

DISCUSSION PAPER 11

Regionalism and Regional Integration in Africa

A Debate of Current Aspects and Issues

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Discussion Paper

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Preface

The Nordic Africa Institute organised and hosted a Consultative Workshop on “Regional Integration in Africa” on 8 and 9 March, 2001. It brought together policy makers from the Nordic countries with academics working on the subject matter from different perspectives. This was a result of the initiative by the Department for Africa at the Swedish International Development Cooperation Agency (Sida) to reformulate its policy in support of regional integration efforts in Africa. To gain academically based but policy-oriented insights Sida provided the funds to implement the Workshop and has also financed this publication.

Arne Tostensen from the Chr. Michelsen Institute in Bergen and Bertil Odén (then with the Expert Group on Development Issues at the Swedish Foreign Ministry) joined Nina Klinge-Nygård and myself in planning and organising the event.

The papers by Sheila Page, Morten Bøås and Kate Meagher compiled in this volume have been drafted for the first part of the workshop dealing with more general aspects. They have hence been revised for publication. The overview on SADC (the region which was considered in more detail by several papers on different sectors) was drafted earlier during 2000 and has since been updated and revised.

I wish to thank all those who made the Consultative Workshop and this subsequent publication possible by their individual and institutional commitments.

Uppsala, October 2001
Henning Melber

Regionalism and/or Globalisation¹

Sheila Page

WHAT IS A REGION?

A region is a group of countries which

- created a legal framework of cooperation
- covers an extensive economic relationship
- has the intention that it will be of indefinite duration, and
- has the possibility foreseen that the region will evolve or change.

In international law, it is also a group which have chosen themselves. In contrast, a preference must go to an internationally defined group (developing, least developed, transition, etc.). The corollary is that regions are then bound by rules, to avoid damage to others, while preferences are not regulated, because the international community has agreed to be damaged. This distinction may not remain tenable when preferences are tiered.²

The regions examined here, according to these criteria, are: in Europe the European Union; in North and South America NAFTA, MERCOSUR, the Andean Group, the Group of Three, CACM, CARICOM, and the FTAA; in Africa SADC and SACU; in Asia ASEAN, SAARC, and ANZCERTA, plus APEC (see Appendix). APEC and the FTAA are included, although they do not yet have any contractual arrangements, because they have targets of free trade, and potential importance if there is a move to a regional structure for the whole of world trade. The FTAA has working groups to prepare an agreement by 2005. The WTO can be considered a region by the definition above.

This excludes a few agreements which may come close to meeting the criteria, but deliberately excludes many agreements which do not: most of the others are either not effective (the Indian Ocean or Black Sea arrangements, for example) or fall into the category of simple one-off agreements, not continuing arrangements (Chile-Canada, and many of the other Latin American bilateral agreements),

¹ This paper is based on research for *Regionalism among Developing Countries* (Macmillan Press, 2000). Reference is made especially to empiric overviews compiled in tables there, which for technical reasons are not reproduced here.

² Customs unions date from the nineteenth century, the first period in which countries themselves had become single markets, and therefore able to negotiate trading arrangements (Irwin in de Melo and Panagariya, 1993, p. 92). SACU, which began among British colonies, dates from this period. After the period of protection of the 1930s, when countries either retreated within their borders or developed relations with their colonies, the formation of GATT in 1948 brought an emphasis on multilateral, rather than regional, arrangements. But colonial and regional arrangements continued to exist, and to form.

often intended as transitions to other groups). The line is necessarily arbitrary, because some of those excluded may evolve into regions, COMESA, for example, and some which are included may disappear.¹

The first part of this paper will examine these regions' histories, and the second, countries' characteristics to try to understand why countries choose each other and why some survive. The third will look at the consequences as measured by their trade. The final sections will draw conclusions from this evidence, and suggest some implications for the multilateral system.

HISTORICAL BACKGROUND OF REGIONS

Benelux, Belgium, the Netherlands and Luxembourg, had a customs union from 1948. The European Coal and Steel Community, adding France, West Germany and Italy, was formed in 1951. It was intended not only to revive the coal and steel industries, but to link them across Europe in order to make war "not only unthinkable, but materially impossible" (Winters, *World Economy* 1997 p. 891). In 1957, the ECSC formed a common market. But preventing war between France and Germany was the overriding objective.²

After completing the common market in goods, the EU extended it to services, capital and labour movements, and other types of regulation. It introduced exchange-rate coordination in the 1970s, and now monetary union. There are no provisions for withdrawal. The EU is thus following in the steps of the customs unions of the nineteenth century in Germany and Italy which moved from coordination of trade policy to deeper integration.

Latin America has offered the most examples of regional groups (and more *ad hoc* cooperation agreements), while the US, until the 1980s, remained ostensibly opposed to them. The Latin American Free Trade Area (LAFTA) (which never actually became one) was established in 1960 shortly after the first stage of European regionalism. In contrast to the EU, its motives were purely economic, to promote industrialisation, by providing larger markets. It was succeeded in 1980 by the Latin American Integration Agreement (LAIA) (or ALADI in Spanish). This has attempted to regulate arrangements among its members, but no longer to achieve free trade itself.

¹ The regions in the Middle East and North Africa are excluded partly because of lack of information, but also because of their limited liberalisation and trade flows. There are groupings in western and eastern Africa, but the trade arrangements for these have not progressed far enough to be effective. COMESA, the Common Market for Eastern and Southern Africa, has made progress on trade facilitation and tariff cutting, and should perhaps be included, but its future is very unclear; several members are leaving, and the remaining members are turning more to SADC for trade policy. There are arrangements among some of the East European countries, but these are clearly in transition to EU membership, not permanent groups.

² Looking at the current prospective members in eastern Europe, the ending of war or the threat of war remains an explicit motive. For the southern European members and the Eastern prospective members, encouraging and preserving democracy are also motives, and explicit conditions for membership.

Like LAFTA, CACM was founded in 1960, but it did have pre-EU antecedents in the Organization of Central American States, created in 1951 (Caballeros, 1992, p.125). It remains a preferential trade area, although with a target of a customs union. It has had a history of non-trade links, including debt and peace negotiations and regional payments systems.

The next oldest of the existing Latin American groups is the Andean Pact, which dates from 1967. It was among those formed post-EU and it survived the 1980s, at least in part because of the trade concessions granted to the group by the US and the EU; it was mainly financed by the EU, not its members, a particularly clear case of outside intervention strengthening a region. It had a strong import substitution and industrial planning basis. In its original form, it provided centralised planning of the location of industry, and common rules on foreign investment and repayments. These arrangements functioned for a few industries, but broke down in the 1970s.

The Group of Three came together in the non-economic Contadora group, established by Central America's neighbours to work for and maintain peace in Central America. For Mexico, negotiating the agreement at the same time as NAFTA gave it a counterbalance to the US through access to South America and Central America. For Colombia and Venezuela, it provided an alliance with another middle-income country, in contrast to their existing partners in the Andean Pact. It was intended only as a free trade area, with a very short notice period for withdrawal, of six months (Echavarría in Lipsey and Meller, 1996, p. 145).

Three Caribbean countries came together in 1965, followed by the Eastern Caribbean Common Market in 1968, and CARICOM with the whole of the anglophone Caribbean in 1973. Integration thus dates virtually from independence, and the assumption throughout has been that common action is inevitable. Like LAFTA, CARICOM had economic coordination and import substitution as its objectives. It made little progress during the 1980s, and was revived in 1989. It has free trade among its members, and since 1991 has been moving to customs union. Exchange-rate coordination remains only a goal, but integration has gone far in a variety of social, educational, and welfare arrangements. All the CARICOM members are also members of the Cotonou Convention. If this leads to regional agreements one would be with CARICOM.

MERCOSUR is the most highly integrated modern developing country region. It dates from 1985 for Argentina and Brazil, broadened to their neighbours after 1990. It achieved a common market by 2001, with some 'sensitive' exceptions still pending. The two countries had a history of distrust and preparation for war (although no recent conflicts), but had acquired common interests in the 1980s as they returned to democracy and suffered from heavy foreign debts (Hirst 1992, pp. 141-2). The agreement was seen as a way of defusing regional tension and providing the regimes with support as each country tried to integrate itself into the international economy. Intra-regional trade was low, but both countries were liberalising trade and restructuring their economies. It had in parallel a nuclear

agreement (Schiff and Winters, 1997, p. 6). While increasing trade and some sectoral objectives were important, it was very much led by political decisions. It has been semi-open to new members, Brazil proposed from 1993 a possible link with the Andean Group (Oman, 1994, p. 123), still being negotiated. Bolivia joined as an associate in 1997. Chile has signed a free trade agreement with MERCOSUR, and also joined in some of its working groups and joint initiatives, but it is not formally a member because it did not want to raise its tariff to the planned CET of MERCOSUR. Bolivia's motives were economic and Chile's declared interests were entirely in market opening, but both countries also have a history of armed conflict with MERCOSUR members, as recently as the 1970s, so security was a factor.

The US had had limited bilateral agreements with Canada and Mexico since 1965-6. It signed a full free trade agreement in goods with Canada in 1988. The US then proposed an agreement with Mexico in parallel to that with Canada, but Canada then associated itself. As well as liberalisation of trade in goods NAFTA also included investment provisions, public procurement, and 'side agreements' on labour and the environment, although it did not cover services. There was strong presidential support in both Mexico and the US for NAFTA, but the explicit arguments for it were based on trade and investment gains, and only NAFTA, of all the American agreements, was subjected to any form of pre-signing calculation of trade and investment gains. In Canada support came principally from traders (Molot in Lipsey and Meller, 1996, p. 331).

For the US, signing these FTAs was a major innovation (although it had had a limited FTA with Israel from 1985). For Mexico, the agreement was part of the opening of its economy which had begun with unilateral trade liberalisation, and been consolidated by its entry into GATT in 1986. It came at the same time as the Group of Three and a bilateral agreement with Chile and was followed by an agreement with the EU. NAFTA was seen by its members as complete in itself, not a step to greater integration. Initially, there were expectations that NAFTA would be expanded to other Latin American countries, individually, probably with Chile as the first. There is an accession clause, and negotiations with Chile opened formally in 1995 (OAS, Compendium 1996). Discussions over the FTAA, however, put this in abeyance.

The US proposed hemispheric economic cooperation in 1990 and a Free Trade Area of the Americas in 1994; it is on target to produce a settlement by 2005. The negotiations forced the Latin American regions to clarify their positions on how they negotiate with third countries. The major members of MERCOSUR want to enter as a more integrated bloc. Others prefer to negotiate separately. They see it as a purely economic arrangement, simply an FTA.

SACU dates from 1910, the colonial period, signed not by the countries, but by colonial officials. As each of the member countries became independent, it semi-automatically rejoined the union. It provides an almost complete customs union, with pooled tariff revenue, allocated on a basis only tenuously connected with trade shares, and favouring the poorer countries. The tariffs and trade policy

are effectively set by South Africa, which administers the union. Reforms are now discussed in terms of trade and tariff gains, but in the past there has been a strong political and security motive, in particular for South Africa during the apartheid period. Since then in renegotiations South Africa has attempted to reduce its subsidies to the others, but SACU remains the only group, other than the EU, with inter-country transfers. This indicates that the members see continuing integration as inevitable (for whatever reason) not a matter of trade gains.

SADC replaced SADCC (Southern African Development Coordination Conference) in 1992. SADCC was founded in 1980, with all the present members except South Africa (1994), Mauritius (1995) and the Congo and Seychelles (1997). It was not initially a trade group (SACU, COMESA, and various bilateral agreements provided trade links). It was to provide political and economic protection for its members against South Africa. In addition, it had provisions for infrastructure assistance and coordination of other policies. South Africa was admitted after the change of government. Then in 1996, a proposal for a free trade area was adopted, with negotiations completed in 2000. In February 2001, it took a significant further step to integration when it altered its decentralised structure: each sector of policy (trade, finance, fishing) had been administered by one member. From the end of this year, all will be under the Secretariat. This marks a shift to at least the possibility of a coordinated economic policy instead of an *ad hoc* framework.

The motives for SADCC were clear, but SADC has been more nebulous. The need for regional infrastructure and cooperation on other joint activities remains. The motives for the trade protocol were less clear, except as a step towards liberalisation (for South Africa), and to reach the protected South African market (for the others). South Africa may see it as essential to strengthening its regional dominance and its self-chosen role of African leader. The non-trade interests of the others, especially in the absence of transfer payments to the poorer, are less clear.

ASEAN was founded in 1967, later than the Latin American organisation, and adopted the goal of a preference area in 1977, and of a free trade area, AFTA, in 1992, with a transition period until 2003 for the least sensitive goods, and to 2008 for normal goods. The most sensitive will remain excluded and the long transition implies limited commitment. The original motives were political, to form a bargaining group in the area and a 'common political fear.... It was also external threat that had held ASEAN together right through the years' (Tan, 1992, p. 1). The Asian economic growth was not based on regional links, but on exports outside the region. The economic crises of 1997 led to renewed interest, but no further integration. The fact that the scheme has no apparent economic rationale suggests a strong political, regional solidarity motive. The 1992 date also, of course, corresponds with the revival of integration in Europe and the negotiation of NAFTA, so that the ASEAN countries were feeling left out of other regions.

The South Asian countries adopted a plan for a preferential, not free, trading area, SAPTA, in 1992; the effects so far are small. The members include countries which are still in military conflict (India and Pakistan), as well as those with serious political differences (India with Bangladesh and Sri Lanka). The limited preferences, but continued meetings, suggest a more political than economic motive

Formal cooperation between Australia and New Zealand dates from 1965, but the present free trade area dates from 1988. It is almost complete, with some agricultural goods excluded by Australia. The two countries clearly have common political interests, and differences from the other Asian and Pacific countries among which they are located.

Conferences among the Pacific countries date from the 1960s. From 1978, the US was interested (and ASEAN was becoming more active as a group) (Soesastro, in Garnaut and Drysdale 1994). APEC itself was founded in 1989 but it was the Bogor declaration of 1994 which established trade goals (free trade for the developed members by 2010 and the developing by 2020). Unlike the FTAA, however, there are no proposals, or working groups, to implement these, and the targets are so vague that there is disagreement over whether they mean free trade among the APEC countries or with the world. The APEC group includes countries with security conflicts and strong political differences: China, Taiwan, and the United States; and countries with differences on economic policy: Japan, the US and South-East Asia. It also includes members in existing sub-regions: all members of NAFTA, ASEAN, and ANZCERTA and one (Peru) of the Andean Group. The criterion is that countries must be on the Pacific Ocean, and also have close relations with existing members and accept the goal of trade liberalisation by 2020, but although Colombia, Ecuador, and Panama would meet these criteria, membership has been closed (until 2007), and it has also opposed admitting the South Asian countries. It is clear that a *de facto* criterion of choice by the existing members is now also in force. It is similar to the OECD, which has a strong sense of identity and of who should be a member, but which has avoided moving beyond a consultative and research agency.

Like the EU, GATT can be considered part of the post-World War II settlement, designed to bind countries together, and create rules to minimise, if not avoid, conflict. It also had a trade-promoting motive, but this was secondary with no target for free trade. It had from the beginning special provisions for reconstructing and developing countries, so it accepted the justifiability of costs to the richer ones to ensure stability in the system through encouraging universal membership. Although it has (and the WTO still has) provision for withdrawal at six months notice, no country has ever left (even when it effectively lost the protection of the rules: South Africa under sanctions). It has extended into new areas: services, intellectual property, domestic subsidies.

Conclusions on history

First, a note on security. A striking common element, almost as important as trade access, is a history of military conflict. Security is an important motive in many regions. The role of security is obvious in the original post-war founding of the EEC and GATT, both including those from both sides of World War II. The East European countries could not have been considered for membership in either before 1989, while encouraging them to join has now become a priority.

Argentina and Brazil and Argentina and Chile have long histories of conflict and rivalry, with military presence on the Argentine-Brazilian borders important until recently, and Chile opposing Argentina as recently as the Falklands war in 1981. The Andean countries include several continuing conflicts, with Chile (originally a member) in border conflict with Peru and Bolivia, Peru in dispute with Ecuador, and Colombia's internal unrest being a potential threat to all its neighbours. The Andean arrangements appear, however, to have continued alongside these conflicts, with neither a motive nor an effect of trying to counter-act them. The Central American countries' position is similar.

The question of military conflict has not, however, been important for the NAFTA members for at least 75 years, so there does not appear to be any security consideration. There are no obvious security motives in CARICOM or the Group of Three. SAARC is closer to the Andean or CACM model, with several traditional conflicts and rivalries continuing and little impact or association with the trade integration. ASEAN may have started as a defensive mechanism.

In Africa, SADCC in its original form had an explicit security function, to help the members protect themselves from disruption by South Africa and eventually to promote democracy there. The members openly or covertly supported military action against the then South African government. Its present form, as SADC with South Africa as a member, is not a precise case of bringing enemies together because of the change of regime in South Africa, but there is clearly a security motive binding the region.

The fact that countries (with the exception of NAFTA) have not normally done detailed calculations of trade and investment gains and costs could suggest either that other motives are sufficiently important to outweigh any likely economic effect or that the regions are seen as only a step towards full liberalisation, and countries have confidence that the eventual effects from this will be positive. The frequent citing of investment gains even if there are no potential trade gains, which can only come if there is a confidence effect entirely independent of economics, also supports the idea that these regional groups have primarily non-economic motivations. Investment can substitute for potential trade gains, but production-inspired investment must be derived from the increases in demand from trade effects.

In counting the motives for groups, recent military conflict is counted as positive because preventing future conflict is among the most commonly present motives or pre-existing conditions for the regions, along with political cohesion, trade access, and pre-existing economic integration. Those where there is evidence

of this in declarations of purpose are included in the military and security classification. Political cohesion's role is self-evident, as forming a region is a political decision; what is surprising is that fewer than half the regions had a history of political cooperation in the past. The trade motive is consistent with the prevalent background of economic integration. Investment access was present as a motive in slightly under half the regions, a perhaps surprisingly low score. None of the other motives was important in more than half the regions, or consistently important in the more integrated regions. While several regions are involved in sectoral planning, this now tends to cover matters of obvious regional cooperation, such as infrastructure or energy, while more traditional industrial policy or planned development has diminished as a regional activity. The importance of outsiders, whether in encouraging regions directly or in stimulating them to form as a reaction, is small.

