



Regional Economic Integration in Southern Africa: Beyond EPAs; Surviving Internal Fragmentation

1. Summary

SAIIA, in collaboration with the ODI and ECDPM hosted a high level regional conference on 24-25 November 2008. The conference provided a platform for a discussion on whether and how EPAs can help foster regional integration in southern Africa, or whether the reverse may be the case, in other words how the politics and technical issues can be aligned, if at all. It also explored the efficacy of the current regional integration model being followed in Africa and cast aspersions about the necessity of having a SADC and COMESA customs unions. There was a discussion on how regional integration bodies could be realigned and/or reorganized in southern Africa taking into account the effects of the rivalry between South Africa and the EU for economic and political dominance in Southern Africa and the effects thereof on ongoing EPA talks and regional integration. Finally, the conference made a stocktaking of the SADC IEPA deal, including an assessment of the liberalization schedules and their implications for regional integration and an analysis of the prospects for the next phase of negotiations towards full EPAs on services, investment, government procurement, and competition.

2. Key Points from Presentations and Discussions

It was noted that unlike in other parts of the world, particularly Europe, there does not seem to be any serious identifiable security threat that acts as a driving force for integration in Africa. Economic imperatives abound but they have so far been ineffective such that some participants felt that the question in Africa is not that there is no pilot (driver of the integration process) but that the aircraft itself is not very much visible.

It became clear from the conference discussions that in Africa the problem is no longer just failure to deepen integration but rather how to solve fragmentation ironically arising from overlapping memberships in many regional integration bodies with similar plans. Multiple and overlapping memberships in regional economic communities (RECs) has created a complex web of competing commitments which together with different rules result in high costs of intra-Africa trade and undermines trade facilitation efforts that should be at the core of the integration agenda.

This situation has been exacerbated by the EPAs. Though EPAs are meant to inter alia promote regional integration, their immediate impact has been the further fragmentation of existing regional economic bodies across Africa except for the East African Community where the inverse seems to be true. EPAs are likely to have a



profound impact on existing schemes - they are very divisive and controversial and have compounded existing complexities. Further, decisions on regional integration in Africa now are significantly influenced by the EU.

There are many genuine grievances about the negative impacts of EPAs on efforts to deepen integration in Africa. The negatives are well-known and have received a lot of 'airtime' in many forums in Africa and abroad. However, as many analysts have noted, what is perhaps more important in charting the way out of the current quagmire is the fact that EPAs have, to a significant extent, forced a serious discussion about the efficacy of the current integration path characterized by multiple and overlapping memberships.

They also provide an opportunity for African countries to reflect on what kind of integration they really want. For instance, on a number of key regulatory issues like services African countries are still finding it difficult not to discriminate against one another's suppliers yet they are now supposed to liberalise to the EU suppliers. In the Southern African Development Community (SADC), for instance, it has taken a long time to negotiate services trade liberalization such that it is unlikely that any real liberalization will take place within the region any time soon. Even if the draft protocol on services is ratified in the near future it will most likely take years to implement and there is nothing that ensures uniform implementation across the region. Perhaps the EPAs will provide the much needed impetus for such regional processes.

One of the most encouraging things to emerge out of the SAIIA-ECDPM conference is the detectable shift in preference from the linear economic integration model where states move from free trade agreements (FTAs) to customs unions, common market and so forth in favour of simple FTAs dealing with the nuts and bolts of easing trade across regional borders. It was noted that broader conceptions of regional integration are needed especially where focus is put on addressing infrastructure development issues. In line with this new thinking aspersions have been cast about the necessity of having a SADC and Common Market for Eastern and Southern Africa (COMESA) customs unions. SADC is due to have an FTA in 2010 whereas COMESA aimed to have it in December 2008 (has apparently been postponed to early 2009).

The latest initiative aimed at resolving the challenges arising from overlapping memberships is the so-called Tripartite Alliance by COMESA, SADC and East African Community (EAC, whose entire membership also belongs to COMESA). The COMESA-SADC-EAC Task Force was established 3 years ago and started off as informal arrangement between COMESA and SADC – mainly for exchanging information.



Though the alliance recently got a huge political support from the Heads of States and Government and has many important trade facilitation objectives, it still aims to have a customs union in the long term. Many African scholars and policy makers believe its original idea of having an FTA only was the most viable. This is because simply declaring a customs union may give one a sense of achievement but it might largely be hollow in substance. Now that political will is apparently abundant the challenge is to ensure sufficient capacity to carry out the work considering that an FTA is scheduled to be achieved 6 months after the release of a 12 months study.

An important question regarding integration in southern Africa is whether SADC and SACU have a future as trading arrangements. What arrangement could possibly offer the most in development terms? Do we still need SACU? What about the revenue dimension – can dependent SACU members survive its break? It was however noted that the revenue transfers from SA to Botswana, Lesotho, Namibia and Swaziland is compensation for taking on a common external tariff that reflects mainly if not only SA's industrial interests.

3. Concluding Remarks

With just above 10% of trade constituting intra-Africa trade, a lot of work needs to be done to build capacity to trade and dismantle regional barriers. This is important considering that most of Africa's customs unions do not really qualify to be called such due to internal barriers. While the EPAs have not strengthened regional integration they have forced a discussion that Africa has been skirting for years – addressing overlapping memberships and consolidating existing RECs.