoy easy access to the European market. As a result, only South Africa, Botswana and Swaziland have less than 90.2% access to duty free tariff lines (Lwanda 2011: p.23f).

The SADC-interim EPA opened the European market to all goods except rice and sugar to which transition periods have been assigned. They can be exported to the EU without any quota restrictions and are exempt from duties. In line with the TDCA agreed to with South, Africa the BLNS states on the other hand have agreed to liberalize 86% of their imports from the EU by 2012. Due to its status as a LDC Mozambique was granted a longer transition period until 2023 to liberalize 81% of its imports. Under the interim-EPAs the SADC-members have decided to liberalize mainly industrial and fisheries products (European Commission 2011).

A number of ex-ante studies have been conducted to assess the potential effects of the EPAs on the SADC economies and development. In general, they tend to conclude that revenue effects of reciprocal trade liberalization will be positive, while also pointing to the potential of trade diversion (Hurt 2012: p.503). As described in Chapter 4.2., the European Union is an important export market for SADC countries. Consequently low tariffs for Southern African exports into the EU offer potential economic gains stemming from an increasing export volume. In an analysis of the potential welfare effects of an EU-SADC Free Trade Area, Keck

and Piermartini (2007) conclude that a Free Trade area has a strong potential for increasing trade between the regions. In general, a FTA would not have strong effects on exports of most SADC countries due to their already existing preferential provisions for market access to the EU. Rather imports from the EU are expected to rise in all countries except Botswana. A sectoral shift is also expected: exports of processed food products would rise sharply in Malawi, Zambia, Zimbabwe and the BLNS countries and exports in animal agriculture would increase in Botswana, the BLNS and Zimbabwe. This, however, has trade diversion effects mainly at the detriment of Latin American exports which are substituted by SADC-products in these sectors. One has to keep in mind, though, that a full Free Trade Area and the abolition of all trade barriers for agriculture exports to the EU are unrealistic. Positive export effects for the SADC region would thus be lower under the EPAs. Imports are expected to rise in large quantities in heavy and light manufactures in most SADC countries. With regard to welfare effects in terms of real GDP expansion, the analysis shows that South Africa, the BLNS states, Malawi and Zimbabwe would benefit the most from liberalization, while Botswana, Zambia, Mozambique and Tanzania would experience a GDP reduction. The paper comes furthermore to the conclusion that welfare effects would be more pronounced if the introduction of a Free Trade Area between SADC and the EU was accompanied by a simultaneous liberalization of intra-SADC trade. Also the analysis finds that Free Trade Agreements concluded between the EU and other regional organizations, like for example Mercosur, have an effect on a SADC-EU FTA in so far as they are estimated to significantly lower the benefits for SADC countries (Keck & Piermartini 2007). This is especially relevant in the context of the ongoing simultaneous EPA-negotiations between the EU and the ACP countries.

An important consequence of the conclusion of the SADC-EU EPAs is a significant loss of customs revenue. The SADC region as a whole would suffer from a loss in tariff revenues on imports from the EU. Depending on the scope of the goods exempt from liberalization, the loss ranges from 37% to 58% until 2020. It is important to note that the effects of a loss of customs revenue would fall unevenly on member states due to their varying importance for the government revenue and the varying degree to which customs revenues would decrease. With 26.8% of government revenue coming from tariff revenues, Swaziland would expect a decline in collected duties of 5.7%. Mauritius on the other hand would have to face a decline in duties of 23.4% thus significantly affecting the 20.1% of government revenue that stems from tariffs (Fontagné et al. 2010: p.204).

### 5.5.3.2 Criticism

Robles (2008) argues that while both SADC and the EU aim at integrating the region into the world economy by concluding EPAs, the conception of integration of the two sides differ. Article 35.2 of the Cotonou Agreement states accordingly that “economic and trade cooperation shall build on regional integration initiatives of ACP States, bearing in mind that regional integration is a key instrument for the integration of ACP countries into the world economy”. While for the EU integration into the world economy basically means multilateral trade liberalization in conformity with WTO rules, SADC aims at boosting industrial production through FDI and exports of manufactured products. For the latter, a FTA with the EU would be beneficial if it increased FDI from the EU into the region. An improved trade surplus would furthermore create resources that could be used to improve the competitiveness of local industries. However, in contrast to the European Union which accompanied deregulation with funds for Research & Development for local industries as well as trade protections, SADC does not have the resources to support Research and Development of its own firms. Robles (2008: p.188) thus asks whether the EU’s support for FTAs “did not contradict the EU’s own experience, which guaranteed tariff protection for strategic industrial sectors in the run-up to the completion of the SEM” (Single European Market).