Where basic national interests, like political cohesion and security, are important, these are likely to strengthen the prospects for economic integration. Purely economic regions faced with different national economic interests (for example on tariff policy or location of economic activity) may break up if for some countries the costs are greater than the benefits, as may frequently happen. If, however, there is an overriding, non-economic motive, the economic gainers will have a reason to compensate the losers, and the losers to accept some loss. This creates a very different bargaining situation.

WHAT CAN CREATE COMMON INTEREST?

The generalisation that regions need some common interest to hold the members together needs to be broken down. If common interests aid regions, we need to ask how much more diverse regions are than countries and how much less than the world.

Geography

Geographical closeness or contiguity can be expected to make any economic exchanges easier and cheaper; it may also imply at least some common economic characteristics, of resources, climate, etc. Most 'regions' are predominantly situated in one geographical unit. Many, however, including the EU, of course, have at least some parts separated, by another country or by water, and so do some countries

The colonial empires, which were among the first customs unions, were all geographically dispersed. In fact, because shipping has traditionally been among the cheapest forms of transport, customs unions or FTAs around (even named for) seas are among the oldest and most common examples, dating from at least the Ionian League, through the Mediterranean, to APEC. And it is not difficult to find examples of neighbouring countries where the border is not in practice open for trade, because of mountains or other obstacles. But if we respecify 'geographi-

cally near' to mean convenient or low-cost transport, not kilometres between borders, then it becomes difficult to rule out any grouping among coastal countries. The WTO is itself the most prominent exception to a rule that only geographically concentrated countries have a common interest in trade liberalisation and regulation. But although all the regions pass a weak test of geography, this does not identify which countries should be in a region. For all the groups, it would be possible to imagine alliances among those on one border with partners across that border, excluding the members on the opposite 'side'. The most recent example of a change in perceptions of a region is the change from considering the border of Europe to fall between East and West Germany, to including all the former East European countries as potential members of the EU. Geography is at best an indicator.

Population

Population is treated differently in regions and countries. In countries national subdivisions normally take account of population distribution, either by equalising population or by giving different political weight if there are traditional subdivisions with a clear identity. In regions the members need to find ways of balancing. All the regions studied here (except Central America, the Andean Pact and the Group of Three) have wide variations in size (defining this as a ratio of more than 5 to 1 between the largest and smallest). In a few, there is one country which is clearly the largest: the US in NAFTA, South Africa in SADC and SACU, India in SAARC, Brazil in MERCOSUR. In other regions, notably the EU, Andean Pact, ASEAN and APEC, the largest country is balanced by other middle-sized ones. These suggest very different forms of region.

The total population of the region matters because it influences the type of structures which it must have, and perhaps its viability and permanence. It is clearly important for its weight and role relative to other countries and the multilateral institutions. APEC (2 billion) and SAARC (1 billion) are massive; several are the size of what are considered large, but not unwieldy, countries, at around 200–400 million: EU, NAFTA, MERCOSUR and ASEAN, followed by SADC, the Group of Three and the Andean Group. ANZCERTA, CACM and SACU are the size of average-size countries, while CARICOM in total is only 5.7 million.

Economic size

A direct consequence of differences in size will be the resulting differences in the share of trade in the economy, and probably also a different importance of tariffs in government revenue. These influence attitudes to the region: its importance to each member country, but also the fiscal costs of forming a region. Large differences in size can also have the effect of causing concern to both the large members, which do not want to accept decisions in which they do not have the

major weight, and the small, which fear being overwhelmed, both economically and in decision-making.

Comparing GDP produces wide variations, within and among regions, but the variations in income per capita are rather less. Using 5 to 1 to define a 'large' difference, this is found only in CARICOM, ASEAN and SADC. Even if a region is 'small', is it so much larger than its members that acting collectively means a significant increase in their power? Only regions like CARICOM (for population and income) or CACM (for output) are made up of countries that need to be in a region to reach any size. On output and population, there are a few regions where one country accounts for more than half the region, including South Africa in both SACU and SADC, Brazil in MERCOSUR, the US in NAFTA. The US and South Africa are also much higher in income than the average for their region, which could further increase their potential dominance.

Political congruence

At a minimum, only countries with some belief in the usefulness of trade policy and the administrative competence to implement it are likely to form regions. During periods of import-substituting policies, regions would have little appeal for 'large' countries. Brazil and the US showed little interest in regions until recently. There is also a need for some degree of expected stability. Frequent changes of policy, past or expected, will not give the potential partners confidence to make institutional links.¹ Countries need domestic strength or integration to be able to make a regional link: support from the political elite, the economic decision-makers, and popular opinion; authority of the member governments; cross-border interaction among interest groups.

The EU meets all these. MERCOSUR and CARICOM probably meet most of the criteria. NAFTA and APEC probably have less broad-based support. Popular support may not be essential or ascertainable in ASEAN, but that region meets the other criteria. SADC is weak because of domestic uncertainties and because its largest member, South Africa, is also trying to establish new ties outside the region with the EU.

'Group interaction' within the regions is impossible to measure, except impressionistically. There are clear examples in the EU, ASEAN, MERCOSUR, CARICOM and NAFTA of increasingly regular contact by interest groups, economic and non-economic, and probably for COMESA and SADC and perhaps the Andean Group. It exists on a very limited scale for APEC as a whole, and only for business.

The stage of development of political institutions may be an additional factor. Institutions for regulating trade, choosing policies, and settling disputes at the

¹ For some regions it is argued by superficial observers (e.g. World Bank, 2000) that the link itself gives a political 'anchor' to policy, but this is an essentially circular argument. A country is 'locked in' not by others, by the threat that access will be withdrawn, but by the conviction of its own policy-makers that access matters, i.e. by its own policy.

regional level implicitly assume that mechanisms exist at the country level, to implement the regional decisions and also to provide the precedent and example for those acting at regional level. This suggests that the institutional development of regions among developing countries may be different from that among developed, moving in parallel with, and occasionally leading, domestic institutions, rather than being built on them.

Common background or sense of community

Is there a regional analogue to a sense of national identity, and is it a prerequisite or a result of the region? Differences remain even within old groups like the EU, but there is a common sense of what is Europe (and of what is not: the opposition to Turkey's joining the EU is not purely its different level of development or questions about its commitment to democracy and human rights). There is a long history of an area which roughly corresponds to the present EU having common interests, similar institutions, and strong contacts among the populations.

A similar sense of common interests can be found in Latin America, but the period is much shorter and the contacts much more limited. Until recently, the ties to the former colonial powers and to the US and France, the two traditional models (economic and political/cultural respectively), were strong, and only some historical nostalgia bound the countries together. Within Latin America, the difference between the Portuguese and the Hispanic legacies was a barrier. Even greater was that between both and the Caribbean, with its Anglo-French background and closer ties to the US. A Latin American identity can weakly explain Latin America as a group, but not the subregional groups. CARICOM, in contrast, represents a clear group with a sense of common interests. The common colonial heritage has been preserved not only in similar national institutions but in common institutions, including some more usually found for a single country (or even sub-division of a country): a university, sports teams, etc.

For both MERCOSUR and ASEAN, it has been argued that a sense of common interests was created, perhaps deliberately, before economic integration was attempted. Hurrell (1996, p. 1) argues that for MERCOSUR the 1970-85 period was when "the essential political/security foundations for future economic cooperation were prepared", while Ariff suggests that the ASEAN experience before introducing preferential trade has helped (Ariff in Imada and Naya, 1992, p. 48). This is different from the security or military argument. While it was military interests which brought the countries together in the first instance (as perhaps also in the EEC), the habit of cooperation then helped to create a common identity which survived the end of military threat.

NAFTA would be difficult to explain in terms of a cultural history, unless NAFTA is seen as a deliberate attempt by Mexico to change its culture (Bhagwati in de Melo and Panagariya, 1995, p. 30). This, however, does not fit the simultaneous entry by Mexico into the Group of Three, which suggests that Mexico is preserving its ties in both directions.

The SACU countries have a joint colonial history, but they are growing apart. The historical links among the SADC countries are less firm. They represent three strands of colonial history and a large variety of African heritages. They do, however, have recent common interests, represented by SADCC, and now the South African wish to establish an African identity.

The WTO is a purely economically motivated 'region' in the terms of this paper. While the members have some similarities relative to the 'rest of the world' as long as there is a (largely centrally planned or ex-planned) 'rest', still excluded from membership, these are a much weaker binding than in the regions (and weaken as membership expands). It has large disparities, although not a dominant member.

TRADE IN REGIONS

Although other motives are important, the conventional question about a region is whether trade within a region is greater than 'normal'. 'Gravity' modelling is often suggested. This attempts to explain a country's trade by modelling each of its bilateral flows based on the characteristics of the two countries: size, distance, policy barriers, and complementarities. In principle, each of these should be specified in absolute terms, to explain total flows, and also in relative terms to take account of other trading partners. If this could be done satisfactorily, the effect of changing trade barriers with one (or a set of) countries could then be measured directly and used to judge which potential partners would be most likely to have major effects.

Alternatively, it would permit direct estimation of the effect of barriers to trade, and therefore the effects of removing some of those barriers on the formation of a region. It would, of course, need re-estimation over time, as production and technical possibilities changed. In practice, it is difficult to measure the 'gravity' influences on trade. The economic size of a country is difficult to measure; giving appropriate weight to different types of wealth, and distance, even for simple transport costs, depends on technical conditions, not kilometres. For more complex effects, 'distance' in the sense of different ways of doing business, even language differences, is not measurable and borders on deliberate barriers.

The alternative used here is intensity which assumes that the influences which would be identified in a complete model are operating on all the trading patterns of a country, before and after the formation of a region. In the absence of a region, these determine the shares of other potential members in each country's trade. If a region is formed, its effects will be reflected in changes in these shares. Other factors may be influencing a country's total trade performance, and therefore increasing or decreasing its share in all its trading partners. To correct for this, we calculate the ratio of the share of intra-regional trade for a country or for the region as a whole to the share of the region in total trade. We assume that general economic variables and general policies influence all trade; both policy and some particular economic variables influence the share of individual partners'

trade within this; changes in policy towards those partners (in this case forming a region) determine changes in share.

If we assume (correctly for many of the regions considered here) that there was no trade diversion before the region was created because all imports were treated approximately the same, without preferences, then, under the (unrealistic) assumption that demand for a region's products is constant, or changing equally, in and outside the region, so that there are no production or trade reasons for shares to change, an increase in intensity because of an increase in trade within the region, and a fall in the region's share in total trade, would be indicative evidence of trade diversion. If the share in total trade does not fall or rise, and the intensity rises because intra-regional trade rises (or rises more), then there may have been trade creation.

In 1990–96, when regions were supposed to be flourishing, while the share of intra-regional trade increased in most of the regions, it did not in some, including two of the oldest, the EU and CARICOM. Intensity fell in ASEAN and APEC, but increased in some of the Latin American regions. There is evidently not a simple pattern of increasing regional trade. What are the conditions for success of a region?

Which of the regions considered here seem likely to survive and meet their objectives, and what do those regions have in common? More demandingly, which have succeeded in creating a new economic or political unit responding to new events and evolving?

The EU, SACU, CARICOM and SADC had a wide range of motives for integration, while the EU, MERCOSUR, CARICOM and CACM had the strongest basis in common characteristics or background. On trade integration, measured by policy and intentions or achievements, the customs unions, the EU, SACU and MERCOSUR, lead, with the other Latin American groups in general more integrated than the Asian or African; investment measures in general give the same answer as trade. The other linkages are more variable; the EU is the only group integrated by all measures, and the least integrated are SAARC and APEC. The intermediate groups, however, show a variety of patterns of what is integrated; there is no inevitable sequence or set.

The purely trade groups, like SAARC, and APEC, seem less integrated than those with other objectives. The Latin American groups supplemented trade with objectives of industrial planning in the 1960s; security, and stronger integration in the 1990s. SADC (originally SADCC) started with non-trade objectives, of security.

Trade policies and intensity of trade relations are not sufficient to hold an area together. The gains from trade seem uncertain, small, unevenly distributed and unpredictable in the long run. Therefore it is the other objectives which must be significant. If these are not equally strong for all members, then it may be necessary for those which want the region to survive to 'pay' the other members. This may be direct or by including additional forms of integration which are more important to the others.

The regions we observe here which are not at present very integrated may be a temporary alliance of countries with common economic interests, or a first step, either to wider integration, multilateral or a broader region, or to fuller integration at the regional level. A judgement now can only be provisional. In the past, when developing countries had very high tariffs and actively used tariff policy in development, the shifts to an FTA and then beyond that to a customs union were major changes in policy, and therefore could be considered significant indications of regional commitment. At current levels of tariffs, and with the shift to less government intervention, in trade policy or other forms, an FTA is not necessarily a strong gesture of liberalisation and even a customs union is not a firm commitment to joint policy.

The old regions have taken well over the WTO's new limit of 10 years to reach full trade integration, and only one has approached services integration. In contrast, some newer ones, like MERCOSUR and SADC, have set shorter periods. Comparing Europe, already economically integrated before 1956 but slow to complete the institutions, and MERCOSUR, exceptionally unintegrated before 1990 but with a rapid programme, suggests that there is no correlation between 'readiness' and speed. An important difference is the stage in the history of regions at which a new region emerges. The post-EU regions all have its example before them, whether as a target or a warning. Expectations of integration are greater, and the base-line of the international system, of what is 'normal' integration even outside regions, is much higher.

Does strong leadership in the member countries help the evolution of a region? The evidence is against this. In the EU and MERCOSUR, regions were formed when countries were emerging from political and security conflicts: the region was more a part of national strengthening and confidence-building than a sequel to this. NAFTA came when Mexico was economically weaker than it had been in the 1960s or 1970s (at that time it had stayed out of Latin American integration), and the 'policy-locking-in' arguments for NAFTA suggest that it was supported because it strengthened policy, not because it reflected strong policy. The SACU countries were, until the change of government in South Africa, an alliance of political weakness (South Africa) with economic weakness (the others). Economically, the ASEAN countries were stronger in the 1980s and early 1990s than the Latin American, but less integrated. Is integration the reverse, a sign of weakness? The strong support by the US Government for NAFTA and the continued membership of the major European countries in the EU make such an argument equally difficult to sustain. There does not seem to be a simple rule here.

MERCOSUR is integrated across a range of activities, but with continuing gaps and exceptions, and its administration is still underdeveloped. CARICOM, the Andean Group and CACM are integrated on trade, but have made (and intend) less progress on other links. Their small size means that these regions will never be as important to their members as are the larger regions. The trade integration of NAFTA, the width of its coverage and its administrative strength place it among the most integrated regions, but it is also the nearest to the model of a

one-off, static arrangement. There are no plans or administrative provisions to move into new areas. All the members are taking initiatives to make agreements with non-members. These links strongly suggest that for all three members, NAFTA is seen as only one step towards more general integration, perhaps because the multilateral system was stalled and seemed unlikely or slow to move on areas which the members want to include in trade agreements (notably labour and the environment for the US). ASEAN seems relatively unintegrated, both economically and institutionally, although against this, are its continuity and its security role. SAARC is an important political initiative among countries in conflict, but so far has little economic or administrative content. Judging the success of APEC, which has no formal objectives, is difficult. The agreement in 1997 on the goal of free trade by 2020 and the setting of membership criteria with an emphasis on Asian membership indicated a desire to deepen integration. Some members may want APEC to become a more conventional region, but its successes are more processes than achievements, notably the membership of military rivals. It is more a consultative and advisory organization than a region.

The WTO has shown a strong ability to evolve, and of course is highly important in trade share to all its members.

SADC is at too early a stage to make a firm judgement. The interests of the countries are not particularly close. The member countries are of very different sizes, levels of development, and sectoral composition. There is a history of common commitments, and a sense of regional identity. SADC's direct links among populations and economic sectors may be stronger (given its level of development) than those of newer groups like MERCOSUR. If, however, it is to be a more permanent organisation, as its recent administrative changes suggest, it will need to clarify what its real objectives are: these could include regional security or negotiating power in a world of regions, as well as regional trade and infrastructure. South Africa may have a commitment to the poorer countries of the region, both as possible allies against the rest of the world and as inevitable dependants. The other members may want to secure a voice in the activities of a major trading partner and regional power; they have a direct interest in its internal peace. But it is not yet clear that the countervailing influences, the smaller countries' fear of South African domination and South Africa's fear of giving up its ability to pursue an independent trade and foreign policy, are sufficiently weaker to permit the emergence of a region. It is also unclear whether the countries agree on the appropriate form for government policy, and therefore the role of trade policy. The central problem behind these uncertainties may be that they are all developing, and they face major structural change, both economic and political. Divergences in performance, and probably in structural change, are likely to put a severe strain on any plans or strategies adopted on the basis of present structures, and therefore require greater non-economic cohesion.

REGIONS AND DEVELOPMENT

The economic advantages of regions are clear, but very limited for countries in small regions with small shares of regional trade. There are exceptions: NAFTA, for Mexico, is the largest. But for the other developing countries, the share of the increase in intra-regional trade is too low relative to total output to have a major direct impact. The shift to a less interventionist style of development limits both the potential advantages of regions (of offering a larger, perhaps more integrated, field for development) and the disadvantages of loss of policy independence.

The development of regional institutions can encourage (or require) strengthening of national institutions, to provide the administrative and legal basis. The EU has a long history of the 'levelling up' of national institutions, This may be occurring in MERCOSUR; it has been important in NAFTA, notably with regard to intellectual property, the environment, and labour legislation. It may have had some influence in the early stages of the Andean Pact. It is arguable that regions have had at least an effect of example in CARICOM and SACU.

Do regions increase the stability of the external environment for developing countries, and is this an advantage? Or does integrating with an unstable partner (and developing countries' performance is on average more variable than the world average) increase instability? First, there is little evidence that stability is itself a benefit for development. If there is a trade-off between liberalization and stability, liberalization has more certain advantages.¹ Secondly, binding tariffs or other policies within a region increases their predictability, but not by as much as at the multilateral level; for the low trade shares typically found here, it is much less. The EU, with its high trade shares, is not typical.

