

*Review*

# Regional integration and amalgamation: The SADC/SACU dichotomy

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## Abstract

The SADC Treaty sought to, among other things; enhance regional integration within the SADC region. The eventual thrust has been on coming up with a common market, common monetary union and a common currency that would facilitate trade within the region. Equally important has been the desire to form a bulwark against stronger economies from other regional groupings. On the other hand, while SACU has harboured the desire to facilitate the establishment and operationalisation of a customs union within the Southern African region. It has been argued that such a development cannot avoid the need for a common currency, common market as well as a monetary union to counter the strong trade current coming from other regional groupings, such as the East African Community, taking cognisance of the meteoric economic rise of Kenya as well as the post-genocide economic reform of Rwanda. This paper examines the history of regional integration in Africa, what has motivated it, the different initiatives by way of RECs and well as the nature of the integration process, and the current challenges such as duplication of functions and overlap within SADC and SACU. The paper also put forward the need to collapse SADC and SACU by harmonising their operations and the attendant regulatory framework governing the two RECs.

**Key words:** Regional integration, amalgamation, SADC, SACU

## INTRODUCTION

Regional integration is seen as a rational response to the difficulties faced by a continent with many small national markets and landlocked countries. As a result, African governments have concluded a very large number of regional integration arrangements, several of which have significant membership overlap. While characterized by ambitious targets, they have a dismally poor implementation record. Part of the problem may lie in the paradigm of linear market integration, marked by stepwise integration of goods, labour and capital markets, and eventually monetary and fiscal integration. This tends to focus on border measures such as the import tariff. However, supply-side constraints may be more important. A deeper integration agenda that includes services, investment, competition policy and other behind-the-border issues can address the national-level

supply-side constraints far more effectively than an agenda which focuses almost exclusively on border measures.

The geo-political environment in which the Southern African Development Community (SADC) and the Southern African Customs Union (SACU) operate has raised debates about the need to collapse the two institutions, especially given the amount of duplicity and overlap of membership. Such a merger would see the creation of a more encompassing and comprehensive regional grouping that would double both as a regional customs union as well as a socio-political regional bloc. Such a merger would be able to focus on socio-economic and political dynamics of the Southern African region. However this discussion cannot be pursued without establishing the objectives and set up of each of the two

institutions as well as their involvement in the EPAs. There are several advantages and disadvantages in the collapsing the two institutions which are discussed below.

### Theory of Regional Integration

It has been acclaimed that early theorising related to the European integration process emphasised the procedural nature of the phenomenon of regional integration. The most renowned scholar of regional integration, Ernst Haas, has defined integration as follows:

'the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdiction over pre-existing national states. The end result of a process of political integration is a new political community, superimposed over the pre-existing ones.' (Haas 1968, 16).

Consequently, it can therefore be argued that theorising related to regional integration started as an attempt to explore the optimal way of implementing the process of integration. In other words, for example, theories of economic integration were mainly interested in what would produce the most beneficial outcome in economic terms. However, these theories were developed alongside with other social sciences, and also regional integration gained more scientific rigour and new models were developed as the social sciences in general advanced. Among these models are such classical theories of political integration as federalism, transactionalism and most importantly functionalism / neofunctionalism. These were all dominant in the discussion related to the European integration process whereas in the African context theories of economic integration had more importance. However, this paper does not intend to delve into the intricacies theoretical framework on regional integration, but focuses on the practicalities of the phenomenon thereof. There no more exist clear-cut models and schools of regional integration, as most of these have since gone into oblivion due mostly to globalisation. This therefore follows that in the case of theoretical models or regional integration the division into two distinct waves is not possible as is the case with the empirical phenomenon. The theoretical discussion related to integration has naturally continued throughout the 1970s and 1980s and was mostly related

to European integration. In the case of European integration there no longer nowadays exist such clear-cut schools or models of regional integration as during the first wave of the 1970s. And instead the discussion has proliferated in various directions. In the case of the developing countries, also theoretical discussion faded away with the demise of the first generation of regional organisations. Regional integration in developing countries experienced a resurgence both as an empirical phenomenon as well as an object of academic interest in the beginning of the 1990s (Robson 1993: 330). However, theorising related to regional integration among developing countries has been quite limited recently and academic discussion has concentrated mainly on the relationship between globalisation and regionalisation and theories of regionalisation, leaving discussions on regional integration to place second fiddle.

