

**SOUTH AFRICA WITHIN SADC: HEGEMON OR PARTNER?**

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Arts in (International Studies)**

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**DEDICATED**

**TO**

My family and Teachers

## **ABSTRACT**

This study attempts to make a contribution to the debate on the role of South Africa within Southern African Development Community. An attempt is made to analyse this role within the context of regional integration debate. This role has been conceptualised within the dichotomies of hegemon versus partner. The study argues that South Africa is a hegemon in the region of SADC, and that given its overarching economic dominance and it has the potential of establishing its hegemony in the region. It maintains that there are several factors, which could facilitate South Africa's hegemonic dominance such as in military, technology and manufacturing sector. It concludes by arguing that given the changing geopolitical factors both within the region and the globe impedes South Africa from firmly expressing this hegemonic dominance. Furthermore, South Africa's pioneering role in the struggle to change the status quo globally in favour of the Southern states is another crucial factor, which imposes limitations on its hegemonic intentions regionally.

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## CHAPTER ONE

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### 1. INTRODUCTION

This study constitutes an attempt to provide an analysis and evaluation of the role of South Africa within SADC. Following the transition from SADCC to SADC and the subsequent inauguration of democratic government, there have been controversies regarding the probable role of South Africa within SADC. As the dominant economy within the region, South Africa was expected to enhance prospects for SADC regional integration project. Following this the SADCC was transformed into SADC with a much more focused programme of action on the integration project. It has been asserted that the role of South Africa can be understood within the two poles, hegemon or partner (McGowan and Obeng;1998).

The study therefore proposes to tease out these issues. The role of South Africa within SADCC, now SADC cannot be understood adequately without specific reference to the evolutionary process of Southern African Development Coordinating Conference (SADCC). Though South Africa never became a member of SADCC, South Africa continued to influence the affairs of SADCC. According Mills (2001), SADCC, which gave birth to SADC, was originally set up in 1980 both as a counter to Pretoria's idea of a Constellation of Southern African States (CONSAS)<sup>1</sup> and as an aid vehicle to try and reduce dependency on apartheid South Africa (Mills; 2001:50).

The Southern African Development Coordinating Committee thus, was not a formalized structure, but an establishment set up to accomplish strategic political and economic objectives. As Van Rooyen argues, that SADCC was merely a "loose organization aimed at promoting sectoral integration rather than integration" (Van Rooyen; 1998:129). With the transition of SADCC to SADC, the emphasis was changed from sectoral integration to regional integration. This came as a response to the region's desire to maximize trade and promote the free flow of goods within the region and to place the region in a position

that would enable it to respond to both the challenges of new regionalism and globalization.

In recent years contemporary globalization has increasingly compelled states to seek integrative measures so as to be competitive globally. Economic integration has proven to be a good choice particularly in the context of globalization and new regionalism in which SADC must confront realities such as uneven development, trade imbalances that continues to favour South Africa at the expense of the region, and skewed distribution of resources among member states. As Tsie (2000) has argued, the vital criterion in the rise of new regionalism is market size and growth. What this means to SADC countries is that they have to integrate their small economies to create larger markets capable of attracting trade and investment. Regional integration as Tsie sees it, “increases the bargaining power of member states vis-à-vis TNCs, furthermore regional trading bloc tends to have a greater market power than any of its members alone” (Tsie; 2000:11).

Despite the belief that the expansion of SADC with the inclusion of South Africa would increase the region’s capacity to enhance prospects of regional integration, however, there are possibilities that this could be otherwise. South Africa is the most industrialized economy in the region, generates 71 percent of SADC GNP. This implies that South Africa has the capacity to influence the political and socio-economic affairs of the region. Van Wyk (1997) maintains that “Southern Africa has emerged as South Africa’s largest regional export market even larger than the European Union (EU)” (Van Wyk; 1997:17).

Southern Africa represents a regional political system centred on South Africa. The scenario of South Africa’s trade and economic relations with the member countries of Southern Africa is a reflection of the trade imbalances that exists between South Africa and the region. More so the majority of Southern African states are important trading partners of South Africa and facilitate South Africa’s trade throughout the region. According to McGowan and Ahwireng-Obeng (1998), in 1995, SADC countries purchased 89,5 percent of South Africa’s exports to Africa and South Africa’s favourable

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<sup>1</sup> CONSAS is an old apartheid idea of a Constellation of Southern African States.

trade surplus with the SADC of 21, 524 million represented 92 percent of South Africa's favourable trade balance with the continent. (McGowan et al; 1998:8).

It is within this broad context that this research seeks to investigate the impact of South Africa in regional integration within Southern Africa. Obviously such an analysis must come into grips with the role of South Africa in integration model, and input on existing disparities characterizing the region. The research proposes to assess the role South Africa can play in the economic integration within SADC.

The SADC region has been characterized by high levels of skewed integration caused by the legacies of the past integration schemes. This is so because previous integration schemes were predicated on a model that lacked attention to development issues pertinent to an underdeveloped region such as Southern Africa. As a result SADC is a region which consists of unequal partners with varying levels of economic development. Furthermore, the prevalence of this state of affairs was further exacerbated by South Africa's economic dominance and its previous destabilization policies. In this context the study seeks to investigate an alternative model, which will be sensitive to developmental issues within the region. Secondly, the research seeks to investigate the role South Africa can play within development agenda of the region. Thirdly, the research seeks to demonstrate that sound regional integration cannot only be forged through "removal of tariffs and non-tariff barriers" (Davies; 2000:21). On the contrary, the latter needs to take place concurrently with development.

In the past few years, various people have written on the topic of South Africa's role in Southern Africa, including some fellow students in my department (McGowan *et al.*, 1998; Swatuk, 2000; Nischalke, 1995; Blaauw, 1997; Greg Mills, 2000; Black, 1997; Van Wyk, 1997). Therefore, the objectives of this research will be fairly modest. To this extent this study proposes to reinterpret and critique the existing literature. However, in my case the contribution I am hoping to achieve through this study will also be to investigate the concept of South Africa's duopoly (hegemon-partner) within Southern African Development Community. In this context this study will substantially rely on the

use of the following sources: books, journals, published and unpublished articles and interviews.

## **THE STRUCTURE OF THE THESIS**

This thesis is divided into five chapters

Following this introduction **Chapter One** essentially provides a brief introduction of the study. It also lays the context of the research study and further identifies the objectives of the research. Furthermore, it looks into the methodological issues of the study and gives us the summaries of each chapters of the thesis.

**Chapter Two:** provides a historical background of SADC and its integrative model. It points out the main differences between these two organizations. It also maintains that these two regional bodies were born out of different circumstances. This however significantly influenced their focus and programme of actions.

**Chapter Three:** follows by looking at the input on SADC of the inclusion of South Africa within the region of Southern Africa. It aims to explore the uniqueness of the new player (South Africa) in the SADC regional bloc. This will be achieved through assessing the implications of South Africa in the economic integration of Southern African Development Community. The chapter will therefore provide a comparative analysis of South Africa's economic strengths vis-à-vis SADC states. Furthermore, it will provide an analysis of these economic strengths in the context of SADC regional integration.

**Chapter Four:** focuses on regional integration of SADC. It situates the integration debate within the broader global perspective. The chapter set out to do the following: explaining the rationale of integration within SADC. It aims to justify the need for SADC to choose a particular model of integration given the conditions prevalent within the region. In this context the chapter makes a strong case for developmental-led type of integration. The chapter provides an empirical evidence of past integration initiatives Furthermore the chapter evaluate the practical initiative of regional integration within

Southern Africa. Finally, it looks into the probable role of South Africa within SADC integration development framework.

**Chapter Five:** This chapter attempts to locate South Africa's role within the SADC within the duopoly of hegemon-partner debate. It seeks to highlight the different theoretical contestations behind the two concepts (hegemon-partner). The chapter critically explain the factors and conditions attributed to either case. It will further highlight empirical evidence and provide a contrasting analysis of the situation between South Africa and the region. In elaborating the perceived role of South Africa the chapter will therefore use some probable scenario case studies as part of clarifying the argument. Furthermore, it explains this in the context of the prevailing circumstances both regionally and internationally.

**Chapter Six:** This chapter will constitute the conclusions of the study. It also gives a summary of the main arguments in the thesis.

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## CHAPTER TWO

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### HISTORICAL BACKGROUND: FROM SADCC TO SADC

#### 1. INTRODUCTION

In 1980 countries of Southern Africa came together to form the Southern African Development Coordinating Conference (SADCC). The SADCC came out of the idea to resist the South African domination in the region. It comprised of the following states: Angola, Botswana, Lesotho, Swaziland, Zimbabwe, Zambia, Malawi, Mozambique, and Tanzania. The SADCC states intended to reduce economic dependence on South Africa. Furthermore, they hoped to promote the goal of economic self-sufficiency amongst member states. The collapse of the Cold War and the opening of the democratic process shifted the balance of forces in the region and at the Windhoek Summit in 1992, the SADCC was transformed into the Southern African Development Community (SADC). Thus, the organization expanded to include new members such as South Africa, which joined in 1994, Mauritius, the Democratic Republic of Congo and Seychelles (both joined in 1997).

This chapter attempts to provide a historical background to the SADC. It looks at the formation of the SADCC and its evolution into the SADC. The chapter argues that while SADCC was primarily focused on the politically oriented issue of liberation of Southern Africa, SADC on the other hand was established primarily as an economic organization. The chapter makes the case that all the circumstances that characterized the formation of these organizations played an important role in influencing their programme of actions. This chapter will also highlight the programme of action of the SADC in this era of economic development and integration. Furthermore, the chapter will discuss the origin, as well as the aims of the SADC. This will be followed by an explanation of the structure of the SADC and its programme of action.

## 2. FROM SADCC TO SADC

The SADCC was officially inaugurated during the Lusaka Summit of 1980, when regional leaders adopted a resolution calling for the establishment of the organization under the auspices of the Southern African Development Coordinating Conference. According to Van Rooyen (1998:129) “the SADCC was a loose organization aimed at promoting sectoral integration rather than integration”. The sectoral-based integration was a strategy which intended to promote regional cooperation and development within member states. As part of accomplishing the goal of self-sufficiency the SADCC resolved to implement the following:

- to forge links and create genuine equitable sectoral integration, mobilize resources to promote the implementation of national and inter-state regional policies;
- coordinate action to secure international cooperation within the framework strategy for economic liberation, and to reduce economic dependency especially on South Africa.

As an attempt to reduce dependency on South Africa, SADCC embarked upon a sector allocation strategy. This was a mechanism to promote regional cooperation and development among member states. In terms of this strategy, the following states were allocated the sectoral responsibilities based on their potential: Angola (Energy), Botswana (Animal health and Livestock production), Mauritius (Tourism), Malawi (Inland Fisheries, Forestry and Wildlife), Mozambique (Culture, Information and Sport, Transport and Communications), Lesotho (Water and Land Resource Management), Swaziland (Human Resource Development), Tanzania (Industry and Trade), Zambia (Mining), and Zimbabwe (Food and Agriculture and Natural Resources) ([www.sadcreview.com](http://www.sadcreview.com)).