The increase in countries' vulnerability to a few other countries when they become members of a region may encourage greater interest and pressure among the members for stable, predictable policies, even if there is no formal coordination of macroeconomic or development policies. If members exercise such 'peer pressure' on each other, it could be expected that countries in regions would, at least after some period of adjustment and development, have better policies than if they were not members. This is a difficult proposition to test. What can be observed are direct interventions, for example, to preserve constitutional government. The success here is mixed: MERCOSUR successfully intervened in Paraguay; SADC intervened badly in Lesotho, and hesitates on Zimbabwe; ASEAN has chosen non-intervention.

Only the EU, MERCOSUR, and NAFTA have labour or social aspects. This means the other regions have (or are intended to have) effects on only part of what is normally included in development, on the growth of sectors or total income, not on individuals or distribution.

¹ Even if the potential partners are not exceptionally unstable, preferential exposure to one group of countries reduces the stability gained from the counterbalancing peaks and troughs which follow from exposure to a wide range of countries; if the region encourages greater intensity of trade, it may increase the risk of exposure to instability from a concentrated trading area.

REGIONS AND THE MULTILATERAL SYSTEM

The intention of the post-1994 WTO regime for regions, and in particular the Committee on Regions, is to ensure that regions conform to the model of an FTA or a customs union that moves to full internal free trade (at least in goods; potentially in services) within ten years. This could force a region without a strong trade motivation either to remove the trade element or to complete trade integration, with its probable implication of trade discrimination against the rest of the world, sooner or more fully than it would otherwise do. If it removes trade, the region, under present rules, is effectively removed from international supervision. There is no way of regulating the other policy elements which a region may include, although all of these have the potential to set up barriers against, or to disadvantage, non-member countries, and there is no obligation for a region without trade elements to give information to the WTO or any other multilateral institution. The alternative response, of full trade integration, could damage not only excluded countries but the region itself (trade diversion).

Improving the regulation of the trade policies of regions, and extending this to all the possible types of integration which also have effects on the rest of the world, is desirable in order to reveal, and if possible mitigate or prevent, trade and non-trade diversion damaging excluded countries.

Regions can choose their members freely, but can discriminate in their favour only if they follow particular forms (at least for matters covered by the multilateral system), and as the coverage of WTO rules extends, the scope for regions diminishes. This is an inevitable conflict. All rules have costs, in creating rigidities and in encouraging distortions to find ways to avoid or circumvent them. The question for the international system is whether the objective of avoiding diversion (in trade or other forms) is worth the distortions. So far, the central objective has been fairly well preserved, and regions have moved more in the direction of extending their liberalization to the rest of the world than finding ways of discriminating more tightly.

A subsidiary question is the effect of relations among regions on the regions and on the system. The discussion of specific issues like rules of origin and of the more general question of how to make further progress in integration in more than one region at a time strongly suggests that having a range of regional affiliations can become increasingly costly in terms of regulation and that negotiations on one can delay or discourage integration in another, or hinder policy development at the national or multilateral levels. Multiple levels of decision-making are difficult to manage, as has been demonstrated within countries. They can work acceptably if there are clear divisions of responsibilities and clear hierarchies (whether from the bottom up in a federal system or from the centre out in a more centralized one), and if changes in the division and the scope of responsibilities are not too frequent. The recent history of regions and the multilateral system shows that the limits on consistent simultaneous evolution were being reached during the Uruguay Round, when developments in NAFTA and the EU were seen to be potentially delaying or conflicting with those in the WTO. The current

developments in the Americas, with regions like MERCOSUR both deepening and widening while there are simultaneous negotiations for a FTAA, suggest potential conflicts in priorities. There is, however, also a possibility that progress at one level can encourage faster negotiations at a different level. If a region wants to remain more integrated than the rest of the world or than a higher-level region, it may be encouraged to go further to keep ahead; this is the experience of MERCOSUR in FTAA, perhaps of the EU in GATT, and potentially of ASEAN in APEC. These interactions make it difficult to reach a general conclusion on whether regions help or obstruct multilateralism. The basic opposition of the multilateral system to regions is justified by the measurable costs of trade diversion. But there are potential costs for the members in their relations with the multilateral system and in any existing agreements they have: the costs to their trading partners of the administration of their agreements and also the cost of examining and regulating these. What is perhaps surprising, is that countries rarely question that there are net benefits from WTO membership. This suggests a high weight on predictable rules.

One type of regulation which would be clearly unrealistic, however, is for the international system to set standards for the membership of regions (the solution suggested by some 'open region' advocates). The descriptions of the regions here make it clear that the range of different objectives and coverage would make it impossible to set a standard model for all regions. The evolutionary nature of groups is a further obstacle: no rule could hold over time. Even entry to the GATT/WTO has meant different conditions at different periods, different conditions for different countries, and extended negotiations. These vary partly according to current policies and views of trade, but also according to the interests of the existing members in allowing the new member to join. If regions are not allowed to retain the same discretion, the international system will be sidelined.

Preferences which differentiate among classes of 'developing' country have the same effect of trade diversion from the less favoured, as regions, but these are regulated differently. One path to overcoming the potential conflict between the concepts of 'region' and preference is to eliminate preferences. In and after the Uruguay Round, this seemed to be happening with conventional preferences eroded and new FTAs proposed between the US and Latin America, and between the EU and South Africa, Mexico, MERCOSUR, and the ACP regions. The US has since signed with Jordan, Japan, Singapore, etc. But at the same time new initiatives have emerged for the least developed and the WTO is trying to find ways of offering preferences on non-trade policy. But the EU's preferences for the least developed were challenged as inconsistent with FTAs for the ACP. The issue remains unresolved.

DO REGIONS MATTER? ARE THERE POLICY CONCLUSIONS?

The regionalism which is observed is complex, and there are strong reasons to believe that it will remain so. Regional trading groups either move towards more integration (culminating, at least in the past, in what are now federal countries) or prove to be unstable temporary alliances of countries whose common interests diverge as they diverge economically or in policy approach (the experience of past developing country groups).

Regions have not weakened the WTO: there is a strong case for saying that it is the most successful group of the past 50 years. It has expanded its membership, the coverage of its rules, and its powers. The extension of its responsibilities means that in practice it embraces many of the areas that the EU's adoption of the Single European Market and the formation of NAFTA were intended to integrate: services, national treatment for foreign investment, intellectual property, dispute resolution, and potentially environmental, labour and business regulation questions. Its rules on services have neglected migration up to now, but the framework is there. This means that the present regions need to be looked at individually, not as part of a global process. Progress at the multilateral level makes further progress at the regional level unnecessary except where the purpose is specifically to be a separate entity.

New regional organisations are likely to struggle to keep up. The placing of the environment, labour standards, and business regulation on the WTO agenda and the completion of negotiations on areas like financial services reduce the role for regions. The argument that regions are needed to make faster progress on issues than the international system can achieve has a limited and decreasing validity.

The discussion of regions in the early 1990s suggested a world which was rapidly dividing into regions. The analysis of regions here suggests that this is a not a true picture: the 'real', integrated regions are still found in only three continents – Europe, North and South America – that is, basically in one political-economic tradition. The Australia-New Zealand experience is well short of a region but could fall in that tradition. Africa and Asia are without integrated regions. SACU is a relic of history, and may dissolve into SADC; ASEAN is a political force, with little economic content. The countries not in regions include some of the largest in the world: most of the largest continent, and substantial numbers in other areas.

Less than a third of total world trade takes place within the regions analysed here (excluding the FTAA and APEC which do not yet cover trade) and this share fell between 1990 and 1996. Three-quarters of this intra-regional trade is accounted for by the EU and 7–8 per cent by NAFTA. All other regions are too small or have too low a share of intra-regional trade to matter.¹

¹ Assertions that "virtually every WTO member belongs to at least one regional economic grouping" (WTO Annual Report 1997) are meaningless because they include organisations without content like APEC. The high number of notifications of regions to GATT or WTO largely reflects agreements within or by the EU.

The large number and the importance of the non-joiners suggest that any regions which do form will face the likelihood of challenge under the new WTO Understanding on Article XXIV and dispute procedures if they seem likely to have any adverse effect on the rest of the world (Turkey-EU has already been successfully challenged). Thus regions now face more serious institutional obstacles to any special arrangements than earlier groups faced. This may make the early stages of a region, when it is least integrated and most vulnerable to outside pressures and internal differences, more difficult.

But the regions which do exist and those which may form do offer a challenge for the international organisations. Both they and the regions will need to accept that there is a conflict between fully flexible systems and transparency. The advantages for economic agents of transparency and certainty may be greater than they seem to policy-makers (and some academic writers). The advantages of flexibility for regions may be greater than they seem to the WTO. It is unrealistic to require a simple structure or even a tidy or logical one. To do so would be to put 'managing' the structure of the system ahead of development or welfare as an objective. It would also be different from the 'messy' solutions invariably found at national level (and in the EU). But it is not wrong to seek to make any solution as simple as possible, for the sake of those not involved: for countries excluded from the region, in the case of the regions which do exist; for participants who are excluded because they are economic agents, not countries, in the case of all institutions.

For developing countries, the shift to looking at the system in terms of regions and non-members and different levels of integration among countries, rather than of industrial and developing countries, confirms the ending of their special position as a group in the international system. An international system which is more adapted to deal with such groups, some of which may be based in geographic regions, others defined by income, type of economic structure, or other characteristics, may offer different advantages for development, including greater flexibility as countries' development needs and their groupings change.

APPENDIX

Acronyms and membership of regional groups

Andean Group	Andean Common Market. Bolivia, Colombia, Ecuador, Peru, Venezuela
AFTA	ASEAN Free Trade Arrangement. Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam from 1995, Myanmar and Laos from 1997
ANZCERTA	Australia – New Zealand Closer Economic Relations Trade Agreement. Australia, New Zealand
APEC	Asia Pacific Economic Cooperation. ASEAN members, NAFTA members, ANZCERTA members, Chile, China, Hong Kong, Taiwan, Japan, South Korea; Russia, Vietnam and Peru from 1997 (not included in data)
ASEAN	Association of South East Asian Nations
CACM	Central American Common Market. Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua
CARICOM	Caribbean Community. Antigua and Barbuda, Bahamas, Barbados, Belize, San Cristobal, Dominica, Grenada, Guyana, Jamaica, Montserrat, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Trinidad and Tobago
EU	European Union. Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom (EU 12); Austria, Finland, Sweden from 1995 (EU15)
FTAA	Free Trade Area of the Americas. All Western Hemisphere except Cuba
Group of Three	Colombia, Mexico, Venezuela
MERCOSUR	Southern Cone Common Market. Argentina, Brazil, Paraguay, Uruguay (MERCOSUR 4); Bolivia, Chile from 1997 (MERCOSUR 6)
NAFTA	North American Free Trade Area. Canada, Mexico, United States
SAARC	South Asian Association for Regional Cooperation. Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
SACU	Southern African Customs Union. Botswana, Lesotho, Namibia, South Africa, Swaziland
SADC	Southern African Development Community. Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe; Congo and Seychelles from 1997

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Regions and regionalisation: A heretic's view

Morten Bøås

INTRODUCTION: A ROLE FOR REGIONAL ORGANISATIONS IN AFRICA?

The revival of interest in regions and regional arrangements has been a comparatively recent occurrence in International Relations/International Political Economy, and is now extending into Development Studies and development aid. In part, this can be understood as an attempt to rationalise how the world is being restructured in the contemporary world by globalisation and regionalisation. Such regionalisation, predicated upon ostensible co-operation and centred on regionalist projects, has increasingly been seen as uneven responses to globalising tendencies. Concerning African states, the common wisdom is that these states, already some of the most marginalized in the world trading system cannot afford to be half-hearted in their pursuit of economic co-operation. The argument is that if Africa is not regionalised it will be further marginalized: African states will not survive on their own in a highly competitive global economy. However, the question is what role formal regional organisations can play on a continent where the informal sector employs about 60 per cent of the urban work force and informal cross-border trade/barter trade is much more important than formal intra-continental trade.

The main argument of this article is that there is a role for such organisations insofar as their policies take into account that regionalisation in Africa is much more than just formal trade links. There is a role for formal regional organisations in Africa, but they must be refocused in order to take into account and work in parallel with what already exists: the informal regionalisms of regional trade networks and/or regional civil societies. Consequently, the practice and study of regional organisation in Africa should be refocused from the defunct state-led regionalisation of the past to a refocused and reattached regionalisation that tries to work and organise itself in accordance with the actual logic of regionalisation in Africa. The next part of this paper is therefore devoted to the nexus of globalisation and regionalisation, and how it relates to Africa. We will revisit the experience of formal regional organisation in Africa by taking a closer look at ECOWAS, PTA/COMESA and SADC in order to support the underlying assumption of this article that the state-centric approach of these organisations is better seen as a thing of the past. In the following section, we will therefore visit the vibrant and dynamic regionalisation of Africa's second economy before we conclude our chain of arguments by suggesting that regional organisation in

Africa should be redesigned to become embedded in the reality of the African political economy rather than de-attaching itself from it.

THE GLOBALISATION/REGIONALISATION NEXUS

The region is here focused through the interaction between state and market that is aimed at providing and maintaining national and regional security in a broad sense. It is these processes that together make up the process of regionalisation, whereas the body of visions, values and concrete objectives that supervise such processes is referred to as regionalism (Bøås & Hveem 2001). Regionalism therefore denotes the body of goals laid down for the regional project, whereas regionalisation represents the active pursuit of a strategy aimed at creating a regional system in a specific area, issue-specific or general, geographically contiguous or not. A region is therefore here an international region delimited by some kind of geographical proximity. However, a geographically based definition is not unproblematic because the borderline of a region may look different depending on whether geographic proximity, economic relations or political co-operation is used as the principal defining criterion. The delimitation of a region is therefore not always determined by geography alone, and geography is not by necessity an objective criterion, it is just as much a social construct.¹

Concerning the relationship between globalisation and regionalisation, the point of departure is that regionalisation is a political response to globalisation. The assumption is that the globalisation of business, perhaps somewhat paradoxically seems to have promoted regionalisation as states try to control at the regional level what they have increasingly failed to manage at the national and global level. The nation-state has become internationalised (Cox 1981), and no longer serves as an effective political shield against the global political economy (Mittelman 1994). Globalisation is equivalent to internationalisation of the nation-state, and subsequently gaps of governance between various agencies and institutions at different levels of the world political economy emerge. If one believes that some sort of regulation, e.g. state intervention is necessary (even deregulation requires state intervention) some new kind of governance mode must be sought. Regionalisation, as a political strategy, is therefore assumed to enhance national and regional security in a broad sense. It is an attempt by nation-states to recuperate governance over a globalised international political economy through regional management.

If regionalisation as a political strategy is triggered off by globalisation, what is then globalisation?

Globalisation, is a process of change which creates world-wide linkages, diffusion of ideas and identities, and interdependence between production locations and infrastructure at the subnational level, the national level and the international level, in particular organised in transnational corporations (TNCs). It turns national financial markets into subparts of an emerging global financial market,

¹ See, for instance, Keith & Pile (1993) or Neumann (1996).

and it entails a transnationalisation of technology and innovation through the 'knowledge structure', largely under the control of TNCs but to some degree also in co-ordination with state power and interests (Bøås & Hveem 2001).¹ It is imperative however to understand this process as one of diversity, not uniformity. We can still celebrate difference because even the most sophisticated systems of modern communication and the development of integrated international commodity and financial markets have not destroyed cultural, ethnic, economic or political diversity. On the contrary, globalisation has created a whole range of diversified patterns of interactions and responses at the local, national and regional levels.

Our economies are becoming more and more unified by flows of trade, finance and ideas (information and technological change). Nevertheless, we still have to keep in mind that countries enter the international system and are exposed to these processes from very different starting points. The impact of globalisation is uneven. Some states are less able than other countries to reap potential trade/investment/technological transformation benefits from the globalisation process. Some people and some countries, have gained a lot from globalisation whereas among other groups of people it has contributed to increased impoverishment, inequalities, work insecurity, weakening of institutions and social support systems, and erosion of established identities and values (UNRISD 1995). The question is to what extent regionalisation in Africa has contributed to an African response to these challenges?

REGIONAL ORGANISATION: THE AFRICAN EXPERIENCE

Africa has experienced two great waves of regionalisation. The first one is associated with colonisation, decolonisation and Panafricanism. Immediately after the decolonisation process started the first attempts at regional co-operation in Africa among independent states took place. Panafricanism constituted the ideological framework for these attempts,² but equally important was the former colonial structure. The former East African Community (EAC) illustrates how the newly independent African states tried to build upon and develop further regional schemes established by the colonial powers. The main instigators behind these processes were the UN's Economic Commission for Africa (ECA) and the Organisation for African Unity (OAU).³ In this period, Africa experienced the establishment of a whole range of regional schemes for economic co-operation, but most of these became nothing but 'paper-tigers'.

¹ According to Strange (1988), the transnationalisation of technology and the increased pace of technological innovations have strengthened the knowledge structure (innovation capacity) as a power resource.

² See, for instance, Nkrumah (1963), Nye (1965) or Chazan, Mortimer, Ravenhill & Rothchild (1992).

³ Ever since the 1960s, ECA, has promoted regionalisation as the only viable strategy for African development.

The second wave of regionalisation started in the late 1980s/early 1990s. The main instigator this time was what we can define as the globalisation of regionalisation: the globalisation of the idea of regionalism as a potential counterforce to economic globalisation. In other words, the idea of the region as a potential additional governance layer in the international political economy that could protect participating states from the worst storms in the world political economy. The collective starting point in Africa seems to be an interpretation of globalisation as a particularly threatening force for Africa.

In the face of these trends, Africa must transform its weak production structures and fragmented markets by embracing economic integration with a renewed sense of purpose and direction. The alternative is that the continent would risk becoming increasingly marginalised in its participation in the global economy (AfDB 1993:v).

Globalisation, but also a renewed sense of focus in regional schemes in other parts of the world represented by the European Union (EU), the North American Free Trade Agreement (NAFTA) and the Association of Southeast Asian Nations (ASEAN) were seen as part of the challenge that confronted Africa. In particular, the plans for the Single European Act led to a perception in Africa of a coming 'Fortress Europe' with high tariff walls against African products. In addition, several African leaders were worried about what would be the outcome of the Uruguay Round. What would happen to the Lomé-agreement, and other arrangements that gave these countries some privileges and safeguards in uncertain and volatile international markets?