Raging current debates have presented economic cooperation between countries as occurring on three levels, namely coordination, harmonisation and integration. Coordination is the lowest level of economic cooperation. It usually involves the voluntary alignment of national policies and investments in certain sectors of the economy. Harmonisation is a higher level of cooperation, and it usually involves harmonisation of national legislation or the adoption of common legislation. On this level, all legislation is still national, and all policies and instruments are nationally controlled and implemented, although they might be regionally agreed. Integration is the highest level of economic cooperation. In a regionally integrated market, some of the traditional decision-making powers of nation states have been handed over to the regional level, and regional rules and decisions supersede national legislation. Furthermore, at least some economic policies are formulated on the regional level. Integration can thus refer both to the process as a whole, but also to a certain advanced level of cooperation between and among countries usually in the same geographical region or location.

### Economic Partnership Agreements (EPAs)

The influence of the European Union within SADC and SACU has been visible through economic partnership agreements (EPA) negotiations. From 2002, the EU commenced EPA negotiations with the SADC. The SACU member states negotiated the EPAs as an appendage of SADC. The fact that EU undertook EPA negotiations with SACU being under SADC umbrella shows the affinity between SADC and SACU. Equally important is the fact that major players in SACU wield the same (or more) power in SADC, which would imply that SADC decisions and agreements with other regional groupings can affect and impact on the operations of SACU. However, it remains to be seen whether the SADC could make decisions on behalf of SACU. In the EPA negotiations by SADC and SACU, South Africa played a pivotal role

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<sup>2</sup>Gibb R 'The New Southern African Customs Union Agreement: Dependence with Democracy' (2006) 26 *Journal of Southern African Studies* 32 (3) 24-56.

<sup>3</sup>Vickers B 'Between a Rock and a Hard Place: Small States in the EU-SADC EPA Negotiations' (2011) 187 *The Round Table: The Commonwealth Journal of International Affairs* 100 (413) 183-197.

because it is found in both SADC and SACU and is a dominate member in each of the bodies. Given that South Africa plays an important part in both institutions, collapsing the two institutions would strengthen the position of South Africa on the new consolidated body. The fact that SADC and SACU negotiated for EPAs as two distinct but symbiotic and interdependent institutions has shown that the process of negotiating for the EPAs would have been made less cumbersome if the two regional bodies had set up a joint team to negotiate for both SADC and SACU. Therefore there was overlapping and duplication of tasks for the two regional bodies to engage the EU separately.

### Overlapping and Duplication

Overlapping memberships has created trade inconsistencies among regional blocs. An example is where countries hold membership of both COMESA and SADC. Of the 15 SADC member states, 9 countries also belong to COMESA whose total membership is 20. Zambia being a member of COMESA customs union, had agreed to a common external tariff for countries that are not members of COMESA. Since South Africa is not a member of COMESA, this did not apply to South Africa. This would translate to the fact that Zambia had agreed to reduce tariffs with South Africa (under the SADC conditions) but to maintain tariffs with South Africa (under the COMESA provisions). Similarly other regional groups such as SACU which already have agreements with EU would have to seek ways of how to negotiate with non-SACU countries that are members of both SADC and COMESA and to identify which group they will have to negotiate with. Overlapping and concurrent membership has shown varied economic interests among SADC and SACU member states.

Given the desire to overcome different economic challenges by different RECs within the ACP, some countries have opted for multiple memberships to draw from different RECs. Overlapping to different RECs has not only created confusion, competition and duplication, but also constitutes a burden on the taxpayer. South Africa, Botswana, Lesotho, Namibia and Swaziland are members of both SACU and SADC, while Namibia and Swaziland both hold memberships of three regional integration agreements and are part of the Common Monetary Area (which include South Africa and Lesotho) and also participate in the Regional Integration Facilitation Forum (RIFF). Additionally a majority of SADC member states are also members of the Common Market for Eastern and Southern African States (COMESA). This causes problems in the event that each region decides to form a customs union, taking cognizance that no one country can simultaneously belong to two unions at any one time. It has also been noted that differences in approaches to integration add to the confusion and inconsistency and incoherence in policies.

Given that South Africa has already negotiated a Free Trade Agreement with the EU and as well as SACU any agreement that South Africa concludes includes other SACU members. Overlapping membership has also diluted regional integration among REC member states. It has been noted that when integration is shallow, a state can sign numerous bilateral or even multilateral agreements but when integration deepens to the level of a monetary union or customs union, states must choose one integration agreement.

### The SACU/SADC Dichotomy

The existence of SADC and the SACU alongside each other and seeking to achieve similar objectives has created challenges to the SADC regional integration as states within the southern African catchment geographical area find themselves divided between the two institutions. Despite the fact that SACU members are prohibited from entering into new preferential trade agreements with third parties, this regulation has been flouted on numerous cases.<sup>38</sup> In addition powerful economic blocs such as the EU have sought to divide SADC and SACU by negotiating with them separately despite the fact that SACU membership is encapsulated in SADC. The Southern African Customs Union (SACU) that is often acknowledged as the oldest functioning customs union in the world and was not established as a result of a decision by sovereign states, but is a culmination of a decision by a colonial power (Britain) to establish a customs union consisting of the Union of South Africa (now the Republic of South Africa), Basutoland (now Lesotho), Swaziland and Bechuanaland (now Botswana). Namibia only joined SACU when it became independent in 1990. SACU now consists of

<sup>4</sup>McLeod H 'Regional Integration and the Role of Donors' *Monitoring Regional Integration in Southern Africa* (2011) 7.