## 2.1 SUCCESSES AND FAILURES

Since its launch in the 1980s, the SADCC recorded a number of successes. Firstly, as a vehicle of liberation, the SADCC, through its political wing the Front Line States, promoted the liberation in Mozambique, Namibia and South Africa. Tjønneleand (1992) notes that the SADCC had been successful in mobilizing aid flows to the region, and that it initiated and implemented a number of projects in infrastructure. He further notes that the SADCC was responsible for the improvement of regional transport communication; encouraged a substantial diversification of bilateral linkages among members, promoted the emergence of a regional mentality and established itself as an essential participant in internal and regional relations.

But it must also be acknowledged that the SADCC was not successful in a number of areas. First, it was established to reduce dependence on South Africa paradoxically, SADCC became perpetually dependent on South Africa. According to Maake (1997:1) "South Africa's relatively industrialized economy made it difficult for its neighbours to isolate themselves from her economy". This was further intensified by the policy of destabilization in the 1980s, which fostered dependence on the SADCC states. The destabilization policies targeted the destruction of the infrastructure of the Southern African states such as ports, railways, schools, and hospitals as a mechanism of perpetuating dependence on South Africa. As a result, the SADCC's goal of self-reliance was not achieved, as it could not escape the entanglements created by the policy of destabilization.

Furthermore, the SADCC's developmental projects were largely dependent on donor support. This significantly hampered the SADCCs desire to achieve self-sufficiency. The selective funding of donors whose interests were at stake frustrated some infrastructural development projects within the SADCC. Mutambara (2001) has argued that donor funded development projects were undertaken whenever their interests coincided with the member states. Moreover, South Africa's geographical advantage imposed some limitations on the SADCC's intention of being economically independent. This is due to the fact that some states within the SADCC are landlocked, for instance, Botswana, Lesotho, and Swaziland. These states were forced to rely on South Africa's infrastructure in order to facilitate their trade and

investment. As a result, these states could not pursue independent economic policies because of their dependence on South Africa's infrastructural networks.

SADCC was further constrained from achieving its objectives due to the dynamics of the situation in Southern Africa in 1980 until the early 1990s. The manner in which they conceived the modus operandi was not in accordance with the existing realities within the region. This created an illusion that political goals would essentially translate to economic goals. Since the main purpose behind the establishment of the SADCC was to reduce dependency on South Africa, more emphasis was put on the accomplishment of this goal. SADCC also failed to devise innovative strategies to achieve the goal of self-reliance. Destabilization policies of the South African government played a crucial role in disrupting the SADCC's goal of self-reliance. In addition, the SADCC's goal of self-reliance was also thwarted by its extensive reliance on donor funding for infrastructural development projects. These strategies were not efficiently designed to help the region achieve the aim of self-reliance. Finally, the political rhetoric overshadowed the need for serious economic development among member states.

Thus, following the end of the Cold War and the subsequent democratic dispensation in South Africa, it was imperative for the SADCC to adopt a new development agenda. It was in this context that the SADCC embarked upon transformation, which was designed to open up entry points for the democratic South Africa. As such, the demise of apartheid meant that the SADCC could not continue in its old form and South Africa had to be accommodated in the regional organization.

## **2.2 THE WINDHOEK SUMMIT**

The SADCC Consultative Conference in 1989 tabled a consultative document, "SADC Towards Economic Integration". This comprehensive document set out the adoption of regional integration as the central project of the organization and was a precursor to the 1992 SADC Summit. The paper became the most important rallying force for the transformation of the organization. It contains important recommendations essential for achieving the goal of global competitiveness. According to Tjønnealand (1992:109) the consultative conference called for the "need

for closer economic cooperation in the region, and warned against market led integration by calling for planned integration of systems of investment production and trade.”

Furthermore, the organization intended to adopt a more pragmatic development framework in order to deal with the challenges facing the region in a more globalized world. The adoption of the new development agenda, and the broader transformation of the SADC was a mechanism to allow the economically dominant South Africa to play a meaningful role in the development framework of the organization.

Thus, at the Summit of Windhoek 1992, the SADCC was changed to the Southern African Development Community (SADC). This followed the adoption of the SADC Treaty, which transformed the organization into a legal entity. The SADC thus became a much more vigorous body and empowered to handle the dynamics of the broader mandate of the organization. Berry (2001) notes the new SADC represented an ambition to achieve a deeper and a wider form of economic integration among member states, moving beyond sector level coordination towards co-operation, convergence, and eventually, integration in areas such as in monetary and fiscal policies, exchange rate and trade regimes and unrestrained movement of capital, and labour, as well as goods and services within Southern Africa. Thus, the SADC was mainly guided by the desire to achieve global competitiveness.

The SADC therefore adopted the following as its objectives to guide its operations:

- to promote development and economic growth, via regional integration.
- to promote regional peace and security.
- to evolve common political values and institutions, and
- to strengthen links among the people of the region (Lambrechts, 2001).

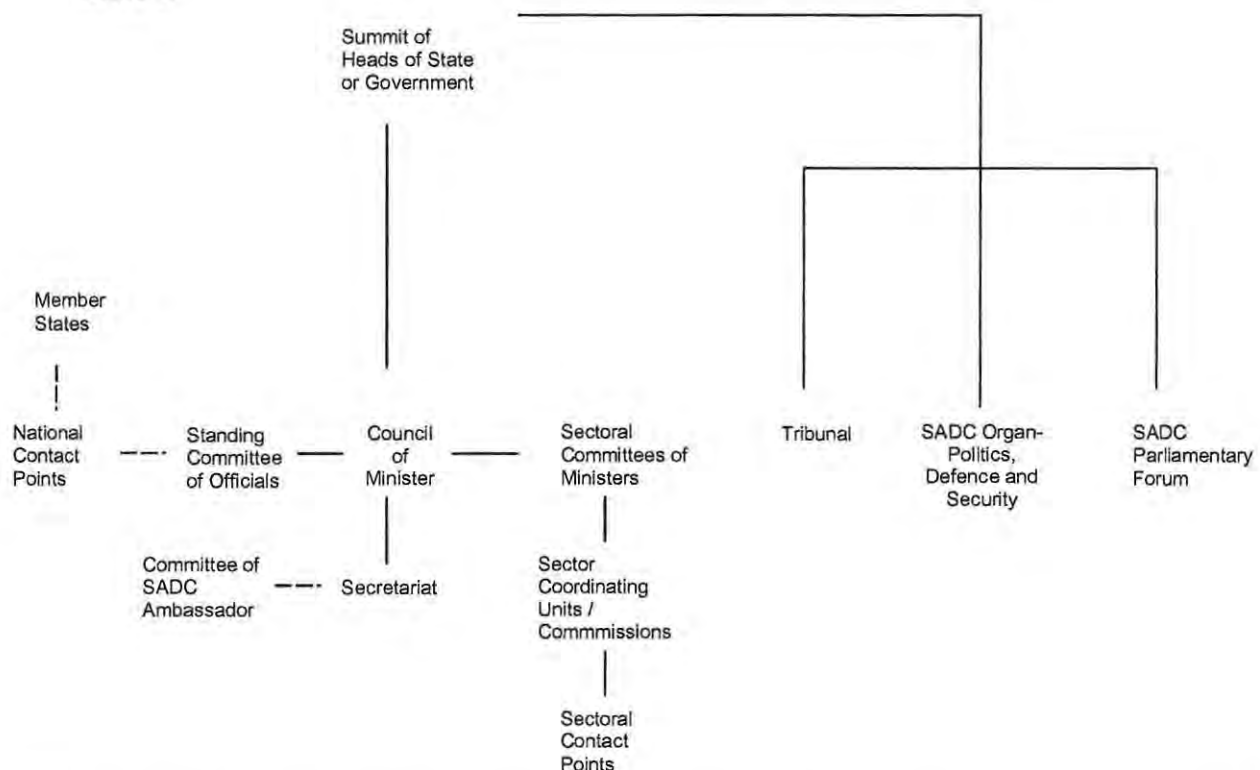
In addition, the SADC intended to pursue regional integration as a mechanism to address its weak economic capacity. For instance, as demonstrated during its launch in Windhoek 1992, regional integration remained the priority since it has important dimensions for the region as far as its goal of global competitiveness is concerned. As part of achieving this, the SADC intends to maximize intra-regional trade among

member states. This is vital since it would consolidate the capacity of member states to play a much more bigger role within the regional economic development framework. This broader mandate of the organization sought to help the region achieve the capacity to deal with a wide range of issues in the advent of globalization.

This institutional arrangement clearly symbolized a total departure from its predecessor, the SADCC. First, the SADC structure is also indicative of its steadfast determination to achieve the broad objective as identified by the SADC Treaty. Secondly, the structure sought to bolster the region and build a capacity to deal with the dynamics of regional integration. More especially, the structure has to coordinate and give an overall regulation of the regional projects. Table 1 below explains the various functions of the bodies within the SADC organizational structure.

### 3. SADC ORGANIZATIONAL STRUCTURE

Table 1.



Source: SADC Review 1999 pp15

The SADC organizational structure is set out by the SADC Treaty of 1992, which was signed by the heads of States in Windhoek, Namibia. In terms of the SADC Treaty, the new

organizations comprised of the following institutional structures, the Summit, the Council of Ministers, the Sectoral Committees and Commissions, the Standing Committee of Officials, National Contact Points, Sectoral Contact Points, and the Secretariat and the Tribunal. In addition, the treaty provided for the establishment of other institutions when necessary. Unlike the SADCC, the SADC had a clearly defined structure in order to enable the region to manage its own affairs. The establishment of these various bodies of the SADC was in accordance with its mammoth responsibility of executing a broad regional mandate.

### **The Summit**

The Summit constitutes the highest decision making body of the SADC. It comprises of Heads of State and Government. It is the principal organ responsible for the overall decision making of the organization regarding policy and the function of the Community. The Chairman and the Vice-Chairman are elected for a specific period to head the Summit. This body is charged with other responsibilities, such as establishing the Commissions, and other institutions, as well as the appointment of the Executive Secretary and Deputy Executive Secretary.

### **The Council of Ministers**

The ministers from each of the SADC member states form the body, but only those responsible for their country's economic planning or finance, make up the Council. The Council is responsible for overseeing the functions and development of the SADC and ensuring that policies are properly implemented. It functions as an advisory body to the Summit on policy matters and approves SADC policies, strategies and work programmes. It decides on other important matters such as sectoral areas of cooperation, and the allocation of the responsibilities for carrying out these sectoral activities. The Council also meets at least once a year at least to review progress, and the operations of its subordinate institutions.

### **Secretariat**

As the principal executive institution of the SADC, the Secretariat is responsible for strategic planning and management of SADC programmes. The Secretariat is headed by the Executive Secretary who is appointed by the Summit. This organization is responsible for implementing the decisions made by the Summit and the Council. It is also responsible for

the financial and general administration of the Community. The Secretariat is further charged with a task of diplomatic representation and promotion of the SADC, and its policies.

### **The Tribunal**

This body is responsible for ensuring adherence to, and proper interpretation of the provisions of the SADC Treaty and its subsidiary instruments, and to adjudicate upon disputes referred to it. The composition, powers, functions, procedures and other related matters governing the tribunal are prescribed in a protocol to be adopted by the Summit. Decisions of the Tribunal shall be final and binding. The other important bodies were established to perform specialized duties and administrative purposes of the organization.