Criticism has been voiced over both the objectives of the EPAs and the strategies that the European Union has pursued. As mentioned above, the EU is one of the main donors in the ACP region. As a consequence, the relationship between the negotiating parties during the EPA process is characterized by inequality. This is reinforced by the fact that in WTO negotiations developing countries have a stronger position than in EPA-negotiations as a smaller number of countries negotiates with its most important donor. In this context, the ACP Council of ministers stressed in 2007 that pressure has been put on the states by the European Union to enter into interim trade agreements. And as Hurt (2012: p.504) puts it quite radically: “The EU could be seen to have manipulated the agenda by overloading it with trade-related matters from the outset, then using delaying tactics, before presenting a draft final text at the last minute, allowing little time for ACP groups to respond adequately”. In addition to the unequal power relations, the ACP states face capacity problems as a result of simultaneous trade negotiations on WTO, EU and regional level. It is in this context that the interim EPAs have been signed (Hurt 2012: p.504).

With regard to the splitting up of the SADC-group into four different negotiating groups, one can conclude that the EPAs have had detrimental effects on the consolidation of SADC as a regional organization. It is important to note that “The EPA process has acted to align politically and economically various sub-groups within the SADC with alternative regions, and these configurations may result in future in a different regional political geography than currently exists in southern Africa.” (Buzdugan 2013: p.22). It becomes therefore evident that external influence has played a major role in the regionalization process in Southern Africa. Economically, a division of the SADC members signifies that the pursuit of the market integration model ranging from a Free Trade Area to a Customs Union characterized by a common external tariff will be constrained. Additionally, further fragmentation of SADC is not to be considered as the outcome of intra-regional political and economic motives, but rather driven by “the most preferred agreement that could be reached with the EU through other regional groupings” (Buzdugan 2013: p.23).

If SADC wants to boost industrial production and exports through FDI, Robles (2008) raises the question whether an FTA with the EU would be likely to contribute to achieving these objectives. The author voices doubts about the positive impact of European FDI, as surveys have shown that FDI from Europe is mainly used to supply local markets. This means that European investment does not contribute to boosting exports for the global market, but instead it develops the region as a base of production for the Southern African market. While this improves SADC's position as a regional base for production, it does neither contribute to increasing extra-regional exports, nor to the region's integration into the world economy. Robles concludes that an EU-SADC FTA would mainly lead to an increased access of European firms to Southern African markets and consequently to a rising market share of European companies (Robles 2008: p.189f). Goodison and Stoneman (2005: p.22) also raise a more general question: “Why invest in Southern Africa to serve the EU market when you could locate in a low-wage, high-skill zone within an expanding EU and be at the hub of a multiplicity of free-trade area arrangements that allow you duty free access to a far larger market?”.

The impact of the EPAs on regionalism in Africa is profound and paradox. On the one hand, the European Union emphasizes the need to increase intra-regional trade and diversify exports in order to develop in the long-term. On the other hand, the liberalization pursued with the EPA-process might actually be an obstacle to achieving this goal, as increased competition from European firms in combination with the absence of infant industry protection policies

can threaten the development of local manufacturing and food processing industries (Hurt 2012: p.506). Moreover, the EPAs might have negative effects on the regional integration process in the SADC region itself, as they would push for fast-tracking implementation of trade protocols and the creation of customs unions in order to prepare the economies and institutions for trade liberalization and the expected negative effects. Krapohl and Muntschick (2008: p.13) argue that the consequences of “such hastily established institutions are not yet taken into account”. Furthermore, the EPAs have the potential to contribute to the final split up of SADC in the case that both the SADC EPA and the ESA EPA lead to the creation of customs unions without sufficient harmonization among themselves. In such a situation SADC member states would have to choose to which customs union they would like to be part of (Krapohl & Muntschick 2008: p.13f).

