Reviewing the Southern African Development Community

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Introduction

The year 2000 saw a deepening in the integration of the South African Development Community (SADC). The signing of several new protocols[ii] by the SADC member states, and in particular the creation of the Free Trade Area (FTA) signal the first steps in the region's integration agenda. It is believed that the FTA will play a crucial role in boosting improved regional economic growth through the harmonisation of market access, and that economic growth will hasten SADC integration. However, observers have been quick to remind the political community of previous failed attempts, in which perceived threats to political governance perpetuated conflicts and dimmed the prospects of significant intra-regional trade and overall economic growth. In 2000, the African Development Bank released its annual report, which made a similar assessment for almost all regional integration agreements on the continent, claiming that intra-regional trade has stagnated or declined as a result of divergent economies of scale, lack of skilled labour, inappropriate or non-existent infrastructure, the overall cost of raising capital, and the contagion effects of civil wars.[iii]

To address these weaknesses, SADC leaders are implementing a plan to restructure institutions and programmes which has been at the top of the SADC agenda since the late 1990s. The restructuring process is intended to give the regional integration process, particularly economic integration, a stronger institutional foundation to allow for more rapid and effective performance. The latter is essential for the expansion of markets and trade for regional companies. The important question now is: Will the current restructuring of SADC institutions foster greater

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ii These included the SADC Tribunal and the Protocol on Legal Affairs; the Culture, Education and Training Protocol; Wildlife Conservation; Law Enforcement; and Shared Watercourses. See '2000 SADC Final Communique', *http://www.bibim.com/anc/nw/20010704/27/html*.

iii 'Development Topics', *http://www.afdb.org/*.

harmony amongst member states, and bring about meaningful integration, or will it prove to be just another ineffective and costly exercise? Against this backdrop, this article will explore developments over the last 18 months within SADC, particularly in relation to the restructuring process.

A successful reconstruction depends on how the following issues are addressed:

- the pragmatism of the Free Trade Area Protocol;
- the containment of regional conflicts;
- the restructuring of other SADC sectors;
- the proliferation of the HIV/Aids pandemic; and
- the capacity to manage disasters.

The pragmatism of the Free Trade Area Protocol

The 20th SADC Heads of State Summit, which took place in Windhoek, Namibia, in August 2000, was perhaps the most important of all regional meetings held in the last 18 months. For one thing it showed consistency, as it followed on from decisions made at the 1992 Summit, when member states agreed to prioritise economic integration. The 2000 Summit consolidated this vision with the ratification of the FTA Protocol. The FTA is designed to give considerable impetus to the integration of national economies, the attracting of foreign direct investment (FDI),[iv] the creation of employment and, most of all, the harmonisation of market access through liberalising tariff regimes.[v] According to Prega Ramsamy, executive secretary of SADC, the successful implementation of the FTA will improve regional GDP growth tremendously. Target rates of between 6.8% and 7.2% have been set to alleviate poverty, reduce unemployment and enhance sustainability. Moreover, 85% of the FTA will be in place by 2008 with total liberalisation scheduled for 2012.[vi] The FTA, therefore, is not only intended to strengthen regional integration, but to set the pace for SADC to actualise its participation within the global economy.

For the time being, the FTA will cover 11 SADC countries, with Angola, the Democratic Republic of Congo and the Seychelles excluded.

[iv] See 'SADC needs strong global partners', *Business Day*, 12 October 2000.

[v] 'SADC free trade aims to correct imbalances', *Business Day*, 10 August 2000. See also 'SADC's economic integration begins', *Engineering News*, 1 September 2000.

[vi] '20th SADC Summit', *http://www.africanewswire.com/annews/categories/namibia/story3774.html*.

Those countries considered to be least developed in the region are to be allowed to apply a less stringent system for five years, whereas other member states, excluding Mozambique, Tanzania, Malawi and Zambia, have agreed to a stricter regime, which requires detailed processing of products being traded in the region. As an assessment measure, ministers of trade and industry from the SADC countries have agreed to hold monthly meetings to assess implementation.[vii]

Members of the Southern African Customs Union (SACU) have agreed to liberalise their tariff regimes more rapidly than other SADC members. This allows the rest of the SADC countries more time to adapt to the liberalisation timetable. The agreement, which came into effect on the 1 September 2000, saw SACU products that carry a duty of between one percent and 17% reduced to zero. Adding those products that are already zero-rated, 69% of all trade by SACU will have been liberalised. In addition, there is to be a three-year period of gradual liberalisation for products which fall under an 18% to 25% tariff heading, while those that enjoy a duty of 25% will be phased down over five years. In the final analysis, 97% of the customs duties will be at zero after five years, with the remaining three percent labelled as sensitive products (such as sugar and automotive parts).