### **The Organ on Politics Defence and Security**

The organ on Politics Defence and Security (OPDS) was established in Gaborone in 1996 to fill the void left after the Front Line States was dissolved in 1994. This organ deals with security issues of the member states of the SADC. President Robert Mugabe became the first chairperson of the OPDS. In terms of the SADC regulations, the OPDS is subordinate to the SADC Summit, which is the principal, decision-making body. Its decisions are therefore subject to the approval of the Summit. The controversy regarding the OPDS broke when President Mugabe convened a separate summit where it was resolved that Zimbabwe, Angola and Namibia would intervene militarily in the DRC conflict to assist Laurent Kabila against rebel incursions. Thereafter, there ensued a row between Presidents Mugabe and Mandela of South Africa regarding the status of the Organ. Thereafter the crisis was resolved during the SADC Extraordinary Summit in 2001: the OPDS shall be regulated by the Protocol on Politics, Defence and Security Cooperation; the Organ will now be integrated into the SADC structures and will be coordinated at the Summit level on a Troika basis, reporting to the Chairperson of the Summit. ([www.sadc.net/editorial/sadctoday](http://www.sadc.net/editorial/sadctoday)).

The structure of the SADC is first and foremost a mechanism to empower the region to enable it to deal with a project of regional integration. However, this does not mean that the SADC institutions possessed supranational powers. This is significant in order to ensure that the SADC institutions will have the power to regulate and guide the process of regional integration. The presence of supranational institutions is of paramount importance because integration implies conformity with rules and procedures, enunciated by the protocols.

However, the development of the SADC institutional structure demonstrated the vigorous determination to make the region competitive. This is also the most important step to indicate that the region is gearing up to face the tough challenge of globalization.

The SADC envisaged building stronger cooperation and closer intra-regional ties. It also aim to achieve an African Economic Community by the year 2034 (Leistener,1992:158). This is an initiative that is in line with the objective aims of the OAU which evolved into the African Union (AU). The most important challenge for the SADC is to ensure that it will never be derailed from achieving these goals even by the changing trends of the global economy. The achievement of the Economic Community symbolizes an important aspiration for the SADC. However, some important stages of integration will have to be dealt with before achieving this important ambition. For instance, member states would have to cede their sovereignty for the eventual implementation of this goal.

Furthermore, the SADC seemed to be more visionary than its predecessors, as it also aimed for the creation of free trade by 2004. The creation of free trade implies that member states will eliminate duties on imported goods from other SADC member states. Though this protocol has been criticized as premised on asymmetrical determination, since bigger economies are expected to eliminate duties faster than others. This strategy will essentially help to promote intra-regional trade among member states. In this context, the SADC will be in a position to bridge the differential levels of development that characterize all member states. This conceptualization implies that regional integration should not be only geared to global competitiveness, but also as a mechanism to address internal contradictions of the region.

#### **4. SADC PROGRAMME OF ACTION**

In terms of the 1992 SADC Declaration and Treaty, the SADC states resolved collectively to mobilize investment capital, create a single regional market, and remove barriers to the free movement of people. Furthermore, the SADC states declared that ‘underdevelopment, exploitation, deprivation and backwardness in Southern Africa will be overcome through economic cooperation and integration (Lambrechts;2001:32). The SADC Treaty sets out the objective aims of the SADC, in this project of integration. These are encapsulated in Article 5 of the Windhoek Treaty, and sets out specific principles and objectives. These

allow for higher levels of integration based on fundamental principle of balance “equity and mutual benefit” (Article 4 item d of SADC , 1992). The objectives are to:

- achieve development and economic growth, alleviate poverty, and enhance the standard and quality of life of the peoples of Southern Africa and to support the socially disadvantaged through regional integration;
- evolve common political values, systems and institutions;
- promote and defend peace and security
- promote self-sustaining development on the basis of collective self reliance, and the interdependence of member states;
- achieve complementarities between national and regional strategies and programmes;
- promote and maximize productive employment and utilization of resource of the region of the region;
- achieve sustainable utilization of natural resources and effective protection of the environment; and
- strengthen and consolidate the long-standing historical, cultural affinities and links with the people of the region (SADC,1992).

As part of its strategy to achieve these objectives, the SADC resolved to promote the following:

- cross-border investment and trade;
- free movement of the factors of production, goods and services across national borders;
- common economic, social and political values and systems, enhancing enterprise, competitiveness, democracy and good governance;
- respect for the rule of law and human rights, popular participation in the democratic process and the alleviation of poverty (Chapter Three, Article 5 (2) and Article 6 of SADC, 1992 cited in Mutambara 2001:17).

According to Mutambara (2001:17), “the primary intention of the Treaty is to place binding obligations on member states with the aim of promoting economic integration. Non compliance would be enforced by the relevant sanctions being put in place”. In a nutshell, the SADC Treaty comprised of a list of priorities that would guide the region towards the path of achieving evenness and sustainable development. The SADC Treaty symbolized the quest in the region by building unity among member states for successful regional

integration. Member states must comply with the provisions of the Treaty in order to forge a common vision and response to the challenges of globalization.

In addition, the adoption of the SADC Treaty was an important contribution to the SADC agenda for economic development in the context of globalization. It is a mechanism to engender the need for member states to view globalization as the most important challenge that the SADC needs to confront in this new era. The biggest challenge for the SADC however, is to implement these provisions to ensure a meaningful impact, at both the regional and the global level. The implementation of these provisions must also be accompanied by the political willingness of member states. Individual member states within the region need to express their commitment to the regional integration project of the SADC.

The process of regional integration in Southern Africa is intended to take place within the confines as set out by the SADC Treaty. The SADC Treaty is an important mechanism that seeks to address certain contradictions within the region such as uneven development. As Berry (2000) has argued, the legal treaty stipulates that integration is a central project towards achieving equity within the region. It also contains the necessary steps that the SADC needs to follow in achieving the goal of intra-regional trade. In acknowledging the challenges faced by the region, the SADC Treaty recognizes the need for member states to integrate their markets as a strategy in order to compete on an equal footing with its counterparts in the global economy. This is a viable option for the economies of the South in order for them to achieve a global competitiveness

## **5.CONCLUSION**

This chapter set out to discuss the historical background of the SADC. It attempted to show the difference between the SADCC and the SADC. Furthermore, the chapter highlighted the success and failures of SADC. It outlined the circumstances, which led to the creation of the new regional body. The SADCC however, was more interested in responding to the then prevailing status quo. This is fundamentally shown by its operation, since its major thrust was directed at achieving political goals rather than economic ones. As shown in its entire operation, the SADCC was deeply interested in reducing economic dependency particularly on the former apartheid South Africa. The strategy of sectoral integration of the

SADCC did not help the organization to achieve the goal of self-sufficiency. The region continued to be perpetually dependent on South Africa. This, however, was the culmination of many factors such as South Africa's economic policies and destabilization strategy.

The adoption of this in the Windhoek Summit of 1992 was an important realization to fulfil this goal. The SADCC adopted the SADC Treaty and the organization was granted a legal treaty in order to empower it to deal vigorously with critical issues of regional integration and the overall functioning of the organization. Finally, the chapter discusses the SADC organizational structure and the SADC programme of action. Chapter Three of this thesis will attempt to look into the impact of South Africa within the regional integration debate of SADC. The chapter will focus on South Africa's economic strengths in relations to the SADC states. It will critically evaluate the advantages and disadvantages of the inclusion of this dominant partner. This implies important obligations for the SADC as it moves towards regional integration development programme. As this has been shown in the transition from sectoral integration to economic integration, South Africa's involvement is therefore expected to increase prospects for successful regional integration in the SADC.

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## CHAPTER THREE

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### SOUTH AFRICA AND THE SADC REGION: A HISTORICAL PERSPECTIVE

“South Africa’s interests and objectives in southern Africa are guided by the existence of strong linkages between the domestic and regional economy. As the market for the largest proportion of South Africa’s high value-added exports, the growth of these domestic industries is inextricably linked to the growth of the region’s economies. Secondly, endeavours to ensure that the southern Africa is economically prosperous and politically stable will reduce socio-economic dislocations, which could have a negative consequences for all SADC member States, including South Africa” (Mayer,1999:10).

#### INTRODUCTION

South Africa joined the SADC in 1994 and there have been many controversies regarding the country ’s role in this regional establishment. Van Rooyen; (1996), Mills; (1996), have argued that South Africa is expected to be a catalyst in the SADC regional integration. South Africa’s entry into the SADC coincided with a time in which the region embarked on a process of regional integration. This however has several important dimensions for SADC regional integration. As the biggest economy in the region, South Africa is deemed to play an important role in the SADC regional development framework.

This chapter focuses on the historical domination of South Africa within Southern Africa. It discusses the trade and economic aspects between South Africa and the SADC region. This is followed by an analysis of South Africa’s infrastructure in the SADC regional development framework. The chapter will further highlight investment patterns of South Africa within Africa. The chapter argues that South Africa’s historical domination is the culmination of different factors. Finally, the chapter draws some implications for SADC regional integration.

## **HISTORICAL DOMINANCE: SOUTH AFRICA AND THE REGION**

The historical dominance of South Africa dates as far back as 1867 with a discovery of diamonds at Kimberly in East Griqualand. Subsequently, gold was also discovered in the Eastern part of the then Boer Republic of the Transvaal in 1884 and 1886 (Blumenfeld1992:14). The discovery of gold and diamonds played a crucial role in shaping the dynamics of labour in Southern Africa. The South African mining industry attracted a large pool of cheap labour from Southern African countries such as Lesotho, Malawi, Mozambique, Botswana, and Swaziland. Mining in South Africa became the driving force for economic prosperity, an important employer and a source of revenue for the South African economy. According to Blumenfeld (1992:15), gold mines alone attracted capital investment amounting to £125 million. In addition mining conglomerates were established to finance the huge investment needed to mine rich subterranean diamond deposit, and deep-level and low-grade gold ores.

South Africa's mining labourers were mainly migrant workers from Southern African states. As Oden (2001:89) has argued, the bulk of were mineworkers from neighbouring countries, amounting to two thirds in South African mines during the mid 1970s. In addition since the end of the nineteenth century South African mining and farm labour partly consisted of migrant workers. South Africa benefited substantially through generating much needed revenue for its infrastructural development. Disparities between South Africa and Southern Africa deepened due to this dependency syndrome. Thus, South Africa concentrated on building its economic wealth while the region was subjected to poverty and dependency. It is in this context that South Africa became a regional hegemony due to the dependence of the region on its economy.

Again the economic dominance of South Africa is also owed to its agricultural development. Development of agricultural became a significant impetus in promoting the level of industrialization in the South African economy. The agricultural sector also extracts a great proportion of its labour from the migrant workers. Oden (2001:89) notes that a large number of Mozambicans have also been working in South African farms since 1970s. Furthermore, the farming industry has attracted illegal immigrants from countries such Nigeria, DRC, Rwanda and Burundi. This has created a huge burden for the current government especially regarding

repatriation costs. Some illegal immigrants are also being absorbed by the service industry (restaurants, shops and cinemas) as employees. This has exacerbated the problem of unemployment in South Africa.