One manifestation of the unequal power relations is the fact that the so-called new generation issues (NGIs) or Singapore issues, i.e. transparency in government procurement, trade facilitation, trade and investment, and trade and competition, have remained on the EPA agenda despite the developing countries’ rejection in the WTO. As the European Union has been a strong supporter of NGIs, their inclusion signifies a major issue of disagreement between the negotiating parties. SADC-members initially emphasized that the EPAs should only include market access and claimed that rules relating to trade should only be non-binding, if included at all (Hurt 2012: p.504). The European Union, however, refused this and stressed that the trade-related issues were the “real development component of EPAs” (Meyn 2008: p.519) and that they would be at the heart of efforts to boost regional integration in the SADC region.

Lwanda (2011: p.33) points out that there is no need to include the NGIs in the EPAs, as firstly, they are not required for WTO compliance and secondly, some of them are actually being negotiated at the WTO. In light of the fact that most developing WTO member states have successfully kept them off the negotiation agenda, “it could be argued that the EC is using EPAs to ‘sneak’ NGIs into the multilateral trading system” (Lwanda 2011: p.34). He concludes further that “[g]iven that ACP states make up over half of the WTO members, the conclusion of NGI negotiations with them would effectively mark the inclusion of the Singapore issues in the multilateral trading system” (Lwanda 2011: p.34).

Critics have pointed to the fact that the promotion of the NGIs can not be separated from the economic interests of European businesses. Faber and Orbie (2009) argue that they would create a better business environment for potential European investors. Others (Goodison



2007: p.262) stress that emphasizing liberalization in services provides ‘economic opportunities in those sectors where EU companies are strong’. Furthermore, an agreement on investment can constrain the policy space for employment policies supporting local employment as foreign and local investors would have to be treated equally. Also liberalization of government procurement could restrict governments from giving priority to local enterprises. With respect to the Singapore issues Hurt (2012: p.505) thus concludes: “In general their inclusion would make it very difficult for governments in Southern Africa to adopt an industrial policy that sought to protect and develop its own local firms.”

## **5.6 Conclusion**

Relations between SADC and the European Union need to be seen in the context of the wider EU development and trade policies towards developing countries. It was shown that during the last decades, the EU put increasing emphasis on neoliberal policies and trade for development. This resulted in the signing of the Cotonou Agreement which constituted a change towards reciprocal trade relations with developing countries in accordance with WTO requirements. Furthermore, the EU has developed instruments to pursue its interests through the promotion of regional integration in other parts of the world, including the conclusion of interregional agreements like the Economic Partnership Agreements.

EU-SADC relations are structured by political, development and economic cooperation. Especially the latter two are of importance for the EU’s influence on SADC policies. With regard to development cooperation, the EU has provided direct financial support to boost regional economic integration similar to its own experience. The large amounts of financial assistance from the EU created a relationship of dependence. Because of this uneven relationship the withdrawal of funds has drastic effects for the functioning of the organization. Furthermore, the EU financed staff and international consultants from European countries who were involved in the design and establishment of regional institutions. In the context of the debt crisis and structural adjustment programmes, the dependence on EU funds became even stronger. Consequently, whenever donors voiced criticism of the slow regional integration process, SADC took a step forward and adopted, for example, the Windhoek Treaty and the RISDP. Their development was, firstly, influenced by EU-paid consultants, and secondly, they have similarities with the integration model that the EU itself had pursued.

Because of SADC's dependence on development cooperation, the EU was in a position to provide positive feedback links and to boost the regional integration agenda.

In 2004 the EU launched negotiations of an Economic Partnership Agreement with SADC. However, negotiations proved to be complex because of the existence of a number of different regional organizations, the trade agreement with South Africa and the preferential provisions for LDCs under the EBA Initiative. Furthermore, SADC members split up into four different negotiating groups. This led to new configurations of cooperation and inconsistencies among SADC members which could be exacerbated in the course of the negotiations. As a consequence, the EPA negotiations have a negative effect on the consolidation of regional integration of the SADC region. With regard to the outcome of an EPA, one has to conclude that they would mainly benefit European firms and increase their market share. Furthermore, the inclusion of regulatory issues in the negotiations can be seen as a strategy of the EU to liberalize sectors in which the EU is particularly strong. However, the liberalization of procurement or competition policies constrains SADC's policy options to favor local firms, create employment or to develop an industrial policy.