This was the grim picture, which many African states and intellectuals felt that their continent was faced with in the early 1990s. From the African Development Bank (AfDB), the OAU and the ECA the answers to this challenge have converged on the framework established by the Abuja Treaty.¹ According to it regional markets must be established to ensure economic security and sustainable development in Africa. The underlying rationale for this kind of reasoning is the traditional idea from economic integration theory that no African state is economically large enough to construct a modern economy alone. Africa as a whole has the resources for industrialisation, but it is split into too many states that do not co-operate. Seen from a traditional economic perspective one of the most glaring reflections of Africa's economic weakness is the small size of most domestic markets and the low volume of officially recorded trade among them. The question, however, is to what extent African regional organisations have managed to address these challenges. If we take a closer look at some of the most prominent of these organisations – ECOWAS, COMESA and SADC – the picture that emerges is clear: they have not been able to address these challenges.

¹The Abuja Treaty, which was adopted at Abuja in Nigeria in 1991 by the OAU, established, in fact, a timetable towards the creation of a Pan-African Economic Community by the year 2025. This treaty underscores the importance of subregional initiatives like ECOWAS, COMESA and SADC as executing instruments for achieving the goals of the Treaty both subregionally and on the continental level.

With 16 members,¹ an estimated GNP of approximately \$130 billion and a total population of about 200 million, huge mineral resources and a vast range of agriculture products, ECOWAS is one of the three largest and most diversified economic communities in Sub-Saharan Africa. However, the economic differences between the ECOWAS countries are significant. The most striking illustration of this is provided by the fact that Nigeria's population and GNP are roughly equal to those of all the other 15 members put together. Moreover, the economic differences among the ECOWAS members are exacerbated by cultural, historical and political factors. Historical ties to different colonial powers constitute a structural barrier. They have resulted in three official languages – English, French and Portuguese – different currencies, fiscal codes and public administration structures and practices within the region. The relations between several of the member countries have been marked by long-standing territorial disputes and political rivalries. In addition, there is significant political instability in several of the ECOWAS countries, which has caused frequent and violent changes in political leadership.² Today, it is clear that in spite of regular pronouncements of optimistic public statements very few of the goals of the organisations have been reached. Relevant political decisions have been made at the regional level, but there is a significant lack of political will when regionally agreed decisions are to be implemented nationally. The divergence between regional rhetoric and national implementation is significant. It seems as if the poverty of ECOWAS members, the undiversified structure of their economies, the economic, cultural, political and ideological differences between them as well as the political instability of many member countries have entailed that ECOWAS remains a “dead letter office” in international politics. It appears thus as if the West African regionalisation effort by and large has been unsuccessful.³ They have not succeeded in bringing economic security to the region and the human security situation in these countries is fragile to put it mildly.

COMESA was originally founded as Preferential Trade Area for Eastern and Southern African States under the auspices of ECA.⁴ Today, COMESA covers practically half of Sub-Saharan Africa. The consequence of this is huge problems related to the size and heterogeneity of its members. The PTA/ COMESA vision of regionalism is an evolution through a period of ten years from a free trade area to a genuine common market. This objective has obviously not been fulfilled. Rather the situation is that a large number of COMESA members are unable to participate in such a regionalisation process in any meaningful way. To the extent that objective economic factors determine possibilities for fostering closer

¹ Benin, Burkina Faso, Cape Verde Islands, Côte d'Ivoire, Gambia, Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo.

² Ghana, Liberia, Niger, Nigeria and Sierra Leone are obvious examples. In fact, of 72 successful *coups d'état* in Africa during 1958–1989, the majority took place in five of the 16 ECOWAS countries.

³ For a more elaborate argument along these lines see Okolo & Shaw (1994).

⁴ The transformation from PTA to COMESA took place in 1993, but so far this transformation has not managed to revitalise the regionalisation process.

relations, the potential can hardly be more than rhetorical for a long time to come, as there is no adequate infrastructure for such links to develop between many of the COMESA members. For instance, export from only two countries, Kenya and Zimbabwe, accounts for about 70 per cent of the *recorded* total intra-regional exports, and the majority of these flows were directed towards the nearest neighbouring countries. From Kenya to Rwanda, Uganda and Tanzania, and from Zimbabwe to Malawi, Mozambique, Zambia. However, there are substantial volumes of unrecorded trade across most of the borders in the region. The nature of this trade makes it hard to assess the exact volume and value, but some estimates that have been made indicate that in several cases it clearly surpasses the official recorded trade. With some notable exceptions, however, most of this trade is trade across only one border: from one country to its closest neighbouring countries.¹ In other words, both official and unofficial trade within the COMESA region mainly takes place within two clusters, one centred in East Africa around Kenya, Rwanda, Tanzania and Uganda, and another one in Southern Africa around Zimbabwe, Malawi, Mozambique and Zambia.

The achievements of COMESA are far from what should be expected from declarations and decisions made on the regional level. Quite similar to the experience of ECOWAS, decisions made at the regional level are not followed by anything near proper national implementation. Several reasons may be behind these delays, but it can be argued quite forcefully that the COMESA members have behaved as *defensive positionalists* in the regionalisation process: they have guarded their own steps to liberalise because they perceived that other partners would make a relative gain from their taking such steps compared to the gains they would make themselves. Member states may be said to prefer an effective regionalisation process through COMESA with real and effective national implementation. This, however, is their preference for action to be taken by every *other* member; they prefer the free-riding option for themselves. The most important reason for free-riding appears to be a desire to defend the position of domestic interests groups, the support of which the political regime in question may be politically dependent upon. Another major reason is that tariff proceeds represent an important source of finance for the state apparatus. The optimal position for any single country would therefore be to maintain state revenue from tariffs while at the same time increasing its own export income by selling more on partner country markets. In other words, to maximise one's own gain and to minimise imbalances in trade with partners.

After the end of apartheid in South Africa, and the subsequent re-entrance of South Africa on the regional scene as a SADC member, COMESA has completely fallen into the shadow of SADC. Mauritius has joined SADC. Countries like Tanzania and Zimbabwe, which are members of both projects, have redirected their attention to SADC, and Kenya, Tanzania and Uganda have actively sought to resurrect the former EAC. The end of apartheid and the accession of South Africa as a member have brought a new component to formal regionalism in Southern

¹ See Ofstad (1993).

Africa. The more optimistic scenario sees the new membership as the vital and dynamic factor in bringing life and force to regionalisation efforts (see Söderbaum 1998).

The new SADC may therefore be interpreted as an institution set on a process of regionalisation aimed at increasing the security of the region in a broad sense and through a range of different measures. However, even though the accession of South African membership undoubtedly has sustained Southern African regionalism and filled it with a new component, it is necessary to bear in mind that such a spirit of co-operation between South Africa and her fellow SADC partners is not guaranteed, and may be retarded. There is little doubt that other SADC members fear that South African re-emergence on the regional and global level will divert aid and investment flows from them to South Africa, and also they fear that South African products will flood their markets. In several of South Africa's neighbouring countries the governments' main concern is South Africa's regional export and investment drive. South Africa's re-entrance on the regional level is creating new imbalances, and the other SADC states seem to be just as concerned with relative gains as with their absolute gains from the regionalisation project. Internal rivalry is not only expressed within the economic field in SADC. Perhaps even more threatening for SADC and its vision of regionalism in the Southern Africa region is the kind of open rivalry expressed with respect to the civil war in the Democratic Republic of Congo. For instance, when former President Kabila faced imminent defeat on 20 August 1998, Angolan, Namibian and Zimbabwe troops entered the Democratic Republic of Congo under the guise of sister states of SADC helping a legitimate government. This unprecedented military interference exposed bitter regional rivalries. Zimbabwe's involvement was a clear source of anger in Pretoria. Nelson Mandela, the then chairman of SADC, said that Robert Mugabe was wrong to use the decision of a SADC defence ministers' meeting in Harare, which fell short of a quorum as a basis for involvement.¹ Mugabe's reply was brief when he scathingly announced: "Those who want to keep out, fine. Let them keep out but let them be silent about those who want to help" (African Business, October 1998). This and several other examples show us that SADC is still heavily politicised and that the level of trust between the members is a far shot from the friendly multilateralism that SADC likes to present to international media and donor countries. Political and economic rivalry, and the bitter fruits of relative gains and defensive state positionalism seem still to be important elements in SADC.

If we then are to sum up the experience of these regional organisations hailed by OAU and the Abuja Treaty as the future of the continent, the following seem to be the key characteristics: lack of relevant national implementation of regional agreements, economic and political intra-regional rivalry and subsequent emphasis on relative gains and defensive state positionalism and low levels of officially recorded intra-regional trade.

¹ See West Africa (7 September 1998).

It is therefore quite surprising that in spite of these experiences a popular argument these days (in particular from donor countries) is that regional arrangements can be used to solve/enforce peace in civil-war situations in Africa. ECOMOG is the example most often put forward. The only problem with this kind of reasoning is that it more or less assumes that regime security and human security are the same thing. The ECOMOG experience suggests otherwise. Concerning ECOMOG, the crucial point to keep in mind is that this arrangement was established not to increase the security of the people who happen to inhabit the states that constitute the West Africa region, but rather to protect and preserve the political elites and their regimes (Bøås 2000). As the then Nigerian President Babangida warned his fellow ECOWAS leaders, “today it is Liberia, tomorrow it could be any one of you.” However, even with respect to the promotion of elite and regime security, ECOMOG has failed. The war in Liberia spread into Sierra Leone and threatened elite and regime security there as well. Troops with experience from ECOMOG in Liberia were responsible for *coups d'état* in both Sierra Leone and The Gambia, and ECOMOG played a crucial role in establishing the warlord political economy of Liberia with its destabilising consequences for the whole region. It therefore seems as if the Liberia spelling of the ECOMOG abbreviation – Every Movable Object Gone – carries some truth for the whole region, and this should set off some alarm bells in the many foreign ministries in the Western world which right now seem to believe that giving support to ECOMOG is a splendid idea.

REATTACHMENT – A NEW APPROACH TO REGIONALISM(S) IN AFRICA

In many African countries, large groups of the population, and sometimes the entire state apparatus owe their survival to the semi-official, often illegal, flows of trade, capital and services, which go across boundaries. My argument is that it is precisely due to their failure to address these issues that formal regional projects have been such a failure in Africa.¹ Their approaches, practices and even visions are out of touch with African reality. It is a simple fact of life for people, not only in Africa but also in other parts of the world, that where the formal economy has crashed, it has taken on a dozen new guises as the “other” economy. The black market is thriving today as never before. It is a reborn, dynamic market force. The methods used and the commodities traded differ from country to country, from region to region, and from trade to trade but the aim is the same to capture some kind of profit however small in order to survive. It is also a matter of fact that many African governments not only condone this economy on the fringe but encourage it. For many African governments it is easier to let a parallel economy finance a substantial part of their populations than to find the funds to do it themselves. This has led to a situation where a substantial (increasing) part of the

¹ Elsewhere such an argument and approach has been entitled “a new realist approach to regionalisation”. See Bøås, Marchand and Shaw (1999).

African population have no other choice than to ignore their own governments and create their own economies. The result is that much of the real energy of the African economies and subsequently also their future at present lie outside government structures whether they are national or regional. It is this divide that has to be reconciled, of course at the national level, but equally important at the regional level. If regional organisation is to play a real role in African economies it has to be embedded into the African context and this is the context of the second economy.

It is in Africa's second economy that we find endless imagination, innovation and entrepreneurship. Its activities cover the whole range from street vendors and small-scale informal cross-border trade to the warlordism of Sierra Leone and Somalia and the large and intricate cross-border smuggling of gemstones in Angola, Namibia and Senegal. At least 10 million of 28 million Kenyans make a living from small-scale cash crop farming, carpentry, bricklaying, shoemaking, tailoring, smuggling, moonshine brewing and running private and pirate buses and taxis, and as the official economy and the state with it retreats, the second economy is booming. In the grandiose plans of the OAU and the ECA, and their blueprints for an improved African economy as ECOWAS, PTA/COMESA and SADC the second economy is hardly mentioned at all. African regional organisation therefore seems to be more or less completely de-attached from African reality. Moreover, the seriousness of the de-attachment of African regional organisation from the African reality is underscored by the fact that the barter trade of the second economy is not just found in the street level economy it is everywhere. Namibia has swapped beef for Iranian oil, Zimbabwe (Mugabe) exchanged tobacco for jet fighters and Rwanda traded bananas for computers just to mention a few examples. This is the nitty-gritty of African economies but yet again this behaviour is not reflected in the plans and actions of regional organisations like ECOWAS, PTA/COMESA and SADC. They seem to live in another abstract world, de-attached from the reality outside the windows of their headquarters offices.

Thus, if we accept that the picture presented here is more in accordance with reality than the plans and actions of the traditional regional organisation of Africa, and that so far the achievements of regional organisation in Africa have been close to zero, the logical question is how to reattach regional organisation to the African reality?

The first part is to acknowledge the failure of traditional African regional organisation. Schemes like ECOWAS, PTA/COMESA and SADC simply have not delivered the goods they promised. Regionally agreed-upon action-plans have not been implemented nationally and the levels of officially recorded intra-regional trade have stayed at low, more or less irrelevant, levels. Simultaneously, the lesson we get from, for instance, the PTA/COMESA experience, is one where officially recorded intra-regional trade (the small amount that does exist) takes place between neighbouring countries and clusters of such countries (around Kenya and around Zimbabwe). Whereas the level of intra-regional trade between

the geographical poles in such schemes is negligible. In short, this means that one should reject the 'big is beautiful' syndrome of the Abuja Treaty and its sponsors the OAU and the ECA. The approach should rather be one of 'back to basics'. Regional organisation in Africa should start with the actual trade flows and co-operation networks that do exist. And these flows and networks exist mainly between neighbouring countries. It is between neighbouring countries we find the only significant levels of intra-regional trade and it is precisely between neighbouring countries that we find the multitude of informal cross-border trade that should constitute the backbone of African regional organisation.

To a large extent, the potential regionalising role of small-traders is completely overlooked. However, a few signals of redirection and reattachment are starting to emerge from East Africa and the revitalised East African Co-operation (EAC) in particular. The political leadership of the three countries involved – Kenya, Tanzania and Uganda – and the officials of the EAC Secretariat in Arusha are slowly beginning to recognise that at the grass-root level, people have been co-operating for a very long time and East African borders are mainly penetrated by the small-scale subregional traders (*wananchi*) who have developed skills for doing business in Kenya, Tanzania and Uganda. In fact, those that stand to benefit most from a refocused and reattached approach to regional organisation in Africa are not the big companies and investors that the schemes of ECOWAS, PTA/COMESA and SADC have had in mind but the small traders. In the case of East Africa, this is the people on the ground that use informal routes and networks in order to get their goods and services across the borders of Africa. It is these people more than anybody else that can benefit from the opening up of borders but they will only do so if their reality is taken into consideration and emphasised in the regional schemes. The following example from East Africa highlights the potential.¹

Kenya has about 910,000 micro and small-scale enterprises and they contribute approximately 12 per cent to 14 per cent of Kenya's GDP. About 15 per cent of the working population are employed in this sector, and employment in the sector is growing by between 10 per cent and 15 per cent. In Uganda, the informal sector contributes 20 per cent to GNP, second only to agriculture, it employs about 15 per cent of the workforce (yet again second only to agriculture), and produces in fact an astonishing 80 per cent of manufactured output. In comparison, the formal manufacturing sector contributes about 6 per cent of GDP; it employs 5 per cent of the workforce and produces 20 per cent of manufactured output. In Tanzania, the situation is quite similar. In short, this is the vital part of the East African economy and a revitalised regional scheme in East Africa will have to take this sector into consideration if it is to mean anything for human development and security in the region.

In short, the argument is that regional organisation if it is to amount to anything will have to grasp the dynamics of its regional context, and in Africa the dynamic and innovative forces are mainly not to be found among ministries,

¹ See *East African* (May 13–19, 1996).

parastatals and formal companies in the formal economy, but among the entrepreneurs in the informal sector. It is here we find the level of innovation and entrepreneurship, which is Africa's real competitive advantage, and it is also here we find the kind of innovative spirit that if utilised in the right way can prepare the ground for African solutions to the developmental challenge on the continent.

An approach of reattachment therefore has several implications both for the practice of regional organisation, but also for the study of it. Concerning practice, this entails both a complete change in the body of visions, values and concrete objectives (regionalism) that supervise the regionalisation process and a u-turn in the interaction between state and market aimed at providing and maintaining national and regional security in the broad sense (regionalisation). Reattachment will have to be the new buzzword for regionalism in Africa, and a clear devotion to reattachment must be expressed in the interaction between state and market at the national and regional level. This is the kind of vision that should spearhead novel approaches to regional organisation in Africa.

However, more than the actual practice of regional organisation in Africa would needs to change, our research strategies and methodologies also have to be transformed if we are to capture the dynamics of the regionalism of Africa's second economy. The delimitation of the region will be determined by actual practice, and not by geography alone or formal political and economic co-operation. We must move beyond the static notion of region and regionness and replace it with the dynamic notion of the region as a social construct. Even more important, a research strategy that underscores that we need to tap into the complexities of the second economy entails that we will have to incorporate into our analyses a whole range of elements and practices that have been considered as outside of the domain of political research and the study of regional organisation. We have to establish ways to study the politics of regionalisation from below. The second economy and the informal economy of the border are not populated by completely powerless social groups and individuals with little or no control over their daily life. Rather, we are dealing with knowledgeable actors who due to the crash of the formal economy and the inadequacy of the formal politics of the border deliberately choose to be uncaptured by the state apparatus and the state-driven regionalisation process. It is these actors, uncaptured by the state apparatus and its regionalisation project that our research strategies need to capture. We must study informal regionalisms from below, and take into account the informal border politics of the small traders, of smuggling and crime, and the networks involved in these practices.