According to officials from the Department of Trade and Industry in South Africa, the significance of SACU being the first group to liberalise its tariff regimes is that products imported into SACU through the rest of SADC will enter South Africa duty-free. However, critics have expressed concern over the openness of the FTA. Without sufficient institutional structures to police and monitor trade flows (whether legal or illegal), the business community fears that the South African market will become vulnerable to product dumping. This would damage the local industry, which is already subject to shocks within the global economy.

It would be foolhardy to suggest that the implementation of the FTA will be smooth sailing. At one level legislative changes have yet to be made to individual countries' trading systems as part of the process. Implementing these changes is vital.[viii]

Moreover, there is uncertainty as to how SADC can ensure the successful implementation of the Protocol. Even though the FTA is intended to guard against more trade being attracted by the larger economies at the expense of smaller ones, harmonising the asymmetrical levels of economic development between SADC members involves huge financial and structural costs. These would entail a rehabilitation of infrastructure, the reversal of skewed patterns of industrialisation,

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[vii] 'A paradigm shift', *http://aidc.org.za/archives/dot_keet.html*.

[viii] 'The cost of delay', *Business Day*, 6 September 2000.

investment in skills development and training and a diversification of production toward manufacturing and processing.[ix]

In addition, there are concerns that the FTA could lead to a proliferation of illegal products within the region. Agricultural producers and manufacturing operators are not enthusiastic about the prospects of a FTA.[x] Their objections are mainly that the FTA may fail to provide adequate protection from the possible trans-shipping of products by non-SADC countries. These fears are grounded in the reality that as conflicts become regionalised, borders become more vulnerable and less easy to monitor or police against illegal trading. If borders are opened by the FTA, the region needs to adopt a stringent system of identifying the origin of products. The difficulty lies not so much in setting the rules, but in checking product origin.

Therefore, while proponents of the FTA believe that the signing of the Protocol is a step toward attracting foreign direct investors, some observers see it as an ambitious plan that will not offer tangible benefits to everyone, but may create a landscape of winners and losers in the region. One precondition of the success of the FTA is the containment of conflict.

The containment of regional conflicts

Although the FTA Protocol has been hailed as a watershed development in the history of SADC, regional conflicts continue to undermine economic development and investment opportunities. According to Richard Saunders, who headed the research team for the SADC Investor Survey released by BusinessMap towards the end of 2000,[xi] the region remains a complex terrain, with very few countries offering the predictable and stable political situations that most long-term investors require. Moreover, with SADC not offering a reliable policy of conflict resolution, the region loses out on much-needed FDI which is critical to the realisation of the FTA's goals. There are two cases in point: the current political and economic turmoil in Zimbabwe, and the regionalisation of the Angolan conflict. Both not only threaten to stall the FTA process but also call into question the capacity of the Organ on Politics, Defence and

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ix 'SA moves closer to plug SADC loopholes', *Engineering News*, 28 January 2000.

x 'SADC free trade area could open doors to illegal imports', *Freight and Trading Weekly*, 8 September 2000.

xi 'Perceptions all important for investment', *Business Day*, 2 November 2000. See also 'Bad perceptions inhibit SA economic links', *The Citizen*, 7 November 2000.

Security.[xii]

The Organ, which was formed in 1996, was designed to limit, through the use of conflict management and prevention, the prospects of conflict arising in the region, by developing a generalised structure for maintaining peace and stability.[xiii] However, this body, until recently under the control of President Mugabe, existed in parallel with the rest of the SADC structures and was not subject to the same restraints as other SADC structures, where decisions were made by consensus.[xiv] As a result the review committee which was set up in 1999 to oversee the restructuring process and concluded its report at the end of 2000, recommended a significant harnessing of the Organ. The report was presented at the March 2001 Extraordinary Heads of State Summit held in Windhoek, Namibia, where the proposal that the Organ should be brought into the mainstream of the SADC structures was ratified.[xv] For some political commentators this signalled the possibility of a more constructive leadership of the Organ that could contribute toward resolving conflicts in the region. At the August 2001 Heads of State Summit held in Blantyre, Malawi, Mugabe was relieved as chairperson of the Organ and replaced by President Chissano of Mozambique, with President Mogae of Botswana as deputy chair.