## 6 Conclusion

Based on the New Regionalism Approach, the paper tried to explore how the construction of the Southern African region and the formulation SADC's regional development strategies in particular have been influenced by the interests of a variety of actors. The process of regional integration was analyzed in a comprehensive way, taking into account the continental context in the form of the AU, NEPAD and the AEC as well as the historical construction of the Southern African region in colonial times and in the post-independence era. The research questions can be answered as follows:

Three dominant approaches provide explanations for the link between regionalism and development. Each of them assigns a different role to the state and the market in the development process and each prefers a different trade regime with external partners. First, for the market integration approach, increasing investment as a result of an enlarged market and cuts in production costs are the main benefits of regional integration. To this end, intra-regional trade needs to be promoted through tariff reductions. Second, the development integration approach emphasizes the promotion of productive forces through industrial policy and state intervention. Therefore, measures for infant industry protection shield key industries from foreign competition and contribute to learning effects within the region. According to this approach, regional disparities should be mitigated through distributive measures. Third, open regionalism calls for the reduction in external tariffs and the abolition of discrimination between foreign and local firms. In this logic, development is promoted through the integration of the region into the global economy, as the region benefits from cheaper imports and learning effects that derive from interaction with industrialized countries.

On the continental level, both NEPAD and the AEC provide a framework for regional integration in Southern Africa. NEPAD has a clear focus on the promotion of regional integration in Africa in order to improve Africa's position in the global economy. Therefore, it emphasizes trade liberalization and global openness. Consequently, it can be qualified as promoting open regionalism and integration into the international trade structures. The RISDP refers to itself as regional expression of NEPAD and identifies with the principles of good governance and the enforcement of internationally accepted standards. With regard to the establishment of the AEC, regional economic communities constitute building blocks for continental integration. The implementation plan of the AEC follows the market integration model and envisages the creation of an African Common Market by 2023. However, the fact

that most of the African countries are members in multiple regional organizations poses significant challenges to the abolition of intra-regional tariffs. In conclusion, both NEPAD and the AEC influenced SADC's integration policy, by laying down a framework for integration based on market integration and open regionalism.

The construction of the Southern African region was significantly shaped by the interests of the mining industry and the white minority. At the beginning of the 19<sup>th</sup> century, there were significant migratory flows as a result of ecological disasters and pressure from both old and new European settlers. When capital was increasingly invested in the South African mining sectors at the end of the 19<sup>th</sup> century, the provision of labor from neighboring countries became crucial for maintaining the system of resource extraction. Furthermore, the goods needed to be transported to the ports in order to be shipped to overseas markets. As a result, the region became ever more interconnected through migration and the railroad system. South Africa became the dominant economy in the region. When the apartheid regime introduced legislation based on racial discrimination and when South Africa pursued aggressive strategies towards its neighbors, a number of states decided to create a group called the Front Line States. Their objective was to counter South Africa's dominance and to fight the apartheid regime. This later contributed to the creation of the Southern African Development Coordination Conference (SADCC) which was transformed into SADC in 1991.

SADCC's objective to reduce dependence on South Africa was not achieved. Instead, South Africa remained the dominant economy. Today South Africa still accounts for approximately two thirds of total GDP in the region. As only South Africa has a significant manufacturing sector, regional production structures did not substantially change. Most SADC members still mainly export raw materials. As a result, the potential for trade creation and consequently benefits of market integration will remain limited unless the production structures are changed. Furthermore, the region is characterized by a high heterogeneity with regard to development indicators. This further hampers the regional integration process and can lead to polarization effects.

With regard to integration policies, SADC underwent a strategic shift from development integration to open regionalism. Whereas both the SADC-Treaty and the Protocol on Trade include principles of equity and balanced industrial development, their implementation was mainly based on trade liberalization and the promotion of intra-regional trade. In addition, The RISDP foresaw the development of a regional industrial policy. However, when the implementation process stalled, efforts were almost exclusively directed at reducing tariffs

and thus implementing a market integration approach. Thus, SADC put ever more emphasize on market integration and open regionalism, while the principles referring to development integration were not implemented.