Methodologically, this entails that the study of regional organisation in Africa must put behind it its leading narratives built on the European experience and start to dig into new and unknown ground. We will have to set aside the universalistic approach to regionalisation, and accept that regional organisation is not developed within the framework of just one rationality, but in several localised rationalities. The way forward is therefore to develop broad historical-sociological approaches to regional organisation in Africa. We need to understand the

historicity of the actors involved in informal border politics, but also how they think about themselves and their relationship to the manifestation of the state apparatus at the border. And in order to link different actors who are involved on different levels of border politics we need in-depth knowledge of these actors, how they work and how their work is influenced by their contextual surroundings and previous experience. In short, we need to develop various 'thick descriptions' in our search, not for universal laws, but for interpreting and understanding meaning and social interaction within the context of the border politics of the second economy.¹

CONCLUSION – A NEW APPROACH TO REGIONAL ORGANISATION IN AFRICA

The African states and economies marginalized by the forces of economic globalisation and under immense pressure from poverty, war and environmental degradation cannot afford to be half-hearted in their pursuit of regional co-operation. African states will not survive on their own in a highly competitive global economy. To this extent my argument is in line with the argument that if Africa is not regionalised it will be further marginalized. However, concerning the focus both of actual regional organisation and the study of regionalisation in Africa, my approach underscores the necessity of refocusing our attention to the realities of African economies. African regional organisations need to be embedded into the *de facto* organisation of the African political economy. It must take as its point of departure what exists, and not build castles in the sand like the grandiose scheme of the Abuja Treaty or the PTA/COMESA dream of the ECA. As experience has shown us the benefits from these schemes are negligible. Along similar lines, the research project on regional organisation must be refocused from formal organisations and the governmental apparatus to the actual regionalisation that is going on. It is the experiences of the small traders, of the informal networks across borders, in short, the experiences and the practice of the border politics of the second economy that we need to tap into if our analyses are to amount to more than yet another bashing of a defunct attempt at regional organisation in Africa.

However, if we are to tap into this vast reservoir of knowledge, experience, innovation and entrepreneurship we must refocus not only our empirical approach but also our methodological and theoretical approaches. We must incorporate into our analyses a whole range of elements and practices that for too long have been considered as outside of the traditional domain of political research and the study of regional organisation. Instead of analysing regionalisation from above from the perspective of formal governmental structures and formal organisation we should study the practice of regionalisation from below in order to understand how and in what way the informal regionalisation of Africa can support formal regional organisation. If the support of regional organisation in Africa is really going to help African countries to deal with the challenges

¹ See Geertz (1973).

stemming from a highly competitive global economy, informal and formal regionalisation must be reconciled. However, what should be refocused is not the informal practices, but the formal regional organisation. It is these organisations that must be refocused and reattached to the African reality. So far, the signs are not particularly promising but the recent experience of the EAC offers some indication of a new way of thinking about regional organisation by African leaders.

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Throwing out the Baby to Keep the Bathwater

Informal Cross-Border Trade and Regional Integration in West Africa

Kate Meagher

INTRODUCTION: NEW REGIONALISMS FOR OLD

Since the rise of the 'new regionalism', a great deal of attention has been focused on detailing the failures of the official integration initiatives of Africa's 'old regionalism'. Article after article reels off the charges: a proliferation of moribund integration organizations, over-ambitious protocols and treaties compounded by an almost total failure to implement them, commitment to inappropriate European models of integration, inability to increase derisory figures on trade among African countries, lack of political will... (Bach, ed. 1999; Marchand *et al.* 1999; Laverge ed. 1997). Thoroughly discredited, the old regionalism has been cast aside, presumably into the same pile as the developmental state, too outmoded and cumbersome to fit in with the globalized, outward-looking decor of the post-modern era.

Enter: the new regionalism, shaped, not by bumbling state initiatives, but by the structural transformations of the globalizing world economy. The new regionalism is everything that the old regionalism was not: outward looking, shaped by real economic processes from below and within, and driven by a range of state and non-state actors. The new regionalism offers a multi-dimensional form of integration that goes beyond the fixation with trade and production to embrace political, social and cultural aspects for the development of a comprehensive, sustainable regional coherence and identity (Hettne 2000; Marchand *et al.* 1999). Particularly in the African context, there is a strong flirtation with the role of the informal economy, which is seen as an agent of a more viable and authentic 'regional integration from below' (Bøås *et al.* 1999; Abrahamsson 2000).

What is disconcerting about this regionalist transition is not the demise of the old regionalism, since the charges against it are largely justified. The problem lies in the uncritical adoption of the new regionalism, which is treated as though it has overcome, by definition, the failings of the old, without ever bothering to address the underlying causes of those failings, or to assess whether the streamlined features of the new regionalism are capable of rectifying them. One is left with the uneasy feeling that the ascendancy of the new regionalism is based more on rhetoric and pattern variables than on learning the necessary lessons from the failures of the past. What of the problem of wide variations in levels of economic

development, nationalist concerns about the distribution of gains, weak administrative capacity, the vested interests working against integration, and underlying causes of economic and political instability which impede productive investment and the implementation of integration initiatives? The compatibility of the new regionalism with the policy rhetoric of globalization and liberalization will not lead to success unless it also tackles these more fundamental economic and political problems. Indeed, a growing literature suggests that the new regionalism appears set to exacerbate rather than remedy the failures of the old model (Lovering 1999; Mistry 2000; Gibb 1998).

The aim of this paper is to shift critical attention from the failures of the old regionalism, which are widely recognized, to the failures of the new, which, because of the ideology of 'newness' and global state-of-the-art origins, have received little consideration. The critique will focus on a central concern of the new regionalism in Africa, which relates to the adoption of informal cross-border trading networks as agents of regional integration 'from below'. The inadequacies of informal cross-border trade as an agent of viable economic integration will be analysed in the context of West Africa. The objective of the analysis is to derive lessons for more effective regionalist strategies in Africa, rather than simply to expose failures. Given the alarming ideological power of the new regionalism, however, a decisive demonstration of its failures is critical to creating the ideological space within which lessons can be considered.

The main arguments to be presented here are three. The first is that the potential of informal cross-border trade as an agent of regional integration has always been poor, and that significant evidence of its weaknesses in this role has been available for ten years or more. The second is that, under the influence of structural adjustment, informal trade has been transformed from a disturbance into a manic and destabilizing force that has severely undermined conditions for effective integration and productive investment in Africa. The third argument is that effective integration strategies require more effective institutionalization of informal, and other, private sector activity, not more coordinated liberalization. While there is nothing inherently criminal about informal cross-border activities, there is nothing inherently benevolent about them either. Without an institutional framework to direct and incorporate informal economic activity in support of national and regional economic objectives, it can only serve to erode trust, cooperation and stability at the national as well as the regional level. New regionalist approaches that seek to achieve integration through a further weakening or bypassing of the state and an intensification of liberalization are throwing away the baby to keep the bathwater.

THE NOT-SO-NEW REGIONALISM AND INTEGRATION FROM BELOW

New regionalist analyses of Africa show a fascination for informal cross-border trade as a key feature of authentic integrationist initiatives. In their concluding essay of a special issue of the *Third World Quarterly* entitled 'The political econ-

omy of new regionalisms' (1999), Bøås, Marchand and Shaw argue that the study of informal cross-border trade flows should constitute the starting point for formal regional organization strategies (Bøås *et al.* 1999:1066). Similar arguments come up in the new regionalist discourse of Clapham, who sees informal African trading systems as agents of 'more effective forms of economic integration, which are driven by common needs and managed by indigenous traders, in place of ineffectual inter-state structures managed by national and international bureaucracies' (1999:65–6).

For long term students of regional integration, these propositions have a familiar ring. In fact, despite its concerted rhetoric of novelty, the new regionalism is not so new. The concept dates back nearly a decade (Morales & Quant 1992), and the policy attitude, particularly as regards the use of informal trading networks as agents of regional integration from below, was already evident in the African policy discourse of the late 1980s and early 1990s (World Bank 1989; Hyden 1990; MacGaffey & Windsperger 1990), as well as in the francophone literature of the Club du Sahel/CILSS during the same period (Coste *et al.*, eds 1991; Mahmane *et al.* 1993). The integrationist line represented a dissenting voice in the largely anti-regionalist thinking of mainstream neo-liberalism. The main thrust of the dissenters' argument was that regionalism from below could be used to mobilize an internal constituency for neo-liberal reform programmes (Mahmane *et al.* 1993). Long before it was adopted by the new regionalism, integration from below was promoted under the neo-liberal banner of trade liberalization as well as under the Francophone West African banner of regional food security.

Unfortunately, the neo-liberal integration from below strategy was a failure. Not only did it demonstrably fail to promote liberalization, integration or food security, but its consequences were so politically and economically disastrous that it is now reviled by many of the international organizations and academics that previously promoted it (World Development Report 1997; MacGaffey & Bazenguissa-Ganga 1999). The same activities that were hailed as popular forces for regional integration are now regarded as associated with corruption, rent seeking, plunder of natural resources, violent conflict and drug trafficking (Bayart *et al.* 1999; Bach 1999; Meagher 1999). As a result, informal trading networks have been unceremoniously dropped as agents of a neo-liberal regionalist agenda. Instead, neo-liberal ideologues have created an even newer regionalism, which argues for regional integration as a 'collective agency of restraint' to 'lock in' neo-liberal reforms in the interest, not of regional trade but of WTO-style multilateralism and foreign investment. As the key agents of a credible and self-propelling regionalism, forces from below have been dumped in favour of forces from outside, with a particular focus on the European Union (Oyejide 1998; World Bank 2000).

With regard to the formulation of viable regionalist agendas, both the international relations-based 'new regionalism' and the neo-liberal 'newer regionalism' suffer from the same problem. Both approaches are more concerned with pushing

their own variant of liberalization in regionalist clothing than with examining the structural causes of the ongoing failure of African regionalization initiatives over the past ten years. Aside from a recourse to highly ideological criminalization campaigns based more on the empirical realities of Russia than of Africa, little attempt has been made to address the question of why informal trade-led integration has failed in Africa. In reviving this unsuccessful regionalist approach, the 'new regionalism' is only repackaging rather than addressing past failures. Substituting the post-modern banner of globalization for the overtly neo-liberal objectives of the original integration from below strategy, the new regionalism has only given a new gloss to the same basic strategy of using culture and popular livelihoods as a front for greater liberalization.

One is also tempted to point out that the new regionalists' emphasis on an integration strategy that has not only already been tried, but already failed, suggests that they have not done their homework. If they had, they would have noticed that the new 'research strategies and methodologies to capture the dynamics of the second economy's regionalisms' have long since been developed (Bøås *et al.* 1999).¹ In West Africa, these research methods have given rise to an extensive empirical literature dating from the late 1970s on the history, organization, and quantification of informal cross-border trade, leavened by heated debates over its implications for regional integration and economic development (Asiwaju 1976; Igue 1977; Amselle & Gregoire 1988; Lambert 1989; Coste *et al.* 1991; Egg & Igue 1993; Harre & Engola Oyep 1992; Meagher & Ogunwale 1994; Meagher 1997; Hashim & Meagher 1997). A reasonably accessible literature also exists for East and Central Africa (MacGaffey 1987, 1991; Nabuguzi 1994; Maliyanmkono & Bagachwa 1990; Kasfir 1984; Singh 1986; Meagher 1990), and Southern Africa (Meagher 1993; dos Santos 1990; Mupedziswa & Gumbo 1998).

In short, the empirical research that the the new regionalists are calling for has already been done, much of it at least ten years ago. Moreover, the research that exists is more than sufficient in terms of its empirical and conceptual orientation, its historical breadth and its geographical scope, to evaluate the effectiveness of informal economy-led integration in Africa. This is the task to which we shall now turn, with a view to understanding the structure of informal cross-border activities in West Africa, and their potential as agents of integration in the pre-SAP period.

¹ Disciplinary boundaries may have played a role in these oversights, since the currently most virulent form of the new regionalism appears to be a product of international relations, while much of the earlier research was conducted under the disciplinary auspices of anthropology, geography, economic history, economics, and political science. Given the wide range of disciplines, however, and the wonders of electronic bibliographical search programmes, disciplinary boundaries are a thin excuse.

INFORMAL CROSS-BORDER TRADE IN THE PRE-SAP PERIOD

A hard empirical look at the contemporary character of African informal cross-border trade must always begin with a systematic debunking of a series of 'Afro-mantic myths' referring to the pre-colonial structure of the trade, its independence from the state, and its popular redistributive (not to mention gender positive) logic. Having done this in detail elsewhere (Meagher 1997; Meagher 1999), I will just signal that, despite its long commercial history, the economic and political changes of colonialism, independence, structural adjustment and globalization have transformed cross-border trade in almost every feature of its organization. The social groups involved, the trade routes, the organization of trading networks, the staple goods, and the relationship with the state have all shifted dramatically from their pre-colonial base (Asiwaju 1976; Igue 1977; Lambert 1989; Sall & Sallah 1994; Hashim & Meagher 1997).

It would be false to argue that the historical features of cross-border trade have nothing to do with its current prominence. This is particularly evident in West Africa, where a long historical pedigree has laid a complex infrastructure of informal commercial institutions ranging from trade diasporas to informal credit and business services for traders from other countries (Lovejoy 1980; Hashim & Meagher 1997). But the growth of cross-border trade in West Africa is characterized as much, if not more, by radical change as by radical continuity. Key features of contemporary West African cross-border trade include a shift in the staple commodities of the trade from domination by African goods to domination by overseas imports. These are supplied predominantly through small 'entrepot' economies, principally Benin, Togo and the Gambia – countries that have elected since the 1970s to complement the protectionist development strategies of their regional partners with a 'plunder thy neighbour' strategy of radical trade liberalization and low-level taxation of large volumes of rerouted, regionally destined imports (Igue 1977; Meagher 1997; Bach 1995).

A second key feature of contemporary informal trade involves a reorganization of trading circuits from an exploitation of ecological differences within Africa to an exploitation of monetary and fiscal policy disparities, and more recently, an exploitation of new opportunities for direct links with the global economy. This has reinforced the parasitic, economically destabilizing character of the trade as against its original orientation toward the exploitation of regional complementarities in resource endowments. Thirdly, informal cross-border trade, despite its pre-colonial origins, is now characterized, not by independence from the state, but by its clientel alliance with post-colonial regimes. It is no accident that the most renowned informal trading networks in West Africa, including the Mourides of Senegal, the Lebanese of Côte d'Ivoire and the Hausa of Nigeria, have also been bastions of support for protectionist and authoritarian national regimes (Markovitz 1998; Boone 1994; Lambert 1994; Hashim & Meagher 1997). With regard to the gender-positive argument in favour of informal trade, it is worth pointing out that these same groups are not noted for their progressive gender relations. This observation serves to emphasize the fact that the economic

potential of cross-border trade cannot be separated from the social structural realities that underpin its successful organization.

These contemporary 'bad habits', rather than pre-colonial virtues, have played a central role in the expansion of informal cross-border trade in West Africa during the post-colonial period – an expansion that represents their major claim to fame in African regionalist circles. Herein lies the problem. While the effectiveness of informal trading networks in promoting the growth of unrecorded regional trade is undeniable, as agents of regional integration they have performed rather badly. Their key failures include an inability to promote inter-African (as opposed to import-export) trade, a negative impact on regional agricultural and industrial development, and a tendency to exacerbate the decline in fiscal capacity and legitimacy of the state.

Regarding the issue of regional trade promotion, empirical studies of the composition of informal cross-border trade flows have shown that the volume of trade moving through informal channels was not nearly as significant as was generally believed. Despite its unquantifiable mystique, informal cross-border trade can be measured relatively accurately at the point where informal circuits enter legal trade flows. These meeting points are a pervasive feature of the organization of the trade in West Africa, where most circuits involve trading channels that are illegal on one side of the border and legal on the other (Igue 1977; Meagher 1997). In West Africa, informal cross-border flows have been quantified in a range of studies conducted since the late 1970s (Igue 1977; Coste *et al.* 1991; Egg & Igue 1993).

Unfortunately, the ideological practice of comparing the derisory 6 per cent of official inter-African trade flows with informal flows quantified in billions of CFA Francs, or hundreds of thousands of tonnes of major export crops, has tended to perpetuate the impression that informal regional trade flows dramatically exceed their formal sector counterpart. If these same informal figures are quantified as a share of the region's overall international trade, however, they have amounted to no more than 12–14 per cent between the mid-1980s and late 1990s (Hashim & Meagher 1997; Meagher 1999). Moreover, well over 50 per cent of these flows is made up of imports from the world market, and another significant share is made up of diverted agricultural and mineral exports destined for the world market. The remaining share of actual regional trade originating from and destined for countries within the region amounts to about 3 per cent or less, well under the derisory 6 per cent achieved by official integration efforts.

Regarding its impact on regional development, a range of studies have documented the negative effect of informal cross-border trade on agricultural and industrial development within the West African sub-region. Informal flows of world market imports have crippled local industry in entrepot and protectionist economies alike (Egg & Igue 1993; Harre & Engola Oyep 1992; Hashim & Meagher 1997). Informal flows of agricultural commodities and subsidized inputs within the sub-region have undermined agricultural development strategies in supplying countries and production and price incentives in receiving countries

(Coste *et al.* 1991; Meagher 1994). Instead of creating a basis for regional trade, informal trading networks have actually undermined the ability of African countries to produce goods to trade to each other.

Informal cross-border trade has also played a central role in weakening the fiscal capacity and monetary control of the states of the sub-region. Entrepot and transit economies may have gained significant tax revenues from informal trade, but this strategy has seriously undermined their ability to maintain fiscal and monetary discipline, as evidenced in the collapse of the banking system in Benin in the early 1990s, and emergence of serious macro-economic imbalances in Togo and the Gambia (Igue & Soule 1992; Meagher 1999; Sall & Sallah 1994). More protectionist economies in the sub-region lost critical tax revenues from diverted imports and exports, as well as facing a constant unproductive drain on fiscal resources from subsidized commodities flowing into other countries (Meagher 1997).

Finally, informal regional trade flows have contributed significantly to undermining the legitimacy and probity of the state. By providing lucrative incentives for corruption and rent-seeking activities on the part of state officials, cross-border trading activities have encouraged policy distortions and the arbitrary use of state power. These tendencies have played a central role in weakening incentives for productive investment within the sub-region (Lewis 1994; Boone 1994). While some new regionalist analyses appear to suggest that these developments have strengthened integrationist prospects by weakening the sclerotic and excessively nationalist hold of African states over their economies, they ignore the importance of fiscal and monetary stability, economic predictability and territorial control for the effective implementation of regionalization initiatives (Bach 1999; Pourtier 1999; Mistry 1999).