It is too soon to assess the likely consequences of the current restructuring of the Organ. Even though, at present, some political observers and mainstream media see Mugabe's being forced to relinquish control of the Organ as a measure of exclusion by regional leaders,[xvi] he remains one of the troika that will oversee the running of the Organ.[xvii] This allows Mugabe some opportunity to wield the political influence associated with his historical role in the liberation struggle and independence of other SADC countries, even if that influence serves to undermine the effectiveness and progress of the Organ.

The August 2001 Summit resulted in some positive signs for SADC in particular and the region as a whole. For the first time SADC leaders publicly acknowledged that the crisis in Zimbabwe was of concern to the region, especially on the economic front, because of the contagion effect.[xviii]

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xii 'Organ on politics, defence and security', *http://www.idsa-india.org/an-may-3.html*.

xiii 'Reform, eclipse of Mugabe give SADC direction it lacks', *The Star*, 8 March 2000.

xiv 'Pulling SADC into line', *Sowetan*, 19 December 2000.

xv 'How SADC works', *http://www.sadc-sqam.org/sadc/sadcworks.html*.

xvi 'For the house to be in order, all rooms must be too', *The Star*, 17 August 2001.

xvii 'Zimbabwe left out in the cold on Mbeki's plan', *Business Day*, 15 August 2001.

xviii 'SADC heads admit Zimbabwe worries', *Business Day*, 15 August 2001.

This may be why Zimbabwe was not one of the three countries identified to represent Southern Africa on the 15-country committee which will direct the Millennium Partnership for the African Recovery Programme (MAP)—now known as the New Africa Initiative (NAI).[xix] The omission signals that the country is perceived as a threat to investor confidence, which the proponents of the MAP/NAI can ill afford. Again, this implies that Mugabe is slowly being denied participation in key decisions concerning the region. Whether this means he is being isolated as a leader remains to be seen. Observers are quick to caution that SADC has a history of tardiness and backpedalling.

The restructuring of other SADC sectors

Complementing the restructuring of the Organ on Politics, Defence, and Security, was the decision taken at the March 2001 Summit held in Windhoek to collapse the 21 sectors of SADC into five core clusters. These are:

- trade, industry, finance and investment;
- infrastructure and services;
- food, agriculture and natural resources;
- social and human development; and
- special projects such as small arms, drug trafficking and natural disasters.

The motivation was to address the presently unworkable managerial structure by moving responsibility for the sectors from individual countries into an enlarged secretariat. Within it, directors will be nominated to manage each of the clusters. In as much as this streamlining of the sectors promises to bring medium- to long-term benefits in harmonising co-ordination amongst the five clusters and improving expected outcomes, the cost of physically expanding the secretariat and its facilities is high. Funding is still to be agreed.

In addition, in terms of the Finance and Investment Protocol, members have undertaken to co-ordinate and harmonise financial and economic sector policies in the region. The intention is to:

- establish macro-economic stability;
- improve co-operation between central, commercial and investment

[xix] 'Zimbabwe left out in the cold on Mbeki's plan', *op. cit.*; 'For the house to be in order, all rooms must too', *op. cit.* Because Zimbabwe's is the second largest economy in the region after South Africa one would have expected it to be one of the countries to participate in Mbeki's 15-nation committee involved with the technical operation of the MAP/NAI.

banks;

- develop a sound investment enabling environment;
- facilitate deeper economic integration with equity;
- enhance efforts at achieving sustainable development and poverty alleviation;
- establish tax harmonisation; and
- integrate the region's stock exchanges.