<sup>5</sup> Van der Merwe C (2010) 'Zuma Urges SACU to Tackle EPA negotiations as United Front', *Engineering News Online* April 23 2010.

<sup>6</sup>Kalenga P 'Making the Tripartite FTA Work' in Hartzensburg T et al *Cape to Cairo: Making the Tripartite Free Trade Area Work* (2011) 1-23.

<sup>7</sup>Nyirabu M 'Appraising Regional Integration in Southern Africa' (2004) 7 *African Security Review* 13 (1) 1-98.

<sup>8</sup> Ahmed (2008) 15.

<sup>9</sup> McLeod H 'Regional Integration and the Role of Donors' *Monitoring Regional Integration in Southern Africa* (2011) 98.

<sup>10</sup>Chingono M & Nakana S 'The Challenges of Regional Integration in Southern Africa' (2008) 404 *African Journal of Political Science and International Relations*, 10 (3) 396 -408.

<sup>11</sup>Mutai, H.. 'Memberships in Multiple Regional Trading Agreements: Legal Implications for the Conduct of Trade Negotiations' *Tralac* (2003) Trade Briefs, Cape Town, August 2003. [www.tralac.org/scripts/continent.php?c=1914](http://www.tralac.org/scripts/continent.php?c=1914).

<sup>12</sup>Jackobeit C 'Overlapping membership in COMESA, EAC, SACU and SADC: Trade Policy Options for the Region and the EPA Negotiations' (2008) 3. Available at [http://www.acp-eu-trade.org/library/files/Jakobeit-Hartzenberg-Charalambides\\_05\\_Overlapping-membership.pdf](http://www.acp-eu-trade.org/library/files/Jakobeit-Hartzenberg-Charalambides_05_Overlapping-membership.pdf).

<sup>13</sup>Chingono & Nakana (2008) 405.

<sup>14</sup>Vickers B (2011) 189.

<sup>15</sup>Hancock, (2010) 14.

these five member states. Despite its history spanning more than a century, SACU is still a customs union in progress. South African agencies still manage the affairs of the customs union related to implementation of the common external tariff. The SACU Tariff Board, and national bodies which would manage this function for SACU are provided for in the 2002 SACU Agreement, but have not yet been established.

The fact that SACU members have taken the initiative to negotiate EPAs with the EU without having to utilise the SADC as a larger economic bloc has tended to equally divide the SADC region by showing fissures within the SADC membership. However, Hancock accuses the EU of being behind this development of seeking to divide SACU and the SADC.<sup>39</sup> This has further been confirmed by Vickers who argues that due to the vast power asymmetries between EU and ACP countries, smaller states have found themselves with very little bargaining power to shape the negotiating process and the outcome of the negotiations, which in the end has 'split the SADC into four sets of separate trade regimes with the EU,<sup>40</sup> which has led to the undermining of the SADC regional integration agenda. Given the division among SACU members different SACU members currently have different external tariffs, thus undermining any prospects of deeper regional integration as found in creating a common market, monetary union or a stronger customs union. Additionally there has been argument about whether SADC or SACU should be mandated to handle regional economic integration issues. Van de Merwe has pointed out SACU leaders have presented suggestions to SADC leaders that SACU should become the nucleus for the wider SADC body.<sup>41</sup> As a result this tug-of-war for supremacy between SACU and SADC has further derails efforts for regional integration, especially given that the countries cannot concur on matters of policy such as which of the two should handle economic matters or spearhead regional integration.

The resultant composition of the SADC configuration has left the SACU member states plus Mozambique, Angola and Tanzania with opinions almost converging on the contention that Tanzania concentrates its efforts on the East Africa Community. It is most likely that the resultant SADC configuration is going to comprise of SACU plus Mozambique. With Mozambique already reportedly willing to join SACU, the SADC configuration might indeed just end up being a SACU configuration. Additionally, a number of studies have analysed and attempted to forecast the possible path that regional integration will take in Southern Africa in the wake of EPAs. Importantly, it must be noted that these analyses are necessarily speculative in nature and do not profess any pin point accuracy. With specific reference to the forecasted regional integration paths and options open to the region within the context of EPAs, literature and expert analyses consulted in this study, interestingly, almost all predict implicitly or otherwise, that "EPAs will

result in the re-enforcement of the integration of SACU economies." This underscores the naivety of assuming that SACU has no active role in the regional integration process. Additionally, and with regards to SADC, a myriad of studies on SADC differ but essentially emphasise the blurry and "either" or inherent nature of attempting to predict SADC's future. The different studies put SADC at the crossroads of political and economic challenges that would most likely impede regional development.