In addition, the destabilisation policy of South Africa in the 1980s is yet another aspect imperative for understanding South Africa's regional dominance. This was a strategy devised to protect the dominance of the South African economy during the international sanctions. The policy of destabilisation consolidated South Africa's regional dominance and preserved South Africa's economic leverage by keeping the region dependent on its economy. This was achieved through a deliberate destruction of the region's economic infrastructural networks such as railways, ports and harbours that could have challenged South Africa and became alternative routes for intra-regional trade and investment. The destabilisation policy also served as grand strategy to protect sectors such as communications and transport, which flourished during the apartheid. Handley (1998), Mutume; (2001), and Davies (1998) maintain that there patterns of domination that continues to be rampant between South Africa and SADC states. It can thus be argued that dependency was created and reproduced through various means by South Africa.

South African companies operating within the region and the continent also served as agents for promoting South Africa's regional dominance in sub-Saharan Africa. Oden (2001:89) argues that with the end of the of the destabilisation policy in South Africa, shipping, port-management, railway, road transporters, forwarding agents and air companies have further strengthened their dominant position. Furthermore, these companies are exploiting opportunities ushered in by the privatization deals in various Southern African governments. They have acquired the majority shares in the partnerships with their counterparts. In some instances these provides opportunities for other companies since the mergers revitalizes their competence.

## **2. TRADE AND ECONOMIC ASPECTS: SOUTH AFRICA AND SADC**

Trade is the main economic activity that connects South Africa and the Southern African Development Community. However, there is less trade between South Africa and the region compared to the western countries. More volume of trade takes place between South Africa the triad nations of the North (United Kingdom, USA and Germany). Furthermore, South Africa is historically linked to SACU since its creation in 1899. Therefore, South Africa's goods enjoy free access to these countries economic markets. McGowan and Obeng (1998:8) note that in 1995, SADC countries purchased 89,5 per cent of South Africa's exports to Africa and South Africa trade surplus with the Community of R21 524 million represented 92 per cent of South Africa's highly favourable trade surplus. Thus, SACU is the largest consumer of South African goods and services.

In addition South Africa has signed a series of bilateral relations with individual SADC member states. These bilateral relations form the basis of South Africa's economic relations with the SADC states. In 1964 South Africa signed a preferential trade agreement with the then Rhodesia. Due to the pressure faced by the South African textile industry, the government was forced to nullify this in order to protect the South African market. South Africa has signed a number of other bilateral agreements with states such as Botswana, Lesotho, Zambia and Namibia. These are treaties concluded with a view to enabling South Africa to secure its vital national interests at a preferential treatment. South Africa bilateral diplomacy seems to be the dominant paradigm within its foreign economic policy with the region. This is the case in point since on bilateral basis South Africa stands in a good opportunity to negotiate better concessions for itself whereas in the case of multilateralism South Africa' dominance can be counterbalanced by other states. In this context South Africa may not have leverage over other SADC states, thus the region will have more bargaining power.

However, SADC members' states are secondary in terms of economic rankings with South Africa. As shown in the table below, only five SADC states (Namibia, Botswana, Lesotho, Zimbabwe and Zambia) appear in the list of South Africa's 20 largest trading partners. In this

arrangement, SADC states are ranked among the South Africa's largest trade partners. These states largely involve the SACU states (Botswana, Namibia, Lesotho) and non- SACU states Zimbabwe and Zambia, the last of which is ranked 20<sup>th</sup> in the list. South Africa maintains these relations mainly for political and economic interests. For instance South Africa's exports to these states is growing tremendously. This engagement with South Africa compromises these states since the relationship is asymmetrical.

Table 1: South Africa's 20 Largest Trading Partners, 1995 (R '000)

Rank	Country	Exports	Countries	Imports
1.	United Kingdom	8 642,4	Germany	16 656,2
2.	United States	6 544,1	United States	11 860,6
3.	Japan	5 720,2	United Kingdom	10 943,6
4.	Germany	5 333, 4	Japan	9 922, 5
5.	<b>Namibia</b>	5 125, 4	Iran	4,377,2
6.	<b>Botswana</b>	4 822,4	Italy	4 045, 8
7.	<b>Zimbabwe</b>	4 240, 8	France	3 804, 2
8.	Switzerland	3 366,0	Taiwan+	3 252, 9
9.	<b>Swaziland</b>	3 366,0	Switzerland	2 398, 4
10.	<b>Lesotho</b>	3 219,3	Netherlands	2 315,2
11.	Italy	3 172,0	Belgium	2 136,8
12.	Belgium	3 163, 0	China	1 852, 3
13.	Netherlands	2 901, 2	Australia	1 660,9
14.	Taiwan+	2 525, 0	Hong Kong+	1 660, 0
15.	South Korea	1 968,3	Namibia	1 525, 1
16.	Hong Kong	1 887, 3	South Korea	1 497,1
17.	Mozambique	1 839, 9	Sweden	1 453,5
18.	Spain	1 624, 9	Singapore	1 177, 6
19.	Australia	1 301, 6	Swaziland	1 159,7
20.	<b>Zambia</b>	1 301, 6	Canada	1 024, 4

Source: Table 1 derived from McGowan and Obeng pp 7, 1998.

Paradoxically, the table shows that the volume of trade between South Africa and its largest trading partners is concentrated towards United Kingdom, United States, Japan and Germany. McGowan and Obeng (1998:7) has noted that the top 4 countries purchased R26,2 billion of South Africa's products and sold South Africa much larger R49,4 billion worth of imports leaving the Republic with negative trade balance of R23,2 billion. These however illustrate South Africa's entanglement with the core capitalist countries. The relationship between South Africa and these states is highly asymmetrically as demonstrated by the negative trade balance laboured to South Africa. The capitalist world has dictated the engagement between South Africa and these core capitalist countries. Therefore, South Africa cannot extricate itself from this network hence it is playing a vital role in the capitalist development. As Wallerstein has argued the role of semi-periphery is to accelerate exploitation between the two worlds (core and periphery) for the development of capitalism.

However, at a regional level, the picture changes favourably to South Africa's advantage. This is due to the fact the relation between South Africa and the region still exhibits the core-periphery structure. South Africa dominates the region and this creates a potential for exploitation. For instance South Africa takes the greatest proportion of trade vis-à-vis SADC states. The relationship is highly asymmetrical between the SADC and South Africa and this enables South Africa to enjoy positive payments. For instance McGowan and Obeng (1998:11) note that between 1994 exports to non-SACU SADC members grew by 12,9 per cent, by a huge 53,2 per cent in 1995, and by 31,5 per cent in 1996. This growth is skewed since it is from South Africa towards the SADC states. In this context South Africa is thus bound to enjoy the benefits due to this tremendous asymmetry.

The huge negative balance of payments between South Africa and the SADC is thus accounted for by several reasons. Firstly, South Africa is also engaged in non-reciprocal trade relations with the SADC member states. Secondly, the free movement of goods and services within SACU which essentially benefit South Africa economy. Thirdly, South Africa has signed numerous bilateral trade relations with individual SADC member states and thus secures some preferential treatment. In addition they are significant in augmenting trade and cooperation. This is due to the nature of South African economy, which is not open to the SADC member states. Instead,

South Africa is more integrated in trade and economic relations with the North as opposed to the SADC.

As shown in Table 1, the volume of trade between South Africa and its largest trading partners is concentrated between United Kingdom, United States, Japan and Germany. According to McGowan and Obeng (1998:7) the top 4 countries (United Kingdom, United States, Japan and Germany) they purchased R26, 2 billion of South Africa's products and sold South Africa much larger R49, 4 billion worth of imports, leaving the Republic with a negative trade balance of some R23, 2 billion. South Africa is however subjected to the kind of asymmetrical trade relationship with the triad nations (United Kingdom, United States and Germany).

Table 2:

Country	Imports from SADC as % of total imports.	Exports to SADC as % of total exports.	Imports from South Africa as % of total SADC imports.	Exports to South Africa as % of total imports.
Angola	81	0.1	7.8	0.1
DRC	25.0	6.6	22.6	6.6
Malawi	63.9	18.0	46.3	14.8
Mauritius	9.7	2.0	9.3	0.6
Mozambique	55.3	22.0	47.2	12.4
South Africa	2.5	12.6	0.0	0.0
Seychelles	18.2	1.5	15.9	1.3
Tanzania	8.1	7.0	6.5	1.4
Zambia	61.7	5.6	48.6	3.0
Zimbabwe	46.2	31.0	42.4	16.6

Source: Kato Lambrechts IGD Guide to Southern Africa pp 44, 2001

The table above shows that South Africa is dominating the region in both aspects of trade (imports and exports). Meanwhile South Africa imports the least from the SADC regional states as also shown in table 2. As a dominant partner in the region, South Africa grants favourable terms of trade and this bolsters the volume of trade between itself and other SADC partners. As shown in the table, imports and significantly fewer from the region at the figure of 2.5 per cent while it is exporting 12.6 towards the region. This is however because of number of advantages available to South Africa, for instance the better and efficient service sectors, banking sector, industrial sector, insurance sector and military hardware. As Kato Lambrechts (2001:44) has outlined "the South African economy is capable of fuelling industrial development in the rest of

the region as testified by the expansion of South African retail, manufacturing, and mining interests since the country joined the SADC in 1994”.

Trade flows between South Africa and the region confirms the dominance of South Africa within the SADC. The volume of imports from the following SADC states ranges as follows: Mozambique, (55.3%), Zimbabwe (46.2 %) and Malawi (63.9%). This implies that these states import most from the SADC region. However within these percentages per country, South Africa takes the bigger proportion of trade activities. For instance out of 46.2 per cent total of imports by Zimbabwe, South Africa takes 42.4%. This implies (100% imports from SADC minus 42.4 = 57.6%) is divided among other SADC states. In addition these states Zimbabwe, Malawi and Mozambique have better trade advantages vis-à-vis other SADC member states because they export more to the region as well. Zimbabwe however, is much better off than other SADC states in terms of trade within the region due to its banking sector, which is connected to the region. This advantages South Africa since it allows for capital exchange between the country and the region. Secondly, prior to the recent dwindling of the Zimbabwean economy its agricultural sector was however superior to other SADC states. The country's service sectors also are efficient and this increases its potential to become a potential trading partner regionally.

Angola imports only 8.1 per cent from the region and exports 0.1, which is a relatively low trade volume. The civil war however, has been a major factor affecting the country's potential to become a significant trading partner. It actually imports mostly subsistence commodities for instance food to feed its population. There is not much trade activity between Angola and the SADC region since the country is still recuperating from the effects of war. Even though Angola is the only oil producing country in the region this has not bolstered its trading capacity as the figures still points to the lowest trade capacity. Tanzania also is relatively an insignificant trading partner as the figures in table 2 show. It imports only 8.1% while it exports 7.0% to the region. Of this volume of trade capacity, 6.5% goes to South Africa which implies that 93.5% is shared among the other SADC states. However, Tanzania's capacity to become a significant trade partner within the region is constrained by its membership of various regional organizations (SADC, Comesa, East African Community). Basically its trading capacity is determined by the comparative advantage these regions offer.