The failure of informal regional trade to promote regional integration was already evident by the late 1980s. A cursory glance at the available literature on the subject made it clear that informal trade exacerbated factors militating against the effectiveness of official integration initiatives. This fact is most clearly exemplified by the collapse of the Senegambian Confederation in 1989, when the Gambian authorities decided they had too much to lose economically from the suppression of policy disparities through an economic union with Senegal (Sall 1992; Meagher 1997). Instead of facilitating integration, informal cross-border trade has developed a 'beggar thy neighbour' dynamic that has increased the reluctance of states to reduce regional trade barriers or to cede sovereignty, both on developmental grounds and on the grounds of officially illicit accumulation strategies. This necessarily raises questions about the sort of private sector being created by informal trade, and the nature of the economic incentives likely to result from ceding to it any degree of national sovereignty.

THE IMPACT OF STRUCTURAL ADJUSTMENT ON INFORMAL INTEGRATION

Structural adjustment programmes were imposed on this already unstable situation at various points throughout the 1980s. Although designed to eliminate opportunities for rent-seeking and draw informal trade back into official circuits, structural adjustment had the opposite effect. Instead of reducing incentives for trade outside official channels, adjustment policies produced a dramatic expansion of informal cross-border trade across West Africa (Boone 1994; Meagher 1997; Sall & Sallah 1994). Empirical studies indicate an absolute increase in informal cross-border trade during the late 1980s, and a more lasting widening and deepening of informal regional trade (Meagher 1999). Previously a border phenomenon, informal cross-border activities have now extended their activities into the heart of national territories, and penetrated deep into the organization of state-society relations.

Four factors underlie the explosive effect of adjustment policies on informal regional trade. The first is the differential timing and character of adjustment policies, which tended to intensify rather than reduce policy disparities between countries within the sub-region. This is not just an issue of slippage and recalcitrant rent-seeking as suggested in the neo-liberal literature (World Bank 2000; Oyejide 1998). Other less politically derogatory reasons include the existence of differential monetary regimes in the sub-region, which left the Franc Zone countries immune to devaluation until 1994; differential developmental needs between countries with more highly developed industrial or agricultural structures of production and those with less to lose; and different patterns of interest group pressures to be balanced through the policy process (Lambert 1994; Meagher 1999).

A second factor relates to the economic disarray caused by the sudden impact of dramatic devaluations, dizzying inflation, rapid liberalization, and hasty privatization. These tended to encourage recourse to the informal economy because of the lack of adequate institutional arrangements in the formal economy to cope with the changes. In the Gambia and in Nigeria, the liberalization of crop marketing led to massive diversion of export crops into informal channels because of the inability of the private sector to cope with the volume of crops on the market, and the consequent loss of institutional control over marketing activities (Sall & Sallah 1994; Meagher 1999).

A third factor in the expansion of informal trade was the unprecedented squeeze on popular livelihoods created by structural adjustment. Falling real incomes combined with uncontrolled increases in the cost of living encouraged a massive evasion of official channels in order to avoid taxes that would increase the cost of goods. Pressure on real incomes, as well as rising unemployment also encouraged an upsurge in popular participation in informal cross-border trade as well as in internal distribution networks as people struggled to generate or supplement incomes (Meagher 1999).

Finally, the new combination of pressures and incentives produced an increased involvement of the state at all levels of informal regional trade. At the top, powerful state officials compensated for declining access to resources by distributing access to lucrative informal trading opportunities to political clients. At lower levels, officials used obstructionist strategies and road blocks to extract bribes in the service of household or class survival, or just to profit from the confusion. Empirical studies indicate that the 'tributes' extracted through these means add 20–30 per cent to the final price of goods, suggesting that cross-border trade increased neither liberalization nor efficiency in intraregional trade (Boone 1994).

Overall, the impact of structural adjustment on informal regional trade appears to have intensified rather than removed the structural problems which have undermined productive investment and impeded effective regionalism in West Africa. Far from promoting regionalism 'from below', informal cross-border trade has weakened regionalism from all sides. Many of the impediments to the success of formal integration initiatives identified by Mistry (2000) resurface with a vengeance under the influence of this new regionalism. In conjunction with liberalization policies, informal regional trade has brought about the intensification of a rent-seeking rather than a productive logic of accumulation both within the state and in the private sector. It has also facilitated the incorporation of the bulk of popular forces into patronage networks as alternative sources of access to incomes and social security collapse. This intensifies the fragmentation of the economy and society along communal, ethnic and religious lines, increasing the potential for communal conflict both within and between states. A connection needs to be made between concerns about the negative impact of escalating communal conflict in Africa, and the fact that communal networks have become the central mechanism of social incorporation under the pressures of liberalizing economies.

This volatile situation is further compounded by the continued fiscal strangulation of the state. Starved of revenue by the pervasive informalization of external and internal trade, the state is less and less able to provide an alternative, and more politically stable, basis of social incorporation. The crumbling of state fiscal capacity promotes the proliferation of road-blocks, administrative irrationality and corruption from within, leading in turn to heightened crime, sabotage and banditry. The result: paralysing constraints on the free movement of goods and people, the acceleration of infrastructural decay, and the crippling of administrative services. While well-connected trading networks still succeed in manoeuvring through this regional wreckage, formal economic activities are increasingly grounded, and foreign investment flees to more hospitable economic climates. Informal 'beggar thy neighbour' effects prevail, as the exploitation of policy disparities and cut-throat competition among trading networks overwhelms productive investments and further weakens incentives for cooperation (Egg & Igue 1993; Hashim & Meagher 1997; Meagher 1999). This is the legacy of informal integration from below.

THE WAY FORWARD: NEW REGIONALISMS OR
A TRUE POPULAR AGENDA?

In the context of liberalization, informal cross-border trade not only fails to promote regional integration; it erodes the very prerequisites for effective regional integration and the promotion of productive investment: economic stability, the rule of law, the fiscal and administrative capacity of the state, and the maintenance of basic productive infrastructure (Mistry 1999; Oyejide 1998; Weeks 1999). From the preceding analysis, it is clear that these fundamental requirements cannot be created by granting free range to informal trading activities. Nor can they be jarred into existence by more regionally coordinated liberalization or the 'locking in' of macro-economic reforms. On the contrary, these structural failings are the product of liberalization in a regional context in which the institutional framework and social constituency for productive investment are either absent, or too weak to withstand the pressures of the current economic and global conjuncture. Any hope of effective regional integration in West Africa depends on a concerted programme of strengthening these productive forces, rather than assaulting them with ever more insidious pressures for liberalization.

New regionalisms designed to promote centripetal effects from below, or to 'lock in' liberalizing pressures from above are destined to repeat the regionalist failures of the past. Indeed, they demonstrate the triumph of ideology over well documented historical experience. New regionalist initiatives that seek to learn from experience must adopt a different tack. Instead of trying to find an agent to force through a liberalizing regionalist agenda regardless of the obstacles, what is needed is a focus on the economic and social gains that could be reaped from regional cooperation. A regionalist agenda with no demonstrable gains for the populations of that region is an agenda headed for trouble.

The reality is that Africa has little to gain from a regionalism based on the wholesale liberalization of internal trade, or from a multilateral oriented regionalism (Gibb 1998). But a more structurally sophisticated approach to regionalism, based on the promotion of regional complementarities and the strengthening of regional productive capacity has considerably more potential. Despite recent neo-liberal arguments that Africans have nothing to trade to each other, persuasive cases for trade-based integration have been made in both West and Southern Africa. Weeks (1999) and Egg & Igue (1993) argue for the development of regional agricultural trade based on ecological complementarities where these exist, and 'economies of transport' where factor endowments between countries are similar. Regional patterns of industrial investment have also been advocated as a means of strengthening regional trade and regional productive structures in the context of non-viable national markets (Weeks 1999; Hashim & Meagher 1997). Regional infrastructural projects also show a potential for cutting costs and increasing efficiency, but long term ownership of such projects depends of their being oriented to local productive needs, not only to the promotion of direct foreign investment. What is needed are integration strategies oriented toward the

development of internal productive and trading capacity rather than the blind submission to liberalization.

The key lesson from the experience of liberalization from below, however, is that effective integration depends, not on bypassing the state, but on the strengthening of state capacity to provide an effective framework through which to regulate economic interaction in the wider public interest. The failure of the 'old regionalism' in Africa served to highlight the problems of inward looking and inefficient states. But radical liberalization is not the only possible solution to these problems, as the East Asian economies have demonstrated. Contrary to the beliefs of neo-liberals and new regionalists, the best solution to bad government is not *less* government, but *better* government. This does not mean a return to unsustainable protectionism, but the strengthening of state capacities to incorporate and respond to local interests, private as well as popular, and also to regulate these interests in line with wider national and regional interests. Almost two decades of experience has shown that neither liberalization nor unfettered informal trade is capable of fulfilling this requirement.

A final concern for a more effective approach to regionalism in the contemporary era relates to the question of how to deal with informal trading networks. Given their ability to exploit and subvert economic policies and directly seize new global opportunities, is it possible to transform these networks into something that a modern state can work with? As I have argued both in this paper and elsewhere (Hashim & Meagher 1997; Meagher 1999), informal trading networks are neither inherently good nor inherently bad. They represent a range of private commercial interests, which have as their primary goal the pursuit of profits. Where the main opportunities for profit involve the exploitation of policy disparities, they will tend in that direction.

However, the high cost of informal operation, and the negative economic pressures underpinning its expansion suggest that the provision of a relatively basic but reliable infrastructural and economic framework in the formal economy could significantly reorient informal economic activity. Its so called efficiency comes at a high financial and organizational cost, as operators are forced to negotiate roadblocks, potentially hostile officials and costly intermediaries. The 20–30 per cent informal 'tributes' documented above suggest that there is scope for the re-incorporation of informal actors into formal circuits, even allowing for moderate levels of taxation. Given that these informal networks make up the bulk of the organized private sector in much of West as well as East Africa, strategies aimed toward shaping rather than smashing or outlawing them are likely to make more effective use of Africa's commercial capabilities. Informal trading networks represent a regional resource, but they are a resource in the rough. Their incorporation into an effective regionalist strategy requires that they be shaped through an appropriate framework of services and incentives in the service of the wider interests of national and regional development. New regionalisms ignore this at their peril.

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Prospects for Regional Co-operation in Southern Africa

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The 1990s were a watershed for Southern Africa. Namibian Independence in 1990 and South Africa's subsequent peaceful transition from apartheid rule to democracy signalled the beginning of a period of relative peace, economic development and political transformation in the region. This contributed to the emergence of a euphoria that Southern Africa was on the road to political stability and economic prosperity. African Renaissance – a term coined by South African President Thabo Mbeki – seemed to be on the verge of becoming a reality. However, at the dawn of the 21st century, the regional state of affairs is not encouraging. Violent conflicts in Angola and the Democratic Republic of Congo (DRC) have not been solved. Zimbabwe has gone through rapid political and economic decline and is of concern for the rest of the region. Southern Africa no longer shows promising signs of a superior economic performance to the rest of Africa. A number of supposedly democratic regimes are – burdened by a legacy of violence (Lamb 2001) – showing authoritarian tendencies (Melber 2001a and 2001b). These developments indicate the sobering consequences of a lack of good governance, responsible leadership and a commitment to conflict resolution in the region. The Southern African Development Community (SADC), until recently often regarded as a promising scheme of supranational co-operation, is showing insufficient progress and South Africa fails to execute the necessary responsibility towards its position of regional hegemon. The aim of this overview is to realistically account for the problems currently facing Southern Africa, and to assess the prospects for regional co-operation in the future.

CHANCES AND RISKS OF REGIONAL INTEGRATION

In the age of globalisation, countries in southern Africa followed a trend towards regionalisation that has been evident world wide since the early 1990s. As elsewhere, the motives for regionalism in southern Africa are both political and economic.¹ Policy makers tried to improve the conditions for economic development in the region as well as regain some autonomy that was lost due to the process of globalisation.² The support for regional integration in southern Africa, whichever form it should eventually have, was based on the assumption that regionalism

¹ It is important to note, however, that the original SADCC started with somewhat different motives, as a provisional alliance of so-called frontline states.

² For a discussion of the motives for regionalisation see Dieter 1998a; also Mistry 1995.

could be a sensible and practical contribution to economic development (cf. Gibb 1998: 289).

Integration in southern Africa suffered, from the day South Africa joined SADC, from an imbalance between the economic and political weight of South Africa compared with the rest of SADC. South Africa's output, about US\$ 130 billion in 1997, exceeds that of its neighbours by far. Even when taking estimate figures for Zaire/Congo, Swaziland and the Seychelles into account, the combined GDP of the 14 other countries in 1997 was only US\$ 51.2 billion or 39.6 per cent of South Africa's GDP.¹ The GDP of Zimbabwe as second biggest economy in the SADC region, represented by the late 1990s only 6.6 per cent of the South African GDP, and has more recently been confronted with a sharp decline due to the political turmoil and economic mismanagement culminating in the crisis escalating since early 2000.

Most SADC countries are confronted with serious external deficits (cf. Lindie 1999). Botswana is an exception with a surplus of the current account, recently of almost 8 per cent of GDP. But the poorer SADC countries run high current account deficits, in particular Mozambique, Malawi and Tanzania. Taking foreign debt into consideration, it is clear that the poorer SADC countries are not in a position to bear marked trade or current account deficits for even a short period. The risks for regional integration in southern Africa are high indeed. The existing external imbalances are alarming, because they put an unsustainable burden on the smaller economies in the region. South Africa is, by all measures, the regional giant: it has no substantial economic or political counterweight in the region.² Zaire/Congo, which could theoretically be a balancing power, is still in such great internal turmoil that both its economic and political weight is insignificant.

The immediate consequence of this analysis is to demand substantial measures to strengthen the weaker economies in SADC. The continuation of today's trade flows will make the economically weaker parts of the region even poorer. Although South Africa itself ought to be interested in an improvement of economic conditions in the neighbouring countries, be it only for the reason that it will reduce the flow of migrants into South Africa, no concrete initiatives for a transfer of funds have been undertaken. The form of such transfers is another matter: there could be direct financial support as well as some other form of assistance, e.g. through substantially increased direct investment from South Africa. At this stage, the simplest and most elegant form of transfers could be a more general customs union (less exclusive than the present SACU). Customs revenue would be distributed according to a per capita formula: the poorer countries would immediately benefit from measures of that kind because of South Africa's

¹ Zaire/Congo's GDP is estimated at \$ 5.4 billion, that of Swaziland at \$ 0.8 billion and the Seychelles are estimated to have a GDP of \$ 0.5 billion.

² During the last weeks of the Mobutu regime in Zaire as well as during the civil unrest in Lesotho in 1998 South Africa dominated the foreign policy responses in the region. However, South Africa's strategies were, in particular with regard to developments in Zaire, ambiguous. It was unclear what exactly the South African leadership was trying to achieve (cf. Vale and Maseko 1998, p. 272).

currently still relatively high customs duties, and this mechanism would have an automatic reduction of transfers because of the lowering of tariffs in the medium term.

SOUTH AFRICA'S ROLE

The current South African government was already aware of the difficulties facing southern Africa before taking office. Nelson Mandela in 1993 described all the major problems of southern Africa in an article published in *Foreign Affairs*. He emphasised both the special priority of southern Africa in South Africa's foreign policy as well as the link between South Africa's and southern Africa's future. His clear description of the region's economic structures is particularly interesting: "The regional economy that emerged under colonialism entrenched the domination of one country (South Africa) and incorporated other countries in subsidiary and dependent roles as labour reserves, markets for South African commodities, suppliers of certain services (such as transport) or providers of cheap and convenient resources (like water, electricity and some raw materials). South Africa's visible exports to the rest of the region exceed imports by more than five to one. This is a reflection of not just the stronger productive base of the South African economy, but of barriers of various kinds that have kept goods produced in regional states out of the South African market" (Mandela 1993: 90). Unfortunately, Nelson Mandela's analysis is not only a description of the past, but also of the present situation.

The availability of data on trade flows in southern Africa is limited, but sufficient to analyse the current situation.¹ The data for trade flows (see table) show the disturbing trend Mandela described. South Africa's trade with the SADC-countries continues to show an alarming imbalance. The surplus South Africa generates effectively means that the other countries in the region have to bear trade deficits as a substantial burden to their economies. It therefore seems fair to suggest that the mercantilist trade policy of South Africa survived the end of apartheid. The new South African government benefits from structures that were clearly understood by the ANC prior to its rise to power. The trade policy of South Africa is the single most important reason for the imbalances in trade flows. Even if the lack of competitiveness of industries may have played a role in some of the region's economies and their trade performances, this cannot be said about Mauritius. Yet even from that country, a successful exporter to world markets, in 1998 only goods worth US\$ 8 million found their way into the South African market.²

¹ IMF data on trade within SACU are not available in the *Directions of Trade Statistics*. Also, these figures do not include illegal trade between South Africa and the neighbouring countries, which may be as high as 100 per cent of official trade figures (cf. Mistry 1996, p. 174).

² The development of exports from Mauritius shows the success of that country. Between 1980 and 1993, the share of manufactures in Mauritius' exports rose from 27 to 67%, whilst total exports rose from \$ 431 million to \$ 1,537 million (World Development Report 1997, p. 243).

South Africa's trade in 1998 and 1999^a (in million US\$)

	Exports 1998	Imports 1998	Balance	Exports 1999	Imports 1999	Balance
Angola	216	51	165	147	n.a.	/
Congo	228	113	115	149	103	46
Malawi	280	99	181	207	72	135
Mauritius	208	8	200	156	6	150
Mozambique	670	42	628	501	30	471
Zambia	537	45	492	399	32	367
Zimbabwe	1,413	334	1,079	1,050	241	809
Non-SACU SADC- countries	3,552	692	2,860	2,609	484	2,125
Memorandum item: Africa	4,626	1,027	4,599	3,422	752	2,670

^a First nine months

Source: IMF, Directions of Trade Statistics, March 2000, pp. 199f; own calculations.

