Regional integration and development: the challenges facing SADC

The Southern African region is characterized by a multiplicity of regional integration initiatives and institutions. Despite substantial development over the past years, there is still a long path ahead. The Courier met Dr Prega Ramsamy, Executive Secretary of the Southern African Development Community (SADC), to discuss SADC’s activities and project interventions to maximize the economic benefits for the broader region.

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“There is an abundance of regional organisations, in Southern Africa. Some countries even belong to more than one. Does SADC have a distinctive approach to development?”

Each of these organisations was created for a definite purpose. SADC started in April 1980 as the Southern African Development Co-ordinating Conference. At that point in time, SADC was concerned with the integration of the frontline states but also on reducing their dependence on apartheid South Africa. Then, with the total liberation of the Southern African countries, our leaders decided to move forward on the integration agenda. They transformed SADC from a coordinating conference into a development organisation. There were substantial differences in the way SADC looked at issues of regional cooperation integration, in comparison with other organisations. SADC adopted a development integration approach, which is quite different from a market development approach. In the view of SADC, if we want to integrate our economy, first there are a number of problems to be looked at, such as infrastructure, supply capabilities, high cost of transactions, and capacity in all member states to secure national or regional produce. First we had to liberalise our economies to address these issues. This is in contrast to other organisations, which said, ‘let’s liberalise trade and goods will flow’. But SADC’s view was ‘how can goods flow if we don’t have infrastructures to support your liberalisation?’.

“This region is founded on economic structures that were based on an import-substitution model. Was this an obstacle to further regional integration?”

Over the years things have evolved. At the beginning there was import substitution, to create industries and employment opportunities. But at the same time high tariffs were meant to protect local industries against international competition. In the 1990s, the majority of countries adopted a trade liberalisation approach, for a number of reasons. First, many of these industries were state owned, and over the years there was no innovation, no replacement of capital, no intense competition to improve. Second, there was an element of subsidy: state owned enterprises were largely subsidised. Third, it was not necessarily true that resources were allocated to the right industries. So, when competition came in, many of these industries collapsed and people lost employment opportunities. The private sector itself was not very active because the system of state control did not allow the private sector to have access to finance and also the banking sector was not properly organised. These were the reasons for liberalisation.

“What was SADC’s role in this process of liberalisation? Was it just an observer of events, or was it instrumental in the change?”

In some cases, liberalisation was a result of decisions between countries, and international organisations. Then SADC came in to provide capacity to these countries which allowed them to negotiate tariff reductions amongst themselves, with the trade protocol. For those countries that wanted a systematic approach to liberalisation, to take advantage of the WTO, and of a wide economic space, SADC had a meaningful role.

“Africa in general attracts little foreign direct investment (FDI). The SADC region has experienced some problems of stability. Is there a nexus between instability and FDI?”

If you look at statistics, you find that Angola is one of the countries that has attracted more FDI than any other country in the region. It is not a question of security. It is more a question of the type of project you have. It is true that there are some constraints. First, the smallness of individual markets, and this is where SADC comes in. But I foresee an increase in domestic investment.

“What is the level of savings?”

In some countries, it is at 22%, in others at 25%. But in certain countries it is only at 17% or even lower. This is not enough. People will not save if the rate of inflation is too high: they will be encouraged to consume more. Inflation must be
reduced. Nine of our member states have a two-digit inflation rate. Our hope is that in few years all our member states will be at one digit. This will increase the level of domestic savings and domestic investment. But besides domestic investment, there is another element: cross-border investment, such as South African investment in Botswana, Botswana investment in Zimbabwe, Mauritius investment in Tanzania. Cross-border investment will bring a sense of belonging in the region, and a sense of stability. Once you have investment in different countries, you would not like these countries to have problems, you would like them to have peace, so that your investment is secure. This commits our countries to working together, and when there are problems they can talk to each other. This also answers your question about the role of SADC, and what our leaders had in mind when they created this organisation.

Another major concern is about customs unions, which is linked to my previous question of country membership of more than one organisation.

For SADC we are saying that we will liberalise 85% of our trade in 2008, and 100% in 2012. The customs union can come come into place only when we have a full free trade area. At the same time we need to move fast because the world is moving fast. Within SADC we already have SACU, which is at an advanced stage of integration. We want to get all the SADC member states to the level of that customs union. It is also true that some SADC member states are also members of COMESA, which will have its own customs union in the near future. Obviously you cannot be part of two customs unions at the same time. Countries must choose. If they choose COMESA, then they can no longer be part of the SADC customs union.