### **Justification for Collapsing SADC and SACU**

A number of advantages would be realized in collapsing SADC and SACU. Firstly, there would not be much difference because the composition of the new consolidated regional group would still have the same member states as well as trade commodities and operate within the same geo-political environment as before. In addition, collapsing the two regional groups would help to reduce overlapping and improve on efficiency. In addition to increased efficiency, the new body will be more focused with specialized sub-groups within the collapsed body being established.

The new consolidated body would not present much threat to the sovereignty of member states given that the new look regional group will seek to correct the weaknesses of the SADC and SACU. The consolidated body would be much stronger to meet the challenges and competition brought about by globalization. As a result the new body would need to have consolidated and broader institutions. The collapsing of SADC and SACU would enable the region to have a broad-based body premised on handling both political and economic issues in the region. Different legal and institutional frameworks for SADC and SACU have been among challenges to regional integration. Collapsing the two can also be accompanied by the enactment of a consolidated legal framework. With the collapsing of the two regional bodies, an appropriate set of regulatory and legal framework would accompany the establishment of the consolidated body. Such institutional, legal and regulatory frameworks to administer the new consolidated body would enable the region to compete with bigger economic blocs such as the EU and to position the region as a strong economic bloc.

However, there are disadvantages to collapsing SADC and SACU. The existing economic and political differences between and among SADC and SACU member states cannot be curtailed by collapsing the two institutions. In addition the different objectives of the two regional bodies cannot be fully integrated into the objectives of the new consolidated regional body. It would also present a challenge to afford rich and poor countries the same status under the new consolidated body. Such a development would also threaten the hegemony (political and economic) of those countries which had



dominated in either SADC or SACU or both. As a result different economic development would result in some member states benefiting at the expense of others. In addition bigger economies such as South Africa cannot allow the collapsing because currently they override the smaller states and draw economic benefit for economic hegemony that they enjoy.

## CONCLUSION

From the discussion above there are more benefits that can be realized if SADC and SACU were collapsed to form one consolidated regional body that would have the propensity to withstand the challenges of globalization. Given the above discussion while there are a number of similarities which would warrant and justify collapsing SADC and SACU but the practicalities involved would tend to militate against competitiveness. In addition the different agendas of each of the two institutions cannot be fully aligned or reconciled in the new consolidated body. The current separate arrangement has been benefiting some countries such as South Africa and she cannot allow the collapsing since it presents a threat to her economic and political hegemony in the region. This paper places an obligation and puts the onus on the African Union as the umbrella continental body to play an oversight role in sanitising economic development and regional integration in Africa. It can also be noted that SACU, largely due to the effects of the ongoing EPA negotiations stands poised to lead the regional integration process in Southern Africa. Subsequently, this paper recommends a re-think on the part of the African Union, in general and the SADC in particular, as to the RECs that comprise the AEC building blocks in Southern Africa. In doing this, the recommendation is not to do away with SADC. Rather, the African Union should take the lead in facilitating an agreement between the two RECs (SADC and SACU) as to the way forward and what their different roles can and/or will be. However, in doing this the AU must only be cognizant of the ten guiding principles of rationalization as articulated by the UNECA, economic rationale and existing reality. In this regard and with the guiding principles in mind, it is only reality that SACU is a well-functioning customs union way ahead of SADC in terms of integration. This is a fact that can be hardly disputed. It would hence, be against rational economic sense to expect SADC to lead SACU in the integration process nor vice versa. Rather, as the more advanced of the two, it only makes sense that SACU leads, especially given its longevity within the economic development domain. Lastly, the paper emphasises that such a move would only be in the interest of meeting the targets of the Abuja Treaty, given the uncertainty, doubts and suspicions and most importantly seemingly overlapping role of these two Southern African RECs in the regional integration which will most likely be curtailed in the process. As a result, this would most probably pave the way for efforts to be focused solely on the actual

integration agenda around which of the two RECs is well positioned to address the regional integration agenda more squarely or whether to collapse the two into one solid regional body to facilitate regional integration.

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<sup>17</sup> Ahmed K 'Analysis of Regional Integration in Southern Africa: A South African Perspective' 6.

<sup>18</sup> Ahmed K. (2008) 7.

<sup>19</sup> Kalenga P (2011) 8.

<sup>20</sup> Hancock K J (2010) 8.