South Africa not only continues to protect its own market, but also benefits from the changes in trade policy that the neighbouring countries were forced to adopt. Whereas the weaker countries in the region had no alternatives but to accept the neo-liberal medicine prescribed by the doctors from the IMF and the World Bank, South Africa has so far been able to avoid that doubtful help. Because of the liberal trade regime imposed upon the neighbouring countries, these have lost the tools to protect themselves against the powerful competitors from South Africa. Neither tariffs nor other measures to regulate trade are policy instruments available to them today.

In the few years since the end of apartheid South African companies have significantly increased their presence in the region. South African mining corporations have expanded into Zambia and Congo. South African Breweries have bought breweries and bottling plants in Zambia and Zimbabwe (while originally prevented from establishing production units in Namibia due to the protection of the local industry there). The government-owned railway company Spoornet is renovating the railway lines in Tanzania. The South African retailer Shoprite Checkers has opened supermarkets in the neighbouring countries and, above all, shops in the region are full of products from South Africa (cf. Taylor 1999). South Africa's industry is by far the most competitive in the region.

South Africa will be forced to liberalise the country's trade regime due to the results of the Uruguay Round. It has to simplify its tariff structure from 10,000 to 6,000 categories and increase the number of tariffs included in the WTO negotiations from 58 to 98 per cent of all tariffs. South Africa will also have to reduce the maximum tariff levy from 100 to 30 per cent, with the exception of motor vehicles and textiles. Export subsidies under the general export incentive scheme (GEIS) will also have to be phased out (cf. Gibb 1998: 296f; also Hirsch 1995: 51f). These changes have consequences for intra-regional trade, although a dramatic rise of imports can only be expected where companies in the neighbouring countries are sufficiently competitive. Claims of the government that

under the envisaged SADC trade regime South Africa will open its markets faster than its neighbours are misleading. The rapid lowering of trade barriers is a consequence of the fact that they were higher than elsewhere to start with and that these tariff reductions are primarily a consequence of South Africa's commitments to the WTO (cf. *Financial Times*, 20 September 1999).

The change of trade policy, however, will have dramatic effects on SACU. The current trade regime in southern Africa still gives the Southern African Customs Union (SACU) a prominent role.¹ SACU, comprised of South Africa and Botswana, Lesotho, Namibia and Swaziland, is the type of customs union that suits the structure of the region better than a free trade area. SACU, however, has been assessed increasingly critically by the South African government because South Africa's share of the customs revenue has fallen dramatically. Whereas in 1969/70 South Africa received 97.4 per cent of customs revenue, that share had dropped to 66 per cent by 1992/93. At the same time, customs revenue has become more important for the government budgets in the other countries. In 1995/96, the proportion of central government revenue coming from customs duties was above 50 per cent in Lesotho and Swaziland and still quite high with more than 30 and 16 per cent in Namibia and Botswana respectively (cf. Gibb 1998: 301). Budgetary constraints for these countries are obvious once tariffs in SACU are reduced, unless the South African government provides some form of compensation – a highly unlikely scenario in today's political environment.

The obvious priority of the South African government to negotiate and finally conclude the Free Trade Agreement with the European Union has already been a clear indication that the country's trade interests lie outside of the region. The originally rather insensitive way of pursuing the negotiations (without any direct consultations with the other SACU members, not to mention the rest of SADC) did not contribute to an improved understanding of the needs and interests in the region either. As a result, existing reservations and suspicions towards the giant at the Cape were further fuelled and did not enhance any confidence building.

Even South Africa itself has ultimately not achieved fully liberalised access for its agricultural products to the European market under the SA-EU Trade, Development and Co-operation Agreement (TDCA), and therefore most likely gains fewer benefits from the deal than the European Union does. But on top of this it might also sabotage SADC regional economic integration. A substantial portion of the trade component of the TDCA deals with "rules of origin" – which essentially means that only products certified as originating in South Africa have preferential access to the EU market. On the other hand, the TDCA undermines the preferential tariffs that South Africa granted to SADC countries under regional agreements by allowing duty free access for highly subsidised EU products. The combined effect could potentially result in the (re-)concentration of production and processing in South Africa (Greenberg 2000: 18) – the opposite effect to what should be aimed at in terms of regional integration.

¹SACU, founded in 1910, is certainly the oldest and most successful integration project on the African continent (cf. Mills 1995, p. 216).

If regional co-operation and integration in southern Africa are to have a future, it will depend on the policies of South Africa. Again it seems useful to look at the blueprint for South Africa's foreign policy Nelson Mandela suggested: "We are sensitive to the fact that any programme that promotes greater cooperation and integration in southern Africa must be sensitive to the acute imbalances in existing regional economic relations. ...It is essential therefore that a program to restructure regional economic relations after apartheid be carefully calibrated to avoid exacerbating inequities" (Mandela 1993: 93f).

The position of the ANC with regard to the regional policy of South Africa after the end of apartheid has been similar. In a paper published in March 1994 the ANC identified three principles of regional policy. Firstly, it should emphasise the collective nature of a new regional order. Secondly, an anti-militaristic and development-oriented approach for regional development should be favoured. Thirdly, South Africa should abandon all hegemonic ambitions in the region (cf. Mills 1995: 230). The third point, however, in reality has proven to be quite ambivalent: it is understandable that the ANC, considering the experiences of South Africa's previous policies, wanted to stress the non-intervention element of the new regional policy. At the same time, however, the ANC abandoned responsibility for the region. This could be seen as quite an unwanted side-effect, since at least for a number of the other SADC countries, responsible leadership in the region could have been beneficial with regard to a number of conflicts emerging in the late 1990s.

The regional policy of South Africa is, however, not only controversial because of its self-seeking economic strategies. The activities of South Africa with regard to the developments in Lesotho also have highlighted the reservations of policy makers in the region. In May 1998 the governing party in Lesotho had achieved victory in the elections and had claimed to have won 79 out of 80 seats. The opposition parties questioned these results and demanded that King Letsie III should nullify the elections. In August, South Africa's Vice-President Thabo Mbeki managed to convince the parties in Lesotho that a SADC Troika, comprised of Botswana, South Africa and Zimbabwe, should review the May elections. After a further deterioration of the political stability in Lesotho, expressed by a mutiny in the armed forces, South Africa intervened militarily on 22 September 1998. Nelson Mandela publicly tried to justify the intervention. Despite the offensive, the situation in Lesotho continued to be unstable for months.

By all standards, this activity violated international law. Neither had the King of Lesotho, the legitimate head of state, approved the operation nor had there been any involvement of the United Nations. There was no decision of the Security Council approving South Africa's military intervention. Also within the SADC there was no consultation, obviously not even within the SADC Troika. It seems that South Africa's premature military intervention has both fuelled tension within Lesotho and caused a revival of South Africa's negative image in the region. Pretoria's decision to send troops to Lesotho, but not to commit forces to help the beleaguered Congolese regime of Laurent Kabila has confirmed concerns

about South Africa's doubtful regional policy (cf. *Financial Times*, 20 September 1999).

Furthermore, it has to be noted that South Africa is confronted with two migration problems, which might contribute to internal destabilisation. Firstly, since 1994 a substantial number of (predominantly, but by far not exclusively white) South Africans have left and moved to other – mainly English-speaking – countries. About 500,000 people (one tenth of the white population) have emigrated recently (cf. von der Ropp 1999). Secondly, there has been migration from other African countries into South Africa. Since those migration flows have been mainly illegal, the estimates vary greatly, from two to eight million people (cf. Solomon 1998). Needless to say that both types of migration have created further problems for South African policy makers, since the result is a decrease in skilled and an increase in unskilled labour, which is already available in abundance.¹

There is no doubt that the South African government is confronted with massive challenges. Even several years after the end of apartheid and despite the two-thirds majority obtained by the ANC in the 1999 national elections the internal change is far from being consolidated. Unemployment is estimated at a worrying 40 per cent, and the expectations of broad sections of the populace that their economic situation would rapidly improve have not been met. The migration of skilled labour is, as mentioned, an enormous problem. Large corporations, e.g. the Anglo American Corporation, are relocating their headquarters from Johannesburg to London. A fact, which – despite opposite claims by the multinational company itself (once a flagship for the economic stronghold at the Cape) – has indeed a significant meaning and by all means a psychological impact. South Africa's trade unions, whose struggle against the apartheid regime had been supported by neighbouring countries, now vehemently criticise the inflow of labour from the countries across the northern borders as well as denounce regional integration because it could have negative consequences for jobs in South Africa.² The South African government is forced to consolidate the situation within the country while being expected to assume the leadership role in the region.

¹ Guelke stresses that the EU has a vital interest in the stabilisation of South Africa also because of potential migration: about one million people in South Africa have access to a British passport, another 600,000 hold a Portuguese passport. Apart from the immediate consequences a massive migration out of South Africa would also signal a breakdown of the South African economy, which in turn would signal the end of trust in a reversal of economic fortunes of the African continent as a whole (cf. Guelke 1995, p. 99).

² Alan Hirsch pointed out as early as 1995 that trade unions in South Africa expected the relocation of production sites to other, cheaper locations within SADC should regional integration be successful. Due to that, trade unions expected a deterioration of both wages and working conditions in South Africa (cf. Hirsch 1995, p. 53; see also Leistner 1995, p. 267). These fears, however, ignore the job creation effects of regional integration. Also, other integration processes have shown that the relocation of production facilities will only take place if the right preconditions for an investment are provided, e.g. a skilled workforce, efficient infrastructure and a stable macroeconomic environment. The ability of the other SADC countries to provide the essentials for investment there can at least be questioned.

PERSPECTIVES OF THE INTEGRATION PROCESS

The SADC trade protocol was agreed upon in 1996. However, it did not come into effect until as late as the end of 1999, when finally with the long overdue signature of South Africa, two thirds of the member states had ratified it. During the 1998 SADC Summit, which was held from 13 to 14 September in Mauritius, the Heads of State or Government “expressed disappointment that so far, only four countries (Botswana, Mauritius, Tanzania and Zimbabwe) have ratified the Trade Protocol, which is the key to successful regional integration and economic development in Southern Africa. The Summit cautioned that the Organisation could lose its credibility unless Member States moved with speed to decisively address problems impeding ratification of the Trade Protocol” (Final Communiqué, paragraph 31).

Beyond any doubt, the Trade Protocol made no sense without South Africa and SADC made no sense without the Trade Protocol. Although the South African government continued to express its willingness to sign the Trade Protocol, the absence of action for too long a time suggested either the South African government’s lack of will or its lack of ability to deliver. In any case, there was for years a visible lip-service in marked contrast to the concrete action actually required towards enhanced regional integration. After dragging its feet for three years, South Africa ratified the Trade Protocol in December 1999. This ultimately finalised the legal provisions for creating a free trade area by 2012. Domestic issues might play an important role for explaining the South African snail’s pace decried by other countries in the region: the lack of jobs and the fear of South African unions of losing more jobs due to the re-location of industries may be the most critical points. But other governments in the region also have difficulties to get domestic support for the envisaged trade regime. After all, the various protocols “will not necessarily bring about meaningful cross-border co-operation in and of themselves” (Hastings 2000: 196; cf. also Thompson 2000: 55).

Even though the internal difficulties cannot be disputed, it nevertheless may be about time to question the regional policy of South Africa. The brother of South Africa’s President Thabo Mbeki has pointed out that an increasing number of African countries do not wish to see South Africa taking a leading role on the continent (cf. Vale and Maseko 1998: 279). However, this might entirely be South Africa’s fault. Leadership in southern Africa cannot result in South Africa exploiting the advantages whilst paying little attention to the negative consequences of its activities. The process of regional integration in southern Africa requires that South Africa plays the role of a benign hegemon, not that of a malign regional superpower. Whereas many observers in the region had hoped that the end of apartheid would result in more harmonious relations in southern Africa, today South Africa’s regional policy is questioned by its neighbours and by observers from further afield. South Africa seems to be developing a hostile attitude towards people from other SADC countries, a point made by Bischoff (1998: 14): “South Africa’s preoccupation with halting the influx of illegal migrants, their treatment in detention and deportation to many is indicative of a

xenophobic attitude directed at other Africans. The South African state – peopled with civil servants from the apartheid past – is a type of state in which other African states find little to recognise themselves in.”

Arguments that at this stage South Africa is not able to play a more constructive role in the region are misleading. It has been proposed that the national ‘Reconstruction and Development Programme’ cannot be successfully implemented at the same time as a regional co-operation project (cf. Leistner 1995: 56). This, however, ignores the fact that consecutive implementation – first internal consolidation in South Africa then consolidation in the region – would overtax the strength of the other countries. This logic would mean that they would have to continue to cope with the current exploitation by South Africa until, at some date in the future when South Africa has achieved the expected stability, they can start hoping to improve their socio-economic situation.

There are at least two limitations to that approach. Firstly, there is the danger of a continuation of the current regional policy by the South African government. The ANC might, in contrast to its egalitarian rhetoric, continue to exploit the regional hierarchy. After all, who is going to stop them from doing so? It is hard to spot, at this stage, forces within South Africa that continue to press for a more benign regional policy (cf. Good 1997: 573). In a few years, a significant number of people who still have the experience of support by the regional partners of the ANC during the fight against apartheid may have lost their influence. Therefore, relatively soon the internal support for a regional compensation mechanism might be even weaker than today. Secondly, the countries of the region might, both economically and politically, no longer be interested in a regional integration project. If South Africa is not able to prove its ambitions for leadership, based on the principle of equality, within the foreseeable future, the other countries of the region could be tempted to promote other, competing projects.

With regard to the future of South Africa itself, some observers have started to take quite a pessimistic view. Kenneth Good (1997: 563–571) has identified a growing non-accountability of the executive in South Africa, an increase of intra-éliteism as well as a declining importance of participatory democracy. He observes that the new élite in South Africa – the “Comrades in Business” (Adam et al. 1997) – is skilfully expanding its power, but seems to be driven primarily by its own interests. South Africa’s “negotiated revolution” can therefore be qualified as a “compromise between élites” (Adam 2000: 174). This system may continue to work for the foreseeable future: “The new authoritarianism, built on predominance and power-sharing among the élites, backed by corporate power and the ‘patriotic bourgeoisie’, has potentially greater permanency than apartheid” (Good 1997: 573). If such a view proves correct, it will be difficult to envisage South African leadership in the region that is characterised by the principles the ANC set for itself in 1994, i.e. partnership and equality.

Although SADC has continued to emphasise the need for an equal development in the region, on this issue there has been more rhetoric than action. The design of the envisaged free trade area pays no attention to the inequalities in the

region, a point also made by Gibb (1998: 304): "Despite calls for 'balanced growth', the creation of a regional market based upon trade liberalisation and free market principles does not confront the problem of size disparities and the threat of de-industrialisation in, for example, Zimbabwe and Zambia". Because of South Africa's export drive into the region, in 1998 the government in Zimbabwe was already forced to tighten its import regime dramatically: tariffs were raised by between 20 and 100 per cent, a measure aimed to reduce imports from South Africa. This tightening of the import regime in Zimbabwe has given a clear indication: even if there were the political will to proceed with SADC integration, the economic fundamentals do not enable the other SADC countries to go ahead without South Africa's participation. Initially, with the exception of Tanzania, only the more competitive SADC countries took the lead and signed the Trade Protocol, which gives an indication of the difficulties the weaker countries are facing not only because of economic, but also political, considerations. The pressure to avoid the further deterioration of economic conditions had put a limit to the ability of those governments to sign the Trade Protocol.

In general, vested interests and the fear of giving up sovereignty are substantial obstacles for integration in all SADC countries. The bureaucracies in all participating countries may fear job losses due to the delegation of tasks to the regional body. In the absence of alternatives, clinging to a task and the job coming with it is quite understandable, yet a problem for integration. Also, the fear of losing sovereignty is a phenomenon quite common in integration processes. However, more successful integration processes seem to have managed to emphasise the 'pooling of sovereignty' effect of integration and have therefore created a broad support for the integration process. In southern Africa, such an effort has not been made successfully.

The ambivalent position of the governments in smaller SADC countries is further enhanced due to South Africa's trade diplomacy. The tendency of the South African government to strengthen bilateral agreements within and beyond SADC is sending out a confusing message. The South African government fails to set priorities and make them clear to its partners in the region. The recent introduction of a new, tougher regime for the collection of value added tax for trade within SACU will further add to the reservations the smaller SADC countries have vis-à-vis South Africa.¹ Regarding the current institutional arrangements, both a revision of the sector-based responsibilities as well as a substantial strengthening of the SADC Secretariat seems overdue. The division of labour between countries has not yielded good results and has only led to minimal integration effects (cf. Gibb 1998: 303; see also Mills 1995: 224). A centralisation of responsibilities seems to be the only available alternative. Empirical evidence has shown that without a well equipped central body, both in terms of resources as

¹ South Africa is forcing importers to pay value added tax at the border, which results in an additional barrier for imports from SACU countries. Furthermore, past experience seems to indicate that the customs administration in South Africa is quite unwilling to honour the obligation to refund the VAT once the products have been sold to the final customers.

well as manpower, regional integration is likely to fail. Needless to say that a large secretariat is no guarantee for success. But in particular the Asian crisis has shown that too informal regional arrangements, such as the Asia-Pacific Economic Co-operation (APEC) and even ASEAN, have great difficulties presenting solutions in a turbulent situation and therefore have difficulties surviving a crisis.¹

Rationalisation of the SADC structures failed to attract the necessary political support for far too long. More recently, however, SADC members seem to have finally realised that there is a certain degree of urgency required if the Southern African region wants to build a positive future within the common framework. Several key issues were tackled at an Extraordinary Summit on 9 March 2001 in Windhoek. Relevant structural modifications have been agreed upon with regard to economic policy programmes and their institutionalisation. A marked shift has been decided upon by merging the 19 sectors so far run by individual member states into four clusters. They comprise the following areas: 1) trade, industry, finance and investment; 2) infrastructure and services; 3) food, agriculture and natural resources; and 4) social and human development. Additional special projects should provide space for acting and co-ordinating on issues like disaster management and drug trafficking.