Chapter 4.4 illustrated how the interests of state actors, business actors, civil society actors and external actors shaped the integration process in the SADC region. State actors are interested in staying in power and thus want to maintain domestic legitimacy and the flow of international financial assistance. In this regard, the signing of protocols at large summits provide leaders with the opportunity to present themselves as important regional actors that hold up regional values. This improves the leaders' reputation on a national and regional scale and thus strengthens their power base. Additionally, in light of the donors' preference for regional integration an active role on the regional level can help to sustain international funds. However, state actors that derive private gains from existing regional arrangements may obstruct the implementation process, as reforms could undermine neopatrimonial ties and consequently their power base.

Business actors contributed to the regionalization of Southern Africa by increasing flows of goods, capital and labor. On a regional level business actors dispose of some formal channels to influence SADC policies. However, business organizations face financial constraints and have so far preferred to concentrate their activities on the national level. In this regard, especially South African businesses have succeeded in influencing their government to push for liberalization and an environment conducive to business expansion. In conclusion, South African business interests have contributed to the focus on market integration, while regional business organizations have little influence.

Civil society actors have adopted a variety of strategies to engage with SADC in order to pursue their interests. Firstly, partner CSOs engage with SADC on a consultative basis. They take up a monitoring role and cooperate with governments through the provision of services. Secondly, CSOs legitimating regional governance aim at promoting policy reform and enhancing accountability and regional governance. Thirdly, CSOs resisting regional governance mostly reject to cooperate with SADC and the respective governments. Instead, they want to mobilize popular support for structural change. Fourth, CSOs manipulating regional governance are created for the aim of accruing private benefits for a small group of people. They often have close ties with the ruling elite and are used as a vehicle to support the governments' policies. In general, many CSOs criticize the neoliberal integration model that SADC pursues. Furthermore, they criticize their insufficient involvement in decision making

and the lack of Southern African ownership in the integration process as a consequence of the dependence on foreign capital. However, they are constrained by a lack of resources, insufficient popular support and lacking cooperation among themselves. These factors pose significant challenges to the provision of an alternative regionalism.

External actors have a strong influence on regional integration in Southern Africa because of their important position as providers of financial assistance and trade partners. It was shown that the World Bank and the USA support open regionalism and integration into the global economy. With regard to external actors, main emphasis was put on the role of the European Union.

Development cooperation and economic relations were identified as the most important channels for the European Union to influence regional integration in the SADC region. With regard to development cooperation, the EU provided direct financial assistance to SADC institutions. As a result, the relations between the EU and SADC were characterized by a high degree of dependence which became especially relevant during the debt crisis and financial constraints of national budgets resulting from Structural Adjustment Programmes. Furthermore, financing international consultants and staff of the Secretariat, provided the European Union with an opportunity to influence the design and evolution of regional institutions. As a consequence, SADC increasingly adopted institutions similar to those of the European Union, in particular regarding market integration.

The European Union launched the EPA negotiations in order to establish new trade relations with developing countries in conformity with WTO-rules. The aim of the EPAs is to promote regional integration and to contribute to regional development through integration into the global economy. However, the existence of the TDCA with South Africa as well as the granting of preferential access to LDCs under the EBA initiative rendered the negotiations complex. Moreover, the SADC region was split up into four different negotiating groups. This creates inconsistencies and challenges for the establishment of a customs union and consequently has negative effects on the consolidation of regional integration in Southern Africa. In addition, it is doubtful whether positive development effects will materialize from the EPAs, as mostly European firms will benefit from improved market access. The inclusion of regulatory issues, like government procurement or competition policy, in the EPAs constrains the policy options of SADC members. Liberalization in these fields would restrict governments to favor local businesses, create employment and develop industrial policies.

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## 8 Appendix

### A Abstract

During the last two decades the number of regional integration agreements has increased significantly and developing countries have increasingly adopted regionalism as a development strategy. However, the general theoretical debate on regionalism has only marginally explored regionalism outside the industrialized world. This thesis addresses the theoretical marginalization of Africa by exploring the process of regional integration in the Southern African Development Community (SADC). Theoretically based on the comprehensive New Regionalism Approach, this paper wants to explore how state actors, businesses actors, civil society actors and especially external actors have shaped the process of regional integration in the SADC region and in how far their respective interests have contributed to a shift towards an open approach that emphasizes trade liberalization. In light of the region's dependence on both external financial assistance and extra-regional export markets, the thesis focuses on the role of the European Union in this process.