In essence the above table demonstrates South Africa's dominance of the region in terms of trade flows. The percentage of imports from the SADC and imports from South Africa both confirm the South African dominance in trade regionally. The table shows only 12,6% of South Africa's exports go to the SADC, and even less (2,5%) member states import and export much come from the region and South Africa takes the larger proportion of trade. This implies that whichever country exports and imports more to the region South Africa absorbs more of the above-mentioned advantage. In addition this shows how the South African economy is overwhelmingly dominant in the SADC. In addition, South African companies are infiltrating the region at higher pace through promotion of a joint regional strategy. There is however greater expectation that South Africa will accelerate prospects for regional integration. However, it is very difficult to guarantee trickle down effects in such ventures hence these could result in increased dominance of the region by South Africa.

#### **SOUTH AFRICA'S INFRASTRUCTURE AND REGIONAL DEVELOPMENT**

South Africa's infrastructure is vital to its economic well-being and to the SADC region. Geographically speaking South Africa is well positioned to be the catalyst of economic development in the region. The South Africa's involvement in the economic development of the region is crucial since it continues to secure lucrative deals through partnerships. This involvement however has the potential to shape regional development. For instance South Africa has acquired a 40% stake in the Lesotho Water Highlands project, which is a venture to channel water into the heartland of Gauteng through hydro-electricity generating dams (McGowan and Obeng,1998:15).

The Cahora-Bassa rehabilitation project is also one of the regional project in which South Africa is involved. This initiative involves the reconstruction of 1 440 km long transmission line between Cahora-Bassa hydro-electric scheme on the Zambezi River in Mozambique and Gauteng. McGowan and Obeng (1998:15) observes that "this project is expected to be completed in 2003 as part of a larger scheme that may some day link Southern Africa and sub-equatorial power transmission grids as far as the Inga rapids on the Zaire west of Kinshasa". South Africa's

parastatal Eskom is also playing a leading role in this project and it is expected that upon completion the project will generate 100 000 megawatts, more than double the power now produced on the entire African continent (ibid).

The Maputo Corridor is the most successful regional project, in consolidating bilateral relations between South Africa and Mozambique. This project has been regarded as the project that has the greatest potential to promote infrastructural development between the two countries. The region is in dire need of these kinds of projects in order to address disparities that continues to characterize the region. The importance of this project is that “it combines the private sector investment with initiatives coming from provincial governments, in South Africa, national government of Mozambique and South Africa, and the World Bank”. Basically, the SADC region needs this type of initiative in order to equip member states to pursue both national and regional projects.

The involvement of South African companies is crucial since they help in promoting infrastructural development of the region. These companies continue to grab the regional market and they are involved in championing regional development within the region. For example, South African Airways which is regarded as the biggest airliner in Africa has landing rights throughout the region and it is the principal air freight carrier within Southern Africa and between the rest of the world (McGowan et al;1998:15). The current transformation of the airliner, which intends to forge strategic equity partnerships with other airline companies, also aims to maximize the global competitiveness of this industry. This has a bearing on regional development since this could lead to South African industries monopolizing the regional market.

According to McGowan and Obeng (1998:14) this dominance has continued in the 1990s for several reasons.

- South Africa has the lion share of transportation and other infrastructure in the region;
- 23 000 of the region’s 42 000 kilometres of railway lines, 58 000 of 87 000 of paved roads, over 5, 1 million of the region’s six million motor vehicles;
- and the country generates 75 per cent of sub-equatorial Africa’s installed electricity capacity (Sapa 10 September 1996 as cited in McGowan and Obeng 1998:14).

McGowan and Obeng (1998:14) noted that in the early 1990s, 50 percent of Zimbabwe's overseas trade passed through South African ports; Swaziland's sugar exports had been diverted to Durban because of pilferage at Maputo harbour; and Botswana, Malawi and Zambia were largely dependent upon South African railways and harbours for their overseas trade. This dominance was further accelerated by the policy of destabilisation in the 1980s. The region now is submerged into this economic and resource dominance of South Africa.

In addition South Africa has a number of companies whose operations have been rated regionally and globally. Such entities include Safmarine South Africa's largest shipowner and Unicorn who has business dealings between sub-Saharan Africa and the rest of the world. They are also leaders in coastal shipping and freight forwarding in all of SSA and the Indian Ocean islands either on their own or in conjunction with African and outside associates (Esterhuysen 1994:47-50; Iheduru 1996: 10-21 cited in McGowan and Obeng; 1998:15). These companies are very crucial in the sustenance of South Africa's economic dominance both continentally and regionally. They have been effectively successful in terms of securing both strategic and business operations around the world. Infrastructural development is one of the most important aspects to assessing South Africa's dominance within the region

### **SOUTH AFRICA'S INVESTMENT PATTERNS IN AFRICA**

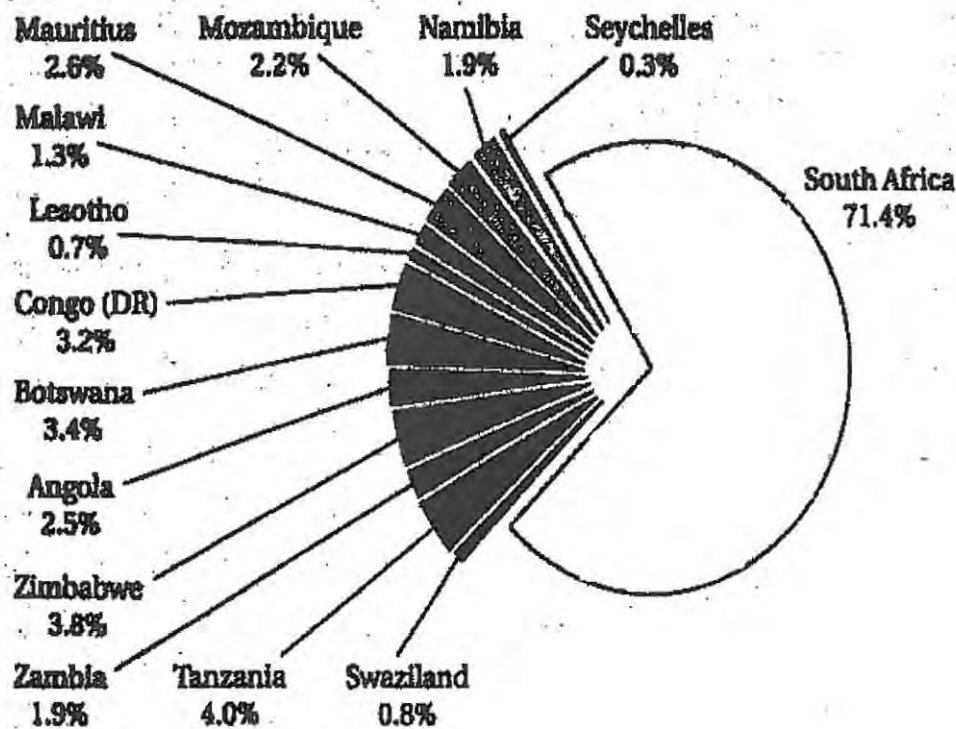
South Africa's economic dominance is not only restricted to its infrastructural development but continues to be expressed by its macro-economic policy. The current macro-economic policy Growth Employment and Redistribution (Gear) in South Africa has given this process a significant impetus due to its export-led strategy. This move has been described as having both positive and negative consequences for regional integration and economic development. Mills (1998) however argues that this is an attempt by South African government to increase its foothold in the region and across the continent. This can be evidence by South African based companies which continue to entrench themselves in the continental market.

The following are South African companies that have penetrated the continental market.

- The Standard Bank now operates in 14 countries, with a total of 103 African branches. South Africa's top eight banks represent US\$ billion of the total US\$ 8 billion capital of African banks.
- South African mining investments and interests are becoming increasingly diversified throughout the continent.
- South African Breweries now operates in Zambia, Mozambique and Tanzania, in addition to Botswana, Lesotho and Swaziland. In mid-1997 it also bought into a brewery in Angola, which it had operated before that country's independence.
- Shoprite-Checkers has opened retail supermarket stores in Zambia, while Pick 'n Pay plans to expand into Namibia, Botswana, Kenya and Zimbabwe (Mills;1998).

As argued above these developments raise some important issues which the continent will have to contend with in this era of regional integration. First, it is a good initiative undertaken by these companies, which advances the region's wide development agenda. The continent could be in position to develop infrastructurally through the investments of these companies. On the other hand operations of these entities could result in the perpetuation of uneven development with the continent. This is possible since they have entered into agreements with governments outside the framework of regional integration. Therefore it could result in the engendering of this economic dominance that has been consolidated by ambiguous relations pursued by South Africa in the region. South Africa is already enjoying this economic dominance over the region and this poses significant challenges to the region in an era of regional integration.

**Figure 1: South Africa's Regional Economic Hegemony**  
**SADC GNP Composition 1998**



**Source: World Bank, 1999** Pie Chart cited in Lee pp 266, 2000

The above chart shows the extent of South Africa's domination of the SADC economy. As a result South Africa becomes the sole country that has a greater share of Gross National Product (GNP) within the SADC. South Africa has been successful in maintaining this status quo due to its protectionist policies. This implies that South Africa has not yet opened its market to other Southern African countries thus causing some bottleneck effects on the total GNP of other countries. For instance countries with a high GNP contribution in the SADC are Tanzania 4.0%, Zimbabwe 3.8%, and Botswana 3.4%. These countries however enjoy access to South African markets. Hence those with a small fraction of GNP are simply those whose products find it difficult to penetrate South African markets whereas South Africa enjoys access to their respective markets. This includes other SADC states such as Mauritius, 2.8%, Mozambique 2.2%, Namibia 1.9%, and Zambia 1.9% and Seychelles 0.3%. This lowest GNP contribution could also result from their incapacity to export substantially to South Africa.

Furthermore, in terms of SADC sectoral responsibilities Finance and Investment Sector has been given South Africa. This is indicative of its well-developed financial institutions such as South African Industrial Corporation, Khula Enterprise and Development Bank of Southern Africa, which have acquired an extended regional mandate. These financial institutions continue to reflect this hegemonic dominance by acquiring most SADC mandates because of their excellent financial skills and technical ability to manage both national and regional project. According to Poku (2001:80) “the premier position of South Africa in the region gives it a dominant role in controlling the structures of regional finance and credit”. In most cases South Africa is the preferred destination for foreign direct investment within the region. This is due to several factors such as developed infrastructure, relative peace and stability within the country.

The operations of these financial institutions in Southern Africa and the continent at large guarantees South Africa hegemony in the financial matters. Therefore, the ability for these financial institutions to continuously acquire SADC regional mandates implies that South Africa will reign in the finance and investment sector. This is due to the fact that no single country within the SADC, which seems to be posing a potential threat to South Africa’s finance and investment sectors. Poku (2001:80) notes that (i) in Zimbabwe an estimated 25-30 percent of privately owned capital stock is reckoned to be South African. (ii) South Africa owns 40 percent of registered industrial enterprises in Botswana. (iii) In Zambia, South Africa owns key mining engineering firms and dominates the freight and forwarding business throughout the region.