The thus far decentralised, sector-based approach had delegated tasks in SADC to member states with varying degrees of capacity. This had produced very heterogeneous results. The cluster approach (with a directorate in charge of each of the four categories) offers the opportunity to bundle and focus regional competence recruited from all SADC states under one roof. This concept implies a strengthening of the so far rather weak Secretariat based in Gaborone. The schedule anticipates a phasing out of the existing sectors and commissions within two years and the gradual introduction and final establishment of all four new directorates by 2002. Time will clearly tell, if and to what extent the SADC members are prepared to honour this restructuring process.

REGIONAL SECURITY, INSECURITY AND CONFLICT

The conclusion of the Cold War, the termination of conflicts in Namibia, South Africa and Mozambique, as well as the dismantling of apartheid in South Africa heralded a period of trust and optimism in Southern Africa. Within SADC structures, discussions on creating a common security regime in Southern Africa were entertained. The idea of common security is derived from the acknowledgement that in the modern technological age where common problems transcend national borders, states cannot protect their citizens through unilateral military means. They share an interest in joint survival and should therefore organise their security policies in co-operation with each other (Ropers and Schlotter 1993).

These discussions culminated in the establishment of the SADC Organ of Politics Defence and Security in 1996. It was envisaged that this Organ would

¹For a discussion of the consequences of the Asian crisis see Dieter 1998b.

become the institutional framework in which member states would co-ordinate their policies and activities in the areas of politics, defence and security. Two of the Organ's principles stipulate that disputes will be settled by negotiation, mediation and arbitration; and that military intervention will only be condoned after all possible alternatives have been pursued in accordance with the Charter of the OAU and the United Nations (SADC 1996).

However, the regional common security community still remains a unfulfilled vision due to three reasons. First, the requisite political will and institutional capacity is lacking. Second, there is allegedly disagreement between member states as to how the Organ should relate to the SADC Summit. Third, a fundamental ideological division exists between member states. There are two main camps, those states that endorse military solutions to conflict, and those that support the principles and objectives of the SADC Organ. The first group is comprised of Angola, Zimbabwe and Namibia. South Africa, Mozambique and to a lesser extent Zambia, belong to the latter group. This state of affairs is evident in the numerous armed conflicts that have emerged in Southern Africa over the past two years, such as those in Angola and the DRC.

Instability characterises the situation in parts of SADC. The DRC remains torn by a civil war. It is quite obvious that it was a grave mistake to admit the DRC to SADC before Laurent Kabila's power was internally consolidated.¹ As everywhere, regional integration is not a tool for the solution of internal problems of member states. Although this is a commonplace, it is too often ignored.² SADC itself has been deeply divided over the issue of intervention in Congo. As mentioned, the South African government was unwilling to support the government of the DRC militarily, but Zimbabwe, Angola and Namibia sent troops. The policy vis-à-vis the DRC was quite contradictory: on the one hand the DRC was quickly accepted as a SADC member, mainly the result of South African intervention, on the other hand SADC in general and South Africa in particular refrained from supporting its established government. This does not seem to be a very coherent strategy. The conflict in the DRC remains unsolved despite the signing of a cease-fire agreement by all major parties in July 1999 and the assassination of Laurent Kabila in January 2001 at a time when he was widely considered as a stumbling bloc towards a negotiated solution. The intervention by SADC member states in 1998 provided as a further consequence the basis for the creation of a separate defence pact between Namibia, Zimbabwe and Angola, which caused some raised eyebrows from other SADC countries.

Beyond the DRC, also other member countries of SADC appear significantly less stable than in the past. In Angola the more than 40 year old conflict continues, whereas both Zimbabwe and Namibia seem to depend on their political leaders' attitudes, which makes the future of those countries potentially unstable.

¹ Congo and the Seychelles were admitted in September 1997.

² Congo's president Kabila unexpectedly abandoned the southern African summit in Maputo in August 1999 (cf. *Financial Times*, 18 August 1999, p. 6). This underlines the difficulties of negotiating an integration project with countries torn by internal conflict.

The internal conflicts in Zimbabwe underscore the rapidly deteriorating situation in terms of social stability. Namibia has been confronted with secessionist uprisings in the Caprivi region leading to a state of emergency in August 1999 and became involved in two wars after joining the allied forces in the DRC in August 1998 and participating in the war in neighbouring Angola. Since offering direct support to the MPLA government forces against UNITA in December 1999, parts of the Kavango region in Namibia have turned into a low key war zone.

These armed conflicts had not only a destabilising effect in the countries involved. In April 1999 relations between the Angolan and Zambian governments became tense, with Luanda accusing Lusaka of supplying UNITA with arms and other military equipment, which meant a violation of United Nations Security Council sanctions against UNITA. The Dos Santos government even threatened military action against Zambia unless it took the appropriate steps to halt the alleged weapons sales. Relations between the two countries temporarily improved, but however soured again in early 2000 as Zambia accused the Angolan Armed Forces of launching cross-border air and ground attacks into Zambia's Western and North Western provinces. These military incursions were motivated by the belief that UNITA rebels were operating from these areas.

The crisis management since late 1999 concerning the desperate efforts by Robert Mugabe's ZANU-PF regime in Zimbabwe to maintain political power by manipulating the grievances concerning colonial injustices as mirrored in the distribution of land, was another sign of the strongly divided camps within the region. While Mugabe could rely on close support from his Namibian neighbour, President Sam Nujoma, the South African and Mozambican heads of state tried to play the role of a mediator in the escalating conflict. It is difficult to assess to what extent the South African president was driven by a desire for stability in the region as an ultimate goal or a sheer necessity for the survival of the South African economy. That the South African currency plummeted to a record low of more than seven and a half Rand to the US\$ prior to the elections in Zimbabwe at the end of June 2000 (and regained some – though only temporary – degree of relative stability at around 6.8 Rand to the US\$ after the elections)¹ is strong evidence of the overall vulnerability of the Southern African societies and their economies. They are perceived by the economically relevant outside world (both tourists as well as potential investors) more in the regional context than on the basis of their individual strength.

It is difficult to draw a conclusion on the relevance of the South African role towards Zimbabwe, as among other actions reflected in the degree of (non-)interference by Thabo Mbeki. Suffice it to mention that his deliberate low profile in exposing the ZANU-PF regime to public criticism was an issue that provoked controversial opinions on South Africa's regional policy approach. It is difficult, though, to judge the efficiency of such a low-key diplomacy putting an emphasis on the discussions behind closed doors. Only with the further obvious deteriora-

¹ By the time of updating this overview in September 2001 the Rand had "stabilised" at a level below 8:1 to the US\$.

tion of the Zimbabwean regime, did Mbeki ultimately articulate open criticism in public in August 2001. It remains to be seen to what extent this signals a new political offensive in the region to apply concerted efforts for bringing the situation under control. The establishment of a five-country task force at the SADC Summit in August 2001 in Blantyre with the mandate to facilitate dialogue in Zimbabwe to help resolve the country's political and economic crisis does not yet allow for definite conclusions on by which means this ought to be achieved.

On a political level, the message seems to be since the Extraordinary SADC Summit of March 2001 in Windhoek, that the power struggle has at least temporarily been put to rest. An indication for this is the confirmation that the SADC Organ on Politics, Defence and Security, so far "hijacked" by Zimbabwe with the backing of Angola and Namibia, is accountable to the Summit and chaired on an annual rotating basis. Furthermore, attempts by the same camp to push for a new SADC Executive Secretary from one of their countries have failed. The acting Executive Secretary from Mauritius was the obvious compromise choice agreed upon. Both decisions can be conducive to more unity and hence stability within the alliance if they reflect a common acceptance beyond strategic manoeuvring. The confirmation of a new sharing of responsibility of the SADC Organ on Politics, Defence and Security by a troika of states, as confirmed and implemented at the 21st SADC Summit in August 2001 in Blantyre, is a promising sign.

The ultimate relevance of the Zimbabwe crisis in terms of regional issues, however, lies beyond any doubt in the dispute over land brought in to the lime-light as an unresolved matter for socio-economic inequalities and subsequent development strategies. Land possession and (re-)distribution remains a challenge not only for the former British colony (see Chitiyo 2000) but also for Namibia and South Africa which share historical and structural similarities in terms of the land issue. To that extent the matter requires attention and a pro-active policy approach by governments in these countries independent of the further course in Zimbabwe.

OPTIONS FOR SADC

Considering the analysis of the forces for and against regional integration in southern Africa, not too many positive remarks about SADC can be made at this stage. The bottom line is that as long as South Africa's rhetoric does not match its actions, there will be no successful integration in southern Africa. While President Mandela during his term in office continuously committed his country to a policy of "co-operative regionalism", the actual policy clearly followed its own interests shaped by a type of neo-mercantilist orientation (cf. Meyns 2000: 266). At the same time, it has to be acknowledged that other integration processes in southern Africa do not represent an alternative to SADC. COMESA, the "Common Market for Eastern and Southern Africa", is in an even more unstable situation than SADC. Most of those COMESA countries that are not members of SADC are either characterised by internal conflict or are very small: Burundi, Eritrea,

Ethiopia, Rwanda and Somalia are in permanent internal conflict. The Comoros and Djibouti have a very small population. Only three countries could make a meaningful contribution to an integration scheme: Kenya, Uganda and to a lesser degree Madagascar, which is also a member of the Indian Ocean Commission. Kenya and Uganda in turn are trying to implement their own integration project: together with Tanzania they are working on the revitalisation of the East African Community (EAC). Whereas some observers initially expected a congruency between SADC and COMESA, it is now very clear that these projects compete with each other and that SADC, for the time being, is more successful.

If SADC shall not either collapse or become irrelevant like other integration processes in Africa, the Trade Protocol has to be applied more rigorously without further delay. Even this might not be sufficient: it could be argued that the Trade Protocol is too limited in scope anyway and its planned implementation already too slow. The experience of successful integration projects in other parts of the world has also shown that free trade areas are difficult to administer, in particular in the developing world. The need to have certificates of origin, which are necessary to safeguard the ability of member states to continue having their own external tariff regime, puts an undue burden on the customs administrations. Given that certificates of origin tend to be complex, they are quite likely to harm trade rather than encourage it.

Customs unions generally have fared far better than free trade areas. Not only did the European Union start as a customs union, but also today the success of the Mercosur, an (incomplete) customs union, supports the argument that a customs union is a better concept than a free trade area. Although a customs union requires a greater degree of commitment to an integration process, it is both easier to administer and offers an elegant way of redistribution within an integration project. One might argue that SADC will not be able to agree on a customs union, but if SADC can only agree on the lowest common denominator then the outlook for the organisation is bleak anyway.

Mistry (1996: 196) has suggested that the harmonisation of procedures could make a contribution to the facilitation of trade, even without the implementation of a free trade area or a customs union: "Much could be gained by contemplating the co-ordination of customs and revenue administration throughout the region especially by employing common taxation codes, training practices, standards, principles of information sharing, as well as engendering higher levels of probity throughout the region where revenue administration is concerned". Western donors in general and the European Union in particular might have to reconsider their activities with regard to the support of SADC. At this stage the integration process is not very promising.

It should be noted that the recent creation of a free trade area, agreed upon between the EU and South Africa after more than three years of negotiations, will permit South Africa to export about 99 per cent of its industrial products, but only some 75 per cent of its agricultural produce duty free into the EU. In return, the EU gets duty free access to the South African markets for 83 per cent of its

agricultural exports and about 86 per cent of industrial products. The main exception are cars and textiles. The agreement has an implementation period of 12 years (cf. *Financial Times*, 26 March 1999; for a discussion of the consequences of the agreement see Jachia and Teljeur 1999 and Greenberg 2000).

The agreement was reached just hours before Nelson Mandela gave his final speech to the South African parliament. Perhaps it was good news for South Africa. For the other countries of the region, however, it was not. A free trade area with the EU enables South Africa to cut itself off from the region. It is no longer necessary for South Africa to have the development of the region as a priority of economic policy. It will be much more tempting to export to the competitive, but also lucrative European market than to develop southern Africa together with the regional partners. Considering the experience of the first years of post-apartheid regional policy, it seems more likely that South Africa will follow a two-tiered approach: regional development would have a clear disadvantage compared to the strengthening of South Africa-EU ties. At the same time, the European Union has missed the opportunity to provide a solution for the region's problems. The granting of trade preferences for South Africa should have been combined with the demand for a less self-seeking policy of South Africa in the region.

Although this does not seem to be a likely prospect, the most appropriate solution for the current inequalities in trade flows would still be a SADC customs union that would distribute the revenue on a per capita basis. The poorer countries would gain most, whilst South Africa would contribute most. However, such a scheme would have an in-built reduction of transfer payments: as South Africa (or actually SACU) has to lower its tariffs anyway, the revenue from tariffs will also decline quickly. A SADC customs union would, however, provide the poorer countries in the region with time to adjust to the changed circumstances, i.e. the rapid growth of imports from South Africa. Sadly, the opportunity to create such a scheme has passed and forces that would push South Africa into such a scheme are nowhere to be seen. As a result, the region is much more likely to continue on its current path, which leaves little hope both for the development of the poorer countries of southern Africa and for SADC's own development.

In the current situation, calls for a more serious integration project do seem to have only limited prospect for realisation. However, in theory substantial benefits can be expected from such schemes. Mistry has suggested the creation of a Rand-Zone in southern Africa, i.e. eventually a currency union between the SADC countries. The South African Rand would, in Mistry's proposal, be the key currency. Some of the potential advantages are:

- the required commitment of member countries to monetary, fiscal and price stability which might be difficult to achieve unilaterally, in particular for the smaller countries of the region;
- the pooling of international reserves, which could generate savings;
- the intra-regional exchange rate stability, which could foster intra-regional trade because transaction costs could be lowered;

- the intra-regional investment flows, which could be triggered and sustained;
- the easier and more effective bank supervision;
- and, last but not least, the region would be more attractive to foreign investors, who would benefit from the enhanced monetary stability (cf. Mistry 1996: 202).

This proposition obviously has a number of flaws. As in all strict monetary arrangements, it would reduce the flexibility of monetary policy in the participating countries. A correction of the exchange rate to improve the competitive position of local companies would no longer be possible. Also, the implementation seems difficult: without the creation of a full currency union, the only plausible alternative is the creation of currency boards by the smaller SADC countries. They would link their currencies to the South African Rand at a fixed rate and their central banks would back that rate with reserves in foreign currency equal to the money supply in local currency. Taking the level of reserves as well as the technical expertise of some of the smaller central banks in southern Africa into consideration, this does not appear to be a convincing strategy.

A more promising avenue for further integration might be the creation of a regional energy network. In the past, governments in the region have been pre-occupied with the concept of autarky in the energy sector (the latest evidence to this is the gigantic project of the Epupa dam pushed by the Namibian government). Today, however, financial constraints are much more of a problem than the availability of energy. Energy is not in short supply, and energy as well as water supply is one of the few sectors where the interests of South Africa and its neighbours seem to converge. A regional electricity net could:

- help the northern SADC countries to reduce their trade deficits with South Africa;
- contribute to an overall reduction of electricity prices;
- lower the cost for providing reserve capacity;
- improve the reliability of electricity supply.

Although such a scheme would only make a modest contribution to the integration process in southern Africa, it would nevertheless enable the participating countries to improve their ability to co-operate with each other. Needless to say that such a sector-based integration is neither a substitute for the creation of a trade regime nor is it a strategy without risks. The countries buying the electricity, would need guarantees that supply will not be interrupted for political reasons. But if such guarantees are not possible, the questions remains whether any meaningful integration in southern Africa is possible at all.

CONCLUSIONS

This overview has sought to speculate on the future of SADC's "regional integration in ferment" (Simon and Johnston 1999). Realistically, on the basis of current evidence, beneficial regional integration that is characterised by low levels of violence, political stability and economic prosperity does not appear to be obtainable in the near future. As of today, no member state has assumed the responsibility for driving the region's economy. Efficient and effective ratification of regional protocols by the various legislative bodies in Southern Africa is not taking place. Doubts remain as to whether the conclusion of bilateral schemes between South Africa and its neighbours is a constructive strategy for regional development: bilateral agreements could easily be regarded as a substitute for regional integration. Also, these arrangements between the hub (South Africa) and the spokes ensure that the hierarchical, asymmetrical economic and political structures in the region are maintained. Such arrangements would only serve to strengthen the pole of the region. Furthermore, the peaceful settlement of armed conflicts in Angola and DRC does not appear to be near at hand.

In addition, certain external actors have obstructed the move towards more constructive regional integration. For example, the European Union could have played a far more positive role in the process of regional integration in Southern Africa by insisting on a more benign role for South Africa in the region. The chosen approach underlined the lack of coherence in the policy of the EU with regard to Southern Africa, or that EU policy ultimately has its own narrow-minded interests as the priority. The Trade Pact with South Africa, after all, serves first and foremost the individual EU member countries, only then South Africa, and definitely least of all the other SADC states.

However, there appear to be some encouraging signs on the horizon. For instance, the South African government is finally willing to amend its policies and to play a more constructive role in the region. Together with other SADC governments, Pretoria has proposed a number of ambitious infrastructure projects termed "spatial development initiatives" (SDIs). These SDIs, which have been created around agriculture, tourism and mining projects, are supposed to link Southern African countries through a solid infrastructure network (cf. *Financial Times*, 20 September 1999). It remains to be seen, however, if these projects, when implemented, are entirely geared to the needs of South African companies. If that were the case, the support for this type of regional project would possibly evaporate relatively quickly. Instead, as Williams (2000: 84) suggests, South Africa requires some examples of altruism, as "some short-term sacrifices in conjunction with various confidence-building measures may prove the only way to cultivate its preferred image of a benign hegemon".

Successful regional integration schemes require political commitment, confidence building and trust, or at least the ability to seek compromises among the stakeholders to create sustainable common denominators. Evidence in Southern Africa has hardly been encouraging during recent years that meaningful achievements towards more regional unity are being obtained. The original focus and

emphasis on trade patterns has to some extent created the misleading assumption that regional integration would be foremost a matter of economic issues. Beyond practical approaches, however, there is a need to define the concept and main concern of a regional strategy. It makes a difference, after all, if the emphasis is on human security or on economic growth. Last but not least, co-operation from state to state requires legitimate governments, which are entitled to act for a common public interest. Furthermore, such collaboration needs institutional capacity and efficiency as much as transparency and accountability.

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