First, the thesis identifies three concepts of regional integration, each emphasizing different roles of the state and the market and each promoting different trade regimes with external partners. In Africa and in the SADC region in particular, there has been a strategic shift from inward to outward oriented strategies. The thesis then explores the implications of the African context. Especially NEPAD and the African Economic Community (AEC) provide a framework for regional integration and promote market integration and global openness. With regard to Southern Africa, the construction of the region was significantly shaped by the interests of the mining industry and the white minority as well as labor migration and investments in the regional railroad system. As a result, the regional economy was centered on South Africa. This played an important role for regionalism in Southern Africa. Then the thesis discusses how the interests of state actors, business actors, civil society actors and external actors have shaped the integration process in the SADC region. They interact on various levels and dispose of different ways to promote, obstruct or influence the integration process. With regard to external actors, focus is put on the role of the European Union. Development cooperation and economic relations are identified as the most important channels of influence for the EU. Due to the region's dependence on financial assistance, the EU was able to promote market integration and to support the adoption of regional institutions similar to its own. Concerning economic cooperation the last chapter deals with the potential effects of the Economic Partnership Agreements on regional integration in Southern Africa.

## **B Zusammenfassung**

Die Zahl regionaler Integrationsabkommen nahm seit Anfang der 1990er Jahre stark zu. Auch Staaten des Südens nahmen Regionalintegration zunehmend in ihre Entwicklungsstrategien auf. Im wissenschaftlichen Diskurs wurde Regionalismus außerhalb der industrialisierten Zentren jedoch nur selten behandelt. Diese Diplomarbeit greift daher die Marginalisierung Afrikas in der Debatte auf und untersucht den Integrationsprozess der Southern African Development Community (SADC). Dabei stützt sich die Arbeit auf den New Regionalism Approach und analysiert, wie staatliche, zivilgesellschaftliche, wirtschaftliche und insbesondere externe Akteure Einfluss auf den Integrationsprozess ausübten und inwiefern deren Interessen zu einem Strategiewechsel hin zu Handelsliberalisierungen beigetragen haben. Angesichts der Abhängigkeit der Region von externer finanzieller Hilfe und europäischen Exportmärkten analysiert die Arbeit insbesondere die Rolle der Europäischen Union im Integrationsprozess der SADC.

Anfangs werden drei Konzepte von Regionalintegration präsentiert. Sie sehen einerseits unterschiedliche Rollen von Staat und Markt vor und bevorzugen andererseits unterschiedliche Regelungen für den Handel mit externen Partnern. In Afrika und insbesondere in der SADC-Region kam es zu einem Wechsel von binnen- zu außenorientierten Integrationsstrategien. Die Diplomarbeit behandelt zunächst den afrikanischen Kontext. Vor allem NEPAD und die AEC stellen einen Rahmen für Regionalintegration dar und fördern insbesondere Marktintegration und Handelsliberalisierungen. Die Entstehungsgeschichte der Region des südlichen Afrikas war stark durch die Interessen der Bergbauindustrie und der weißen Minderheit geprägt. Arbeitsmigration und das regionale Eisenbahnnetz waren dabei wichtige regionale Faktoren. Die daraus folgende dominante Position Südafrikas spielte eine wichtige Rolle für regionale Initiativen wie der SADC. Anschließend behandelt die Arbeit die Frage, inwiefern staatliche, zivilgesellschaftliche, wirtschaftliche und externe Akteure Einfluss auf den Integrationsprozess der SADC ausüben konnten. Sie interagieren auf unterschiedlichen Ebenen und verfügen über verschiedene Kanäle, um den Integrationsprozess voranzutreiben, zu behindern oder ihn nach den eigenen Vorstellungen zu beeinflussen. Bezüglich externer Akteure konzentriert sich die Arbeit insbesondere auf die Rolle der Europäischen Union. Entwicklungszusammenarbeit und Wirtschaftsbeziehungen werden als die wichtigsten Grundpfeiler für Einflussnahme identifiziert. Die Abhängigkeit der Region von finanzieller

Hilfe ermöglichte es der EU, Marktintegration zu fördern und die Einführung von Institutionen zu unterstützen, welche Ähnlichkeiten mit jenen der EU aufweisen. Bezüglich wirtschaftlicher Zusammenarbeit geht das letzte Kapitel auf die potentiellen Folgen der Economic Partnership Agreements (EPAs) auf den Integrationsprozess im südlichen Afrika ein.

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