An agreement has also been made to set up a 'communication for development' centre. The focus of the centre will be to work with SADC governments, non-governmental organisations, training institutions and international agencies so that communication strategies are incorporated into their development assistance projects and programmes. The centre will provide advice and training, so that officials can make optimal use of communication and the media for economic and social development. The intention is for development initiatives to be embraced at the grassroots level, so that the programmes can have a meaningful and positive impact on the communities they are designed to serve.[xx]

The proliferation of the HIV/Aids pandemic

The HIV/Aids epidemic has emerged as one of the greatest threats to the future of the region. As the scale of the epidemic reaches pandemic proportions, it has evolved from being simply a health issue to one of the central development and security challenges facing the region. Affecting a broad cross-section of the population, but more acutely felt amongst young professionals and semi-skilled and skilled labourers, the disease has reduced the GDP of national economies by chipping away at the human capital base. The socio-economic prospects of the region have been seriously affected, since Aids-related deaths will double over the next decade, while those countries with an HIV infection rate of 20% and above will see their GDP contract by one percent per annum.[xxi]

In response, SADC leaders have adopted a holistic approach in addressing the pandemic. At the 20th Summit, which was held in Windhoek in 2000, the regional body agreed that a common approach should be established in dealing with international drug companies. Offers from pharmaceutical companies to supply price-reduced or free

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[xx] 'A service to strengthen capacity in communication for development throughout Southern Africa', *http://www.sadc-fanr.org.zw/sccd/sccdtxt.htm*.

[xxi] HIV/Aids, *http://www.cidi.org/humanitarian/hivaids/ixl28.html*.

Aids drugs would have to be negotiated by the national governments jointly, in consultation with the drug companies.[xxii] Leaders also urged pharmaceutical companies to work closely with UN agencies, like UNAIDS, in their anti-Aids programmes. Moreover, member states have agreed on a multisectoral approach involving the culture, labour, health, mining, finance and investment, trade and industry, and agricultural sectors, to fight the spread of the disease.[xxiii]

In spite of these developments, many observers feel that SADC has not done enough to contain the pandemic, the impact of which is a serious threat to the successful implementation of the FTA.

The capacity to manage natural disasters

The region remains vulnerable to erratic weather patterns which create droughts and floods. In turn these cause periodic food shortages, widespread disease, and the destruction of infrastructure. It would be appropriate if the current restructuring of SADC institutions included a disaster management mechanism, so that capacity is built to deal with the negative impact of natural disasters on economic growth and human capital formation. In recent years the inability of countries like Mozambique, to contain the annual flooding threatens to roll back the impressive economic growth levels achieved thus far. Economies such as Mozambique's will anchor the success of the FTA, but only if sufficient attention is paid to disaster management strategies to overcome the overall effect of natural disasters on the region.

Conclusion

So far SADC's current restructuring exercise seems to indicate that the region is making headway towards regional integration through economic co-operation. If the FTA is implemented effectively, this will boost the economy of the region and assist it to compete globally. But economic integration does not take place in isolation. Instead, it must be accompanied by good governance, and anchored in consensus on key political and economic decisions amongst leaders of the region. SADC still has to overcome disunity between member states, implement a more

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[xxii] 'SADC agrees on approach to Aids drugs', *Business Day*, 7 August 2000.

[xxiii] 'HIV/Aids challenges SADC', *http://www.grnnet.gov.na/News/Archive/2000/Oct2000/aids_sadc.htm*.

proactive HIV/Aids strategy and restore investor confidence by creating a stable and enabling environment for investment. A positive sign is the recognition by regional leaders of the negative impact of the Zimbabwean crisis on the region, and the subsequent steps taken to set up a task team to address and resolve the crisis. However, given the latest antics of Mugabe's government, the ability of the task team to push for a political solution to the crisis appears to be arrested by Mugabe's nonchalance and the sterile power of regional leaders to enforce decisions.

In addition, following the 11 September 2001 terror attacks on the United States, world focus has shifted, thus leaving SADC leaders to their own devices in generating lasting solutions to regional conflicts and maintaining peace and stability in the region, while ensuring sustainable development for the citizens of Southern Africa. Thus, for the FTA to be successful, the onus is on member states to give substance to the protocols and governance measures.

Suggested reading

Jenkins C & J Leape, *Gaining from Trade in Southern Africa: Complementary Policies to Underpin the SADC Free Trade Area*. New York: Saint Martin's Press, 2000.

Kritzinger-Van Niekerk L, *Towards Strengthening Multi-sectoral Linkages in SADC*. Halfway House: Development Bank of Southern Africa, 1997.

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