THE POLITICAL ECONOMY OF REGIONAL INTEGRATION IN SOUTHERN AFRICA:

WHAT ROLE FOR THE EU AND OTHER PARTNERS?

WORKSHOP REPORT

Summary:

As a contribution to the debate on regional integration, **SAIIA** and **ECDPM** hosted an inception workshop on 1-2 February 2011 on the 'Political Economy of Regional Integration in Southern Africa'. The objectives of the workshop were to:

- consider the political economy of regional integration initiatives in Southern Africa;
- deepen understanding of the factors that influence regional integration processes, such as the activities of the private sector, governance structures and the alignment with domestic priorities; and
- identify the interests of partners, such as the European Union, in regional integration and the impact of negotiations with third parties.

Key discussion points:

It was noted that most regional economic communities (RECs) on the continent follow the linear (European) model of integration that commences as a Free Trade Area (FTA), Customs Union (CU), Common Market, Monetary Union and finally Political Federation. The East Africa Community (EAC) and Southern Africa Customs Union (SACU) are at the second stage of integration while the Southern African Development Community (SADC) is struggling to get its FTA off the ground. The meeting briefly explored the efficacy of the current model being followed and highlighted the need to explore alternative (endogenous) models that might better suit African countries.

It became clear from the discussions that multiple and overlapping memberships in regional economic communities (RECs) has created a complex web of competing commitments, which together with different rules and standards, result in high costs to intra-African trade and undermines trade facilitation efforts that should be at the core of the integration agenda. To move forward, Africa needs to solve the fragmentation arising from overlapping memberships in many regional integration bodies with similar plans.

A new initiative aimed at resolving the challenges arising from overlapping memberships, the Africa Free Trade Zone (or Tripartite FTA) seeks to establish an FTA that covers SADC, COMESA and EAC and offer concrete benefits through the prioritization of trade facilitation measures and the development of infrastructure (North-South corridor). The regional integration process depends to a great extent on the position of the most dominant partners in the three RECs – Egypt, Kenya and South Africa – and it is not always clear what their motivations are or how compatible they are with the wishlists of other countries.

The concern of competing interests is real on the continent because it has been shown in SACU and the EAC that regionalism can lead to unbalanced economic development with industries agglomerating in the most economically dominant member state. This begs three important questions: (i) how can African RECs integrate their production factors so as to deepen integration in the region as opposed to enhancing trade with 3rd parties; (ii) how can the RECs Secretariats or countries such as Egypt, Kenya and South Africa allay the prevalent 'big brother' fears amongst some other member states; and (iii) how to promote investment in smaller states, and not only in the dominant centres?

Related to the last question, some panelists attributed these fears to the culture of member states of focusing too much on their narrow short-term national interests at the expense of more far sighted and ambitious ones articulated also at the regional level; by clinging to a narrow definition of their national sovereignty, their often pursue policies that are inconsistent with and at times detrimental to development objectives through regional integration. This attitude could be interpreted to mean that the full costs and benefits of integration are not properly analyzed and understood by the participating states, or that the regional integration agenda does not fully reflect the true interests of some member countries. While some analysis has been done, it is difficult to measure the costs and benefits in some instances because of the inaccessibility and inadequacy of trade data.

It also emerged that the representatives of particular interests in the regional integration process were unknown or locked out of the discussions either by default or deliberately. For instance it was noted that the private sector and civil society only lobby on issues that are predetermined at the national government or regional secretariat level and it was emphasized that non-state actors needed to be involved in setting the regional agenda as well the whole process of integration.

Related to defining a regional integration agenda, it was noted that the development levels of countries affects their commitment levels to integration and that regional integration also played a role in further weakening already weak states. For example, the constant reduction of tariffs has an impact on the taxes that a government can collect and affects its ability to fund domestic programs and may hinder its participation in a REC. The question was raised whether it is actually possible to define common policies amongst members with such different levels of development.

In fact, the secretariats represented at the meeting, save for SACU, conceded that majority of the RECs funding comes from external donors mainly the European Commission (EC) and other European country aid agencies. The dependency on donors can have the effect of creating complacency amongst member states not to mention the risk of significant regional decisions being influenced by donors.

Besides the complexities attached to receiving substantial support from external donors, it was highlighted that engagement with external partners - bilaterally or as respective RECs or configurations thereof – had an impact on regional integration. For instance, the Economic Partnership Agreements (EPA's) with the EU, which are meant to inter alia promote regional integration, have often increased underlying tensions in the region or actually caused the fragmentation of existing regional economic bodies. While the EPAs have not strengthened regional integration they have contributed to a discussion that Africa has been skirting for years – addressing overlapping memberships and consolidating existing RECs. They also provide an opportunity for African countries to reflect on what kind of integration they really want and determine the point at which they should stop integrating.

The bilateral relations with emerging partners was noted to be welcomed by most African states because a country like China was assisting in addressing the infrastructure backlog in many states but one that created coordination challenges for REC secretariats. It was also admitted that it may be difficult to agree on a regional approach to dealing with these partners.

Based on these discussions the challenges to regional integration were identified by the workshop participants as:

- Lack of consensus amongst members of RECs on whether regional integration should be steered by supranational institutions (secretariats) or intergovernmental mechanisms - regional integration seems to crumble when sovereignty is threatened.
- The principle of variable geometry, which, albeit gives state flexibility, undoes some of the progressive aspects of integration.
- The proliferation of non-tariff barriers was viewed as a real threat to integration.
- Lack of capacity in the secretariats.
- Lack of political will by some member states, for example through poorly or not implementing regional commitments and not making their financial contribution to the REC.
- How will the tripartite FTA be launched if the SADC FTA has not been operationalized?
- The fact that there isn't a unified agenda on regional integration also creates challenges for partners that wish to engage with African countries (e.g. Europe and other partners' support SADC).

To conclude the workshop the participants were asked to raise an issue that should be prioritized for further practical analysis. The list was summarized into the need to:

- Undertake a cost and benefit analysis of regional integration for member states in the various RECs. Related to this is how regional projects ought to be sequenced so as to benefit all members.
- Understand the drivers of the tripartite FTA, its impact on countries and explore the barriers that trade structures of the respective RECs pose to it e.g. rules of origin, non-tariff barriers.
- Understand the obstacles to the transposition of regional commitments to domestic law or national strategies as well as the alignment of regional priorities with national development objectives.
- Establish the feasibility of common (regional) industrial policies.
- Explore the role of the private sector in the regional integration agenda, including their level of interest, participation and potential to drive the initiative.
- Understand or facilitate consensus on what can partners bring into the regional integration process. Being that both SADC and EAC are heavily reliant on donor funding to finance their integration agenda, it is important to find out what aspects of regional integration regional governments would be willing to pay for.
- Consider priority activities aimed at enhancing trade facilitation in the region.