South Africa’s investments are widely varied in parts of the continent such as East Africa, Southern Africa, West Africa and Central Africa. South Africa has both investment in major regional projects, mineral resources and other economic activities. For instance (i) South Africa is involved in projects in the mining industry and gold in 16 countries. (ii) Exploration; rehabilitation of old mines, production in 27 countries in the field of diamonds. (iii) In minerals such as coal, mineral oil and gas, it is involved in exploration and development of mines, off shore exploration in 10 countries. (iv) South Africa is also involved in the promotion agriculture in countries such as Congo Brazzaville and Mozambique furthermore requests were made in 16

countries. Other investments are in areas such as retail, banking, Tourism, Sea transport, road construction, telecommunications, energy supply etc. (Halbach et al, 1999:60).

The mining industry in South Africa is mainly involved in the acquisition of lucrative investments in Africa. This is due to its excellent record and capacity as the biggest employer in southern Africa. It has managed to employ mineworkers from as far as Lesotho, Swaziland, and Mozambique. Agriculture is also a strategic asset that is making impact tremendously in terms of asserting South Africa's regional hegemon. Through Southern African Commercial Agricultural Development Association (SACADA), South Africa has been actively promoting agricultural development in Africa. This involved the deployment of South African farmers in order to augment commercial farming and the surplus production for improving food security in those respective countries. The agriculture and mining sectors are therefore strategically important for both survival of the region and South Africa's economic dominance in sub-Saharan Africa.

According to McGowan et al; (1998:28) "South African corporations had an outward stock of foreign direct investment (DFI) of \$21 136 million, representing 86,2 per cent of the DFI of all African countries. They noted a dramatic increase between 1990 and 1994 in direct foreign investment by 366 million. This increase can however be attributed to important business initiatives through the hotel industry, manufacturing, textile, banking, electricity, and telecommunications companies, which have grabbed the market opportunity in Africa. The investment in Africa has thus been shaped by expertise and skills possessed by these companies. Some state utility corporations such as Eskom have projects that have a strong regional dimension. This utility has wide scope of operations in Africa through Southern African Power Pool that intends to connect Eskom with other power suppliers.

In addition McGowan et al; (1998:29) notes some important reasons that encourage South Africa to invest in Africa. First, many South African businesses have considerable marketing, managerial and technological expertise concerning Africa, and many of their employees are enthusiastic about business in Africa after the long years of apartheid-induced isolation, Second, Foreign direct investment in sub-Saharan Africa has been declining for at least 15 years for example, between 1991 and 1995 all of Africa received only two percent of total global DFI and

only five per cent of DFI into developing countries (Business Day 8 May 1997:8 as cited in McGowan et al; 1998:29).

Third powerful international actors particularly the Clinton administration in the United States and the World Bank and IMF have encouraged and supporting this trend. Fourth, many SADC and other African countries have accepted Bretton Woods Structural Adjustment Programmes (SAPs) that mandate economic liberalization and the creation of investor friendly economic environments. Finally, it is because many African leaders see the Republic as the continent last best economic hope (Wells 1995; Garten 1996:8 as cited McGowan et al, 1998:30). In addition the successful transition from conflict to economic interdependence with the region played a significant role in generating enthusiasm in collaborating with South Africa in both economic and other spheres.

Furthermore, the internationally acclaimed status of Nelson Mandela was also an important impetus that triggered the need for countries to explore relations with South Africa. Whilst this constitutes the most important reasons for South desire to strengthen economic ties with African countries. It could be argued that the 1994 democratic dispensation presented opportunities for both South Africa and the region. First, South Africa used the opportunities to level some criticisms that it was not a genuine African country. This conclusion was based on the notion that there is more economic linkages are concentrated towards the Northern countries than Africa. The region also used this opportunity to establish new economic ties with the erstwhile apartheid South Africa in the hope of bolstering economic development and prosperity. This was however a fundamental departure towards building economic solidarity with regional member states.

## CONCLUSION

The purpose of this chapter was to discuss the significance of South Africa's entry into the wider political and economic union within the SADC. South Africa's accession to the SADC was therefore an acknowledgement of the significance to consolidate the region's economic potential. Again, it demonstrated the fact that South Africa cannot escape its regional obligations as part of the continent. This inclusion imposes some obligations for SADC in the context of regional integration. This chapter has highlighted the potential of South Africa's economy vis-à-vis SADC member states and how this would impact on the SADC's development agenda. It has demonstrated how South Africa dominated the region as the new partner.

The admission of South Africa into the SADC was thus based on the premise that South Africa would help the SADC to realize its development agenda. This inclusion coincided with the SADC regional integration. With such a magnitude of the economy, South Africa is expected to maximise prospects for SADC regional integration. However, this resulted in some states voicing an opinion that this raises the possibility of small states being swallowed by the economically dominant South Africa. However, due to its overarching dominance other states the region needs to formulate the model of integration that would enable this dominance to be effectively utilized. This chapter set out to discuss South Africa's domination of SADC broadly. The domination of South Africa coupled with the active penetration of South African companies both at a regional and continental level triggered the concern as to what patterns of integration the region will adopt given this status quo. The next two chapters of this thesis will deal with patterns of integration within SADC in greater details.

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## CHAPTER FOUR

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### REGIONAL INTEGRATION IN SOUTHERN AFRICA

#### 1. INTRODUCTION

The previous chapter dealt with South Africa and the SADC from a historical perspective. It traced the historical role of South Africa in the region and illustrated South Africa's power in the region. As the economic powerhouse of the region, South Africa's inclusion into the regional bloc raises important questions regarding the SADC regional integration project.

This chapter focuses on the regional integration project. It seeks to examine the model of economic integration appropriate for the SADC, explore existing initiatives and assess the probable role of South Africa within the SADC. The chapter starts with the theoretical proposition of integration in Southern Africa. This is followed with the models of integration and the practical initiatives within the region. It is against this background that the final part of the chapter poses the question of the likely role of South Africa in the integration process of the region.

#### 2. THE RATIONALE FOR ECONOMIC INTEGRATION

The advent of globalization has brought the agenda for economic integration both in SADC and many regional blocs around the world. Globalization has been defined in different ways. Ajulu (2001:1) for example argues, "globalization has become a catchword associated with all kinds of meaning depending on the ideological trenches occupied by respective scholars". He argues that the concept has acquired economic, technological and financial connotations. As used here the concept globalization refers to the "integration of all markets around the world in a more integrated system" (Brummerhoff, 2001:1). The process of globalization has significantly challenged the

individual states' capacity as custodians of development. States are increasingly becoming weaker as the non-state actors have joined the centre stage as agents responsible for shaping the discourse of development. Development has thus become a multifaceted process that cannot be accomplished by states alone.

The process of globalization is principally driven by some important multilateral institutions such the World Trade Organization (WTO), World Bank, International Monetary Fund, Group of Eight (G-8) and the Organization for Economic Cooperation and Development (Tandon, 1998:2) These institutions are famously known for pushing neo-liberal economic policies in the South which set political conditions for eligibility for loans from the World Bank and International Monetary Fund. The Structural Adjustment Programmes (SAPS) driven by the World Bank and IMF have also become important manifestations of the neo-liberal economic values. SAPS have been blamed for bringing economic chaos in the developing world since they call for the withdrawal of the state in the running of the economy.

These developments have weakened the capacity of states in the South. Therefore, regional integration is thought to be an instrument to reclaim the relevance of state as the purveyors of development within their own parameters. As Grugel (2000:7) has noted, "weak states have less means to hold globalisation at bay, whereas strong states may be more able to mitigate its effects". Southern African states still lack the capacity to challenge the negative effects of globalization due to lack of economic diversification. This can be evidenced by Southern African states' continued reliance on the export of primary commodities particularly from the agriculture and the mining sectors. These raw materials are drastically losing value in the international markets. As Hough (2000:4) has warned, "the low level of economic development of the SADC in terms of technology, infrastructure, technical and managerial skills, increases the risk of being marginalized." This status quo is not conducive for Southern Africa to make a meaningful impact in the global economy. States in Southern Africa therefore need to transcend these shortcomings in order to be competitive on the global scale.

Thus, regional integration becomes a strategy to enable weaker economies to fully realize their potential in the global scale. Integration has also been seen as a way of overcoming the shortcomings of member states within regional blocs. For instance, the SADC consists of economies that are weak and essentially not diversified. This has been manifested by the SADC's reliance on primary commodities that are severely affected by market fluctuations. This phenomenon tends to accelerate the peripheralization of weaker economies, which result in the diminishing of their influence in the world economy. It can therefore be argued that integration is a mechanism to enable weaker economies to reclaim their strategic influence in the global economy.

However, regional integration is not a new phenomenon. There have been many attempts at regional integration across the globe. What essentially makes the process of regional integration gain prominence in contemporary times is the context in which it is occurring, which is globalization. Globalization has brought significant challenges to both weak and small states in the global economy. This has imposed a challenge on states and regional economic blocs around the world to initiate programmes in response to this process.

Regional economic blocs such as the Association of South East Asian Nations (ASEAN); the Common Market for East and Southern Africa, the Economic Community of West Africa (Comesa); and the Southern African Development Community (SADC) have been established and are busy integrating their economic markets. This evolving trend of economic integration is symptomatic of the negative effects of globalization. Due to the polarization of economic benefits and resources caused by globalization, regional blocs are faced with severe challenges to economic survival. As Tsie (2000:11) has argued "regional cooperation and integration appears to be the only alternative in effectively meeting the challenges of competitiveness spawned by globalization."

Through integration initiatives, regional economic blocs intend to maximize their potential within the global market. Economic integration is thus a means to increase their capacity to become meaningful players in the mainstream globalization. Integration increases the bargaining power of member states vis-à-vis Transnational Corporations

(TNCs) because a regional bloc will tend to have more power than any of its member states alone (Tsie; 2000:11). In a nutshell, it allows states of the South to consolidate their power to challenge policies of multilateral institutions, such as the (International Monetary Fund, the World Bank, as well as World Trade Organization and the United Nations) which are not favourable to their economic well-being. As a result, member states will be in a position “to achieve that which they cannot do as individual economies on the global scale” (Tsie, 2000).

According to Brummerhoff (2001:1), the motivations underlying regional integration initiatives are both political and economic, resulting, *inter alia*, from disillusionment with regional and international political and economic systems that are viewed as unfavourable to developing countries. Therefore, regional integration is viewed as a pivotal instrument to enable weaker economies to deal with the unevenness of globalization. In this context, integration is seen as an attempt to counterbalance the inequitable distribution of resources engendered by globalization. Regional integration can also be seen both as a response to the internal challenges as well as contradictions that have confronted the developing countries in present times.

As Abraham *et al.* (1997:130) have argued, Africa has failed to usurp the opportunities ushered in by regional trade. The Global Economic Prospectus and developing countries recommended economic integration as the key to economic success. Against this background, the regional approach is the mechanism to help the economies of Africa, Asia and Latin America to achieve rapid economic development. This implies that regional integration must therefore be a multipronged strategy capable of addressing both the internal and external factors as they impinge on development. In essence, member states must discharge their responsibility of augmenting their own internal development. Van Rooyen; (1998) and Davies (1998) share a similar sentiment. They argue that “integration can be used as a supplementary mechanism to support the existing process of economic development”.

