Introduction

Monitoring the process of regional integration in Southern Africa in 2007

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2008 was an eventful year for Southern Africa. The Southern African Development Community (SADC) launched its Free Trade Area (FTA) in August. Its target to become a customs union by 2010 is still on the agenda. In October at a Tripartite Summit SADC, the East African Community (EAC) and the Common Market for East and Southern Africa (COMESA) announced their intention to create an FTA comprising the regional economic communities. The member states of these three communities agreed to develop, within six months, a roadmap towards the establishment of this FTA stretching from South Africa in the south to Egypt in the north. Keeping in mind that the establishment of an FTA focuses specifically on a trade-in-goods agenda, it is not only tariff phase-down and alignment among member states that will be required.

The establishment of this FTA will also include work on non-tariff measures, rules of origin, standards, customs management and trade facilitation. With stark differences among the existing regional communities on many of these issues, this promises to be a challenging task. However, the reflection and consideration of trade policy matters within and among member states in this large region could be a very useful exercise. Very diverse perspectives exist among countries in this region. For South Africa and Mauritius, for example, the import tariff is not so much an instrument of trade policy, but of industrial policy, while for countries like Malawi the import tariff is an important source of revenue, with liberalisation posing serious fiscal policy challenges. To accommodate the diverse needs and perspectives within a single FTA will require much deliberation and compromise.

Meanwhile the Southern African Customs Union (SACU) has been experiencing growing internal dissent. Two factors are largely responsible for this acrimonious situation. The first is the increasing concerns about the revenue sharing arrangement, the SACU revenue pool, in terms of which South Africa makes significant transfers to the smaller member states. In recent years, particularly the

Ministry of Finance in South Africa has been voicing concerns about the transfers made to the other SACU members via the revenue pool. Adverse global and regional economic developments during the latter part of 2008 and the global financial crisis can well be expected to contribute to further dissent on this score.

The second reason for growing dissent in SACU stems from the negotiations with the European Union (EU) to conclude an Economic Partnership Agreement (EPA). In April 2007 South Africa joined the other SACU members as a full negotiating member of the SADC EPA Group which consists of the SACU member states, Angola and Mozambique. Tanzania was part of this group, but towards the end of 2007 it opted to join the East African Community and sign an Interim EPA with its EAC member states. The SADC EPA Group is arguably one of the most complex configurations negotiating with the EU. From the configuration of this negotiating coalition it was obvious that the fact that this group cut across existing regional economic communities, would cause major challenges in the negotiations. With South Africa joining the SADC EPA Group as a full negotiating party, the divisions among the members of this group have become even wider. So much so that towards the end of 2008 South Africa indicated that it would consider withdrawing from SACU if the member states that had signed the Interim EPA proceeded to implement this interim agreement. This puts a country like Lesotho, for example, in a very tight corner. More than 50% of its government revenue comes from the SACU revenue pool. However, not implementing the EPA means reverting, for market access to the EU, to the Everything but Arms arrangement (EBA). While EBA offers duty-free, quota-free market access to the EU for least developed countries, it comes with onerous rules of origin. These rules of origin require a double-stage transformation for the clothing and textile industry, for example. For Lesotho, EBA has been totally irrelevant. Its exports of clothing and textiles to the EU are negligible, while market access to the United States under the African Growth and Opportunity Act (AGOA) has led to the development of the clothing and textile industry as Lesotho's largest industry by far. More generous rules of origin are the prime difference between the two market access regimes: AGOA and EBA. Not implementing the Interim EPA means that Lesotho will not be able to address the rules of origin barrier to the EU market for its key manufacturing industry, thus losing an opportunity to address market access concerns to the EU. These are extremely difficult policy choices that need to be taken, with decisions either way possibly having severe development implications.

The global financial crisis and the concomitant economic slowdown began to impact on the region in the latter part of 2008, and more is most probably in store. The extent of the crisis is perceptible not only in key performance indicators such as employment, income, exchange rates, but also in policy stance. Countries have begun demonstrating more protectionist stances, and this can be expected to further influence not only the regional integration agenda but also the implementation of the liberalisation commitments. There is also evidence of more reactive policy decisions, as contingency protection increases and policy becomes more inward looking. Given the apparent scope of the financial and more general economic crisis, reflection on the regional integration agenda, and more broadly on what constitutes appropriate governance for development, should be on the agenda in the region.

On security and political issues the past year provided very little progress, if any, on new institutional arrangements. In the absence of former presidents Obasanjo of Nigeria and Mbeki of South Africa, Muammar Gaddafi of Libya was elected head of the African Union. His legacy might prove polemical. How his views on rapid political unification but opposition to NEPAD as well as partnerships with Western blocs will turn out, is difficult to say. This might have repercussions for Economic Partnership Agreements with the EU and the United States as planned. This might also complicate or delay Southern African initiatives in this respect.

Politics and security in Southern Africa were dominated by Thabo Mbeki's departure from politics, as well as the SADC mandated mediation by Mbeki in the search for a political solution in Zimbabwe after inconclusive elections. Here the transitional model showed great resemblance with the power-sharing plan adopted in Kenya after inconclusive elections there. This may indeed be a new trend in African politics.

Other developments included peaceful elections in Zambia which augurs well for the consolidation of democracy in that SADC country. An unstable peace still lasts in the DR Congo where the UN still plays an important peacekeeping role. Apart from peacemaking roles such as drafting peace agreements, the AU and SADC are still far from being able to enforce that peace. The old problems of capacity, political will, and especially funding, are still haunting many African plans for the future. Africans (e.g. Sudan, Zimbabwe and Swaziland) are also still reluctant to compromise on sovereignty which has serious implications for future political integration, and pan-Africanist supranationalism, which is what the new head of the African Union stands for.

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