What is SADC doing to foster peace and security in the region?

The SADC integration agenda is based on two pillars: good economic governance and political stability. We already mentioned the first issue, good economic governance, which implies macroeconomic stability. The second pillar is good political governance. Countries must respect the rule of law, have a democratic system where the judiciary is independent. We now have a new organ, which deals exclusively with politics, defence and security. We expect this organ to foster peace through dialogue. Also, there are several other protocols which are meant to bring stability to the region; a protocol against corruption, small arms, weapons.

Seven SADC member states are part of the HIPC initiative. Data show that in terms of debt relief there was a decline in debt from US$80 billion to US$69 billion in 2001. Is this enough?

Our finance ministers asked to make the HIPC initiative more flexible because it was too rigid. Debt relief is critical. One of the things that is crippling our economy is debt. Certain countries are spending about 30% of their national budget servicing debt; very little is left for education, health, paying the civil service. If you compare the per capita health expenditure of some of SADC member states with Europe and the United States you see a big difference: while Europe is spending US $7 per person, we are spending much more in our region. This is obviously a consequence of the HIV/AIDS pandemic which is the greatest concern in our region. We are intensifying our efforts in the provision of basic services to combat major diseases, not only AIDS, but also malaria, cancer, TB.

Tourism is considered a major engine for growth, especially for this region. Is there a common approach in the SADC region to take full advantage of it? Do you think tourism has suffered from insecurity in the region and because of the September 11 terrorist attacks?

If you look at statistics, despite September 11, the number of tourist arrivals in Southern Africa has increased. Probably Zimbabwe itself has been affected negatively by its internal problems, but if you look at the region as a whole, SADC is not doing badly. But we need to do more. We have to sell SADC as one destination, as a package, not
people should be able to have access to credit facilities to buy those products. Access to resources is also very important: lack of infrastructures. We should also look at how to store mediary. There is food production, but these products cannot technology so that poor farmers don’t sell their food to an inter-

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Food security is one of the major concerns for this region at the moment. Could you have done anything to prevent the famine? How do you judge the response from the international community?

Famine is a combination of problems, which culminates in food shortage. In SADC we have the so-called early warning system. On the basis of our forecasting and past trends, we are able to know what will be the future trend. Last year in March we already knew what was going to happen and we immedi-

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two components: a component of food aid, and a component of non-food items, such as medicines, water, seeds. While we got what we wanted in terms of food aid, we did not get as much as we needed in terms of non-food aid. But my view is that we cannot continue like this: we have land, water, peo-

now it is a question of management. For this reason, we are looking at irrigation as one of the key factors, and at other

issues, such as agrarian reform, how we can bring extension services to the rural areas, how we can use information tech-

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Finally, the relationship between SADC and the European Union. Has anything changed with the Cotonou Agreement?

The EU is clearly one of our major cooperation partners for several reasons. First because of the long tradition of working together. Now, with the Cotonou Agreement we have built up the necessary capacity to work more closely with the EU. This new partnership provides a framework within which we can collaborate. And then there is the issue of the EU relationship with individual ACP countries. The Cotonou Agreement is a step forward for several reasons. There is the issue of reciprocity, Economic Partnership

The Southern African Development Co-ordination Conference (SADCC), the forerunner of the Southern African Development Community (SADC), was established in April 1980 in Lusaka (Zambia) by nine found-

The Declaration and Treaty establishing SADC, which replaced the Co-ordination Conference, was signed in 1992 in Windhoek, Namibia. SADC now has 14 member states: in addition to the nine founding countries, five more (Democratic Republic of Congo, Mauritius, Namibia, Seychelles, South Africa) joined SADC over the years. SADC’s headquarters are in Gaborone, Botswana. In March 2001, SADC started a reorganisation of its institutions and articulated a more explicit Common Agenda which takes into account a number of principles such as development orientation, subsidiarity, market integration and development, facilitation and promotion of trade and investment. SADC has thus adopted a more centralised approach through which the 21 Co-ordinating Units have been grouped into four clusters, namely: Trade, Industry and Investment; Infrastructure and Services; Food, Agriculture, and Natural Resources; Social and Human Development and Special Programmes.