In addition, Hoff (2001:1) observes that the collective rather than use of economic policies bases the rationale for integration initiatives on the premise that economic integration can yield greater developmental benefits. Expected advantages could include the following:

- Efficiency gains by overcoming obstacles in the way of economic development such as small market size, market distortions, inefficient production techniques and barriers in the movement of production factors;
- Gains arising from economies of scale could result from the large cost saving on projects realized through regionally coordinated and initiated investment in physical, social and institutional infrastructure.

This, however, does not mean that regional integration is a means to an end, since member states must still comply with the necessary requirements governing the process. Regional integration is mostly governed by protocols, which have to be signed and then ratified. Member states have to accede to the protocols through signing and ratifying. The ratification for protocols imposes some obligations of implementation. Therefore, the above-mentioned objective requires harmonization of protocols in order to be successfully realized. This is necessary to ensure that members' states will reap the benefits of integration.

According to Spence (1993:89) one major benefit of integration is the opportunity it provides for the redistribution of resources to poorer and weaker states. This is possible when big and small states build cooperation and joint strategies for promoting regional development. Tsie (2000:89) agrees with this notion and argues "there is a dire need to redress the legacies of the past (as in South Africa) and to rehabilitate societies emerging from civil war (DRC and Mozambique), as well as to seek a modicum of material security for the poorest of the poor such as Malawi and Tanzania". This implies that regional integration is a project that can be appropriated to resolve the inherent problem within the region. Integration is also an instrument for acquiring and building economic security among states.

Hough (2000:4) notes that “Southern African states are participating in the global market from a weak and disadvantaged position”. This is an important constraining factor impeding these states from becoming meaningful players in the global economy. It is in this context, that regional integration is vital in order to consolidate the position of Southern African states in relation to powerful competitors. Therefore, it is imperative that regional integration initiatives in Southern Africa have to be adapted to meet this specific objective. Regional integration should enable states to have the capacity to control capital flight from within their borders. This implies that the SADC needs to ensure that in this era of integration, states need to balance the ratio of inflow of capital vis-à-vis the outflow rate.

Grugel (2000:7) argues that globalization has in fact created stringent conditions for Southern African states. Firstly, it places them on equal footing with the developed world. Secondly, southern states are trapped in competitive relationships in the same way as the core states. And, thirdly, it introduces an element of competition in which southern states are expected to compete for investment. He maintains that in most cases, this does not really amount to investment but to the opening of their fragile economies. This results in exploitation of the southern states by the northern states for the benefit of capitalist development. Therefore, it is of pivotal importance that regional integration should be a mechanism to deal effectively with the dynamics of global capitalism. In this way, regional integration can be the most effective strategy of weak and smaller states to assert their influence in the process of capitalist development.

In Southern Africa the regional integration debate is of pivotal importance since it is premised on several dimensions. These constitute the main essence of the significance of integration in the context of regionalism in Southern Africa. According to Brummerhoff (2001:5), integration in Southern Africa is important because (i) countries are aiming at self-sufficiency, (ii) the economies are gearing themselves towards industrialization and modernization, (iii) and the opportunity to get massive investment both locally and internationally depends on regional economies to integrate their market.

These objectives signify the rationale for regional integration in the context of Southern Africa. It is against this background that regional integration is embraced as a viable option for accomplishing regional development. In essence, regional integration is a mechanism to enable weaker economies to become potential players in the global economy. Alternatively, regional integration can become an essential instrument capable of taming the negative effects of globalization. The overall objective of states in this era (of globalization and new regionalism) is to create economies of scale. As Tsie (2000:11) argues, 'market size and growth' are the central determining factors for investment in this new era.

This imposes a significant challenge for a region such as Southern Africa to accomplish these two important requirements for meaningful participation in the global economy. It implies that states in Southern Africa must cede a considerable degree of their national sovereignty in order to create unified economies of scale. This however can be achieved if states believe that regional integration will yield equitable benefits. Another challenge for Southern Africa is that upon accomplishment of this goal, member states will have to ensure that these markets are characterized by growth. The SADC is still a mile away from achieving this since it is not a unification of states of relatively equal size and similar economic development.

## **2.1 MODELS OF INTEGRATION**

The SADC regional integration programme intends to redress the following key priorities: these are uneven development, skewed integration, and trade imbalances that continue to favour South Africa at the expense of the region. It is therefore against this background that the region has to choose a model that will enable it to achieve the above-mentioned objective.

**(a) Market-led integration**

According to Van Rooyen (1998:128), the market-led approach is based on the integration experience of industrialized states. This involves the lowering and removal of trade barriers between states in a region in order to increase the trade level between them. The market-led integration approach evolves from the custom union theory of Jacob Viner. This approach denotes that integration is a linear model. This implies that countries must pass successive stages of integration such as: free trade, custom union, common market, economic union and total integration in a political union. Each stage of integration has its own conditions that have to be fulfilled before passing to the next stage of integration.

A custom union is a more advanced level of economic integration than a free trade area (Ratnesh, 2001:86). In this type of integration, member states are required to eliminate tariff and non-tariff barriers in order to promote intra-regional trade and investment. For instance, the Southern African Custom Union (SACU) was established between Botswana, Lesotho, Namibia, Swaziland and South Africa. This type of arrangement allows for the free movement of goods and services. There is also a common revenue pool, which is monies accrued from the imposition of tariffs on non-union members.

A common market however is one step ahead of a custom union. In addition, a common market allows for the free movement of labour and capital within the common market. An economic union is also yet another advanced form of integration. An economic union achieves some degree of harmonization of national economic policies (Ratnesh, 2001:86). This is mainly achieved through implementation of the provisions of the protocols governing the integration process. The European Union has achieved this stage of integration and is currently involved in plans to enlarge it through accommodating new members such as Turkey, and Eastern European states (Romania, Poland, etc).

This conception views development as a linear process. The SACU region has experienced these stages for a custom union; however, it has not yet triggered any economic development for the SACU states. The SACU states are still dependent on South Africa even though they have eliminated tariffs to allow for free movement of

goods and services. This has not translated into economic development, but essentially dependence. Furthermore, dependency is seen from SACU states' continuous concern for negotiating a better sharing formula with the Union. It can thus be argued that this path of market-led integration does not guarantee economic development and prosperity for all. The problem in Southern Africa is beyond the elimination of tariff and tariff barriers, but essentially economic production.

In addition, market-led integration is also premised on the notions of trade creation and trade diversion. The variable of trade creation should precede trade diversion in that there should be a high volume of trade between members' states before engaging with non-SADC members. This approach imposes a significant challenge to the SADC to address these factors. The region presently does not seem to have the capacity to balance these two important variables (trade creation and trade diversion), since some states are already in trade and economic relationships with the northern states. The current wave of regionalism does not seem to be in line with this conception of integration because trading states are concerned about fulfilling the conditions needed for any type of integration.

This model however will not guarantee equitable benefits emanating from the integration scheme. As Van Rooyen (1998:128) has noted, the model will tend to favour certain countries, which had achieved a certain degree of economic development such as Seychelles, South Africa, Mauritius and Tanzania. Van Rooyen argues that this model can be successful if certain conditions are met:

- once members are on the same level of industrial development;
- if members have broadly similar economic and political systems, and have a diversity of products services to trade;
- and if all members perceive integration to be beneficial.

Since the SADC is far from achieving the complementarities needed for its successful implementation, market-led integration is unlikely to contain South Africa's regional dominance and on the contrary might give it leeway for further exploiting the region.

This model will not provide an effective remedy for the accomplishment of the objectives of regional integration as identified in the SADC Treaty.

The region is still preoccupied with the problem of manufacturing due to lack of industrial development. South Africa's overarching economy is still an impeding factor to the industrialization process in Southern Africa. In addition, the South African economy is not yet open to the other SADC member states and trade has failed to be the engine of growth within the region, instead it is favouring South Africa at the expense of the region. As a result, it maintains high export volumes towards regional member states. Davies (2000:52) argues that integration in Southern Africa should not centre on removal of trade barriers and non-trade barriers. This suggests that the problem in Southern Africa is not about trade only but extends beyond that concern. Instead, the SADC economies are still grappling with diversification of their economies. This lack of diversification subjects the region to extensive reliance on primary commodities, which are becoming insignificant on international markets.

It would seem therefore that market-led integration is not a relevant model for Southern Africa because it is still characterized by huge disparities. Firstly, this model essentially allows for market forces to dictate the process of regional integration. As a result, the market forces will perpetuate these inherent disparities between the member states. The SADC still needs active involvement of states in order to curtail these disparities. Secondly, the region has not yet achieved a required level of industrialization needed for the success of this model. Thirdly, this model needs a highly institutionalized organization in order to regulate the actors in the market. The SADC is still far from achieving the supranational status in order to deal effectively with the complexities of this model.

This model is not suitable for SADC since member states have not yet reached the same of level of development. Moreover, the SADC is still lacking well-developed institutions to ensure equitable and fair distribution of benefits. The market-led type of integration requires strong and developmental states with the capacity to regulate the market and

shape direction of development. States in Southern Africa do not have the capacity to create mechanisms to ensure that the markets do not only promote the sectional interests but also national interests. Furthermore, the market-led approach to integration is relevant for well-developed societies where active state involvement is not necessary. However, these conditions do not yet exist in Southern Africa and, therefore, the model is inappropriate for SADC.

#### **(b) Developmental integration**

Development led integration is yet another type of approach in the discourse of regional integration. Van Rooyen (1998:128) notes that the development integration approach is a response to the shortcomings of market led integration approach. The model emphasizes that industrialization should be the first and foremost priority before market integration can be implemented. This implies that the economic structural transformation must take place, with diversification away from commodity exports. Developmental led integration is embraced to preface market led models, due to its capacity to augment structural transformation of the economies of states. The former approach is vital for societies that are still pursuing policies intended to change the status quo created by the past legacies, whereas the latter is effective for distribution of benefits with limited government intervention.

According to Soderbaum (2000:10) developmental integration is “the concerted efforts of state and non-state actors within a geographical area to increase the economic efficiency and development of the region”. This has culminated into a new development paradigm in which states are no longer exclusive purveyors of development within their parameters. In this context, states have been joined by a host other actors with potential to contribute to both national and regional responsibilities. Developmental regionalism creates a new platform between states and private companies to shape their policies together to augment prospects for development. Private companies are no longer guided by selfish profit making interests but also contribute to national and regional development. This suggests that lasting profit making can be realized in a sustained

development oriented environment. In addition, Tsie (2000:15) argues “developmental regionalism provides fruitful avenues for examining the manner in which resource-based regional integrated industrialization (and therefore structural transformation) can be pursued in Southern Africa.

Hoff (2001:15) further argues that development integration stresses the need for close political cooperation, in order to overcome existing impediments and to pave the way for increasing market integration. He argues that it allows for political intervention to take place at an early stage of integration in order to facilitate the market process. This is what the SADC needs most in order to overcome disparities prevalent in the region. In the context of the SADC, states need to give market direction in order to create balance and equitable development. In addition, developmental led integration involves a multi-sector programme in production, infrastructure and trade. It is an imperative approach due to its multidimensional and strategic approach to development.

In addition, Blaauw et al (2000:53), maintain that developmental regionalism provides states with a forum to form partnerships with ad hoc communities in ways, which aim to counter the lopsided economic relations, which may prevail in the region. This implies that the benefits will not accrue to powerful economies, but will be distributed evenly in order to ensure that regional economies become sustainable. They further contend, that this model provides a framework for both states and non-state actors to set parameters for building new regional economic capacity. The Maputo Development Corridor has shown the collaboration between governments and private companies in engendering regional development. This project was highly successful and managed to bring the much-needed private capital in the region. Developmental regionalism provides an effective instrument for states and non-state actors to build strong regions that have the capacity to compete globally.

Tsie (2000) further argues that the problem of underdevelopment in SADC is not only due to the lack of diversification of production but also the existence of untapped resources. The Public Private Partnerships thus provides states with a mechanism for

joint exploitation of resources. Furthermore, he notes that the model provides space for SADC to pursue export oriented industrialization strategy, which temporarily provides infant exporters with protection until they are strong enough to face international competition. Therefore, developmental regionalism seeks to strengthen the capacity of members' states in order to deal with the challenges of global economy. Developmental led integration is vital for SADC since industrialization is still at an embryonic stage and therefore needs state protection at all cost

It would seem therefore that developmental regionalism is the most appropriate model of integration in Southern Africa in order to address the poverty and unemployment that characterizes the region. As Tsie (2000:15) notes, this approach stresses that the region, as a whole, needs to generate productive employment opportunities. He suggests that this can be achieved by promoting "down stream manufacturing, acquiring, technological, alleviating abject poverty, achieving gender equality and redressing the legacy of the past. This approach seems to be an effective instrument to ensure that states and markets can work together to champion development. Also, model does not render interests of governments subordinate to the market dictates. The 'dynamic synergy' between states and governments provides a mechanism for jointly initiating developmental processes both within and across the region.

Furthermore, in the advent of globalization, the regions cannot rely solely on a single strategy as a mechanism of generating development and growth. Therefore, in the context of development integration states will have leverage as opposed to other host of actors in the process of regionalization. In this context, states can still maintain their relevance and influence development in undeveloped regions. The development integration model is a viable option for Southern Africa because it is still emerging from the legacies of the past integration schemes and destabilization policies of South Africa. This approach is interested in increasing the capacity of small states to become meaningful participants in both regional and international level. It can be seen, that small economies stand to benefit provided the region embarks on this type of model.

### **3. EARLIER REGIONAL INTEGRATION INITIATIVES IN SOUTHERN AFRICA.**

#### **Southern African Custom Union (SACU)**

Regional integration initiatives in Southern Africa are varied. There have been miscellaneous attempts at regional integration in Southern Africa. The first and foremost regional integration initiative in Southern Africa was the Southern African Custom Union. The SACU is regarded as the longest surviving regional integration scheme in Southern Africa. It was “established in 1889 and by 1895 it had grown to cover the entire area of what is today, South Africa, Botswana, Lesotho, Swaziland and Namibia (BLSN).” Though this regional integration scheme is of a relatively small scale, it became successful in promoting trade and investment within respective member states.

However, the SACU regional economic arrangement has intensified the dependency of Botswana, Lesotho, and Swaziland on South Africa. They depend substantially on the South African infrastructure networks. Three of these countries are landlocked, making them particularly economically vulnerable to the South African economy. Furthermore, the asymmetrical trade between South Africa and these states still compromises their economic development. As Poku (2001:87) has noted, “the exports share for BLS has always been much less than import share in a relatively large structural trade deficit for BLS, vis-à-vis South Africa”. The overarching economy of South Africa however strangles the economic development of these states due to the high volume of South African exports to their markets. These states do not have the same economic capacity to flood South African markets with their goods and services. Therefore, trade is not proportional between South Africa and these states (BLS).

According to Poku (2001:85) the SACU provides for a duty free movement of goods and services between member states and also for a common external tariff against the rest of the world, but it also goes beyond a purely custom union in that it includes the exercise of duties. In its preamble, the SACU intended to achieve the following:

- to ensure the continued economic development of the custom union area as a whole;
- to ensure in particular that these arrangements encourage the development of the less advanced members of the custom union;
- the diversification of their economies, and to afford to all parties, equitable benefits arising from trade among themselves and with other countries.

Despite these important objectives, the SACU member states, (Botswana, Lesotho, Namibia and Swaziland) are still dependent on the economically powerful South Africa. This type of economic establishment did not promote the economic independence of the BLNS, instead, it subjects them to South Africa's economic domination. South Africa still has a tremendous influence in determining the sharing formula within the Custom Union. This has been exhibited by South Africa throughout the existence of the SACU. As Poku (2001:87) has noted, in 1969/70, Botswana, Lesotho and Swaziland received 3.9% of the common pool and South Africa 96.1 percent. However, in 1990/91 the BLS share had increased to 17.1% with further 8.3 % to the now independent Namibia, while Pretoria's share had fallen to 74.6 percent. In essence, this was a positive step towards ensuring equitable distribution of benefits among member states. However, South Africa still exports more than she imports from these countries and continues labouring them with negative trade balances. As highlighted previously, South Africa's hegemonic dominance in SADC manifests itself in miscellaneous ways.

The Hyundai-Volvo affair offers yet another illustration in which this hegemony becomes more visible. Hyundai was accused of violating the SACU agreement since it was importing semi-built cars into Botswana, where it completes the assembly. Since this move was threatening the South African Automobile industry, the Association strongly advocated the imposition of tariffs on Hyundai imports destined for the South African market. As a result, the plant was forced to relocate to South Africa due to high tariffs imposed by the South African government against the company (McGowan *et al.*, 1998:182). This behaviour was hegemonic in orientation rather than showing a desire to build partnerships in a quest to achieve regional economic development. It is against this

background that we need to determine whether South Africa's role within SADC applies to either a hegemonic or partner dichotomy.

In addition, South Africa has implemented unfair business practices against any competitors posing a threat to its market. The imposition of tariffs serves as a mechanism to ensure that South African goods and services continue to enjoy a leverage vis-à-vis other potential competitors. It is also a strategy to perpetuate 'dominance-subordinate relations' between South Africa and the SADC states. McGowan *et al.* (1998:183) note "the Citroen car assembly at Gobabis, a fertilizer factory in Swaziland and a television assembly plant have been treated with the same striking similarities as Hyundai in Botswana".

They further argue that these companies were forced to close due to the unfriendly business environment propounded by South African strategy. This culminated in a scathing attack by the Namibian Trade and Industry Minister, Hidipo Hamutenya, in which he maintains "...there is sufficient evidence that South Africa has put in place measures designed to hamper new industrial projects in the BLNS countries that will compete with South Africa (McGowan *et al.* 1998:183). Thus, South Africa's economic operations within Southern Africa undermine the potential growth of SADC member's states. As a result, South Africa is poised to continuously achieve high level of economic development, while rendering the development of SADC member states stagnant. This hegemonic dominance of South Africa within the region has been further entrenched by the implementation of the neo-liberal macro-economic policy.

In addition, South Africa has implemented unfair business practices against any competitors posing a threat to its market. The imposition of tariffs serves as mechanisms to ensure that South African goods and services continue to enjoy a leverage vis-à-vis other potential competitors. It is also a strategy to perpetuate 'dominance subordinate relations' between South Africa and the SADC states. McGowan *et al.* (1998:183) notes "the Citroen car assembly at Gobabis, a fertilizer factory in Swaziland and a television

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#### **THE NEW SACU TREATY NEGOTIATIONS**

More recently attempts have been made by the SACU states to counter the hegemonic dominance of South Africa within the Union. This led to a dialogue, which intended to redress the status quo between South Africa and the SACU member states. The New SACU Treaty Negotiations were thus about addressing the dissatisfaction among the SACU states regarding the sharing formula in the Common Revenue Pool (CRP). The BLNS states have consistently contested the sharing formula between themselves and South Africa. South Africa has been responsible for determining the sharing formula within these states. The new SACU Treaty Negotiations were about the determination of the sharing formula between South Africa and the SACU states in 1991. This was basically an attempt to ensure the equal distribution of benefits between member states within SACU.

These negotiations resulted in the following resolutions to ensure fair trade and mutual benefits between member states: (i) equitable distribution of benefits from trade among

SACU members. The benefits in question are the result of trade creation and trade diversion effects. Each of these has both production and consumption aspects. (ii) In so far as trade creation effects are concerned, an equitable Custom Union would require transfer of the benefits from trade to be made from South Africa to BLS. (iii) In the case of trade diversion, the sources of inputs for production and commodities for consumption from the perspective of BLSN are mainly South Africa (Poku, 2001:88).

Furthermore, Poku (2001:86) argues that, “to moderate South Africa’s dominance there is a compensation mechanism or revenue sharing formula with compensation factor of 42 percent for the BLSN. The amount calculated is then amended by a stabilization factor aimed at guaranteeing to each BLNS country a rate of revenue of between 17 and 23 percent”. Ever since its operations began, the SACU has been designed to promote the South African economic hegemony within itself (McGowan *et al.* 1998:179). South Africa has frequently flexed its economic muscles in order to engender ‘dominance-subordinate relations’ between itself and member states. As previously mentioned, the SACU is South Africa’s captive market and South Africa’s goods and services are mainly competitive in the BLNS states (McGowan *et al.* 1998:179).

McGowan *et al.* (1998) note that the SACU states receive the following percentage in the Common Revenue Pool (CRP): in 1995 about 16% of Botswana’s, 50% of Lesotho’s, 30% of Namibia’s and 50 percent of Swaziland’s revenues (Dludlu 1998a cited in McGowan *et al.* 1998). The New SACU Treaty resulted in the significant increase of these percentages. South Africa was highly opposed to the increasing of the formula under the pretext that “these transfers were said to be both unaffordable and unsustainable and the Uruguay Round and the General Agreement on Tariffs and Trade (GATT) committed South Africa to significant tariff reductions, but the current SACU treaty prevents the corresponding reduction in the CRP’s reduction tariff income from being passed on to the BLNS states”.

As noted in Chapter Three, South Africa's economic relations with SADC continued to be dogged by ambiguity. Even though South Africa is a signatory of the WTO regimes and the SADC protocol, it has not yet liberalized its economy towards the region. South African firms and companies are still protected from competition from other producers due to high tariffs. South Africa, instead, made a generous offer to put the stabilization factor of 42% among the SACU states. The South African government maintained, "instead of being legally bound by a fixed formula, it would have the prerogative to offer (or refuse to offer) financial aid". The New SACU Treaty Negotiations were highly dominated by South Africa and a media blackout was maintained throughout the process. McGowan *et al.* (1998:182) maintain that thrashing these issues out behind closed doors enhances the exercise of hegemonic power.

#### **RAND MONETARY AREA**

The Rand Monetary Area (RMA) is another form of regional economic integration scheme in Southern Africa. The RMA came into existence in 1974 through an agreement between South Africa, Botswana, Lesotho and Swaziland. According to Mills (1994:1) the Common Monetary Area superseded this in 1986. This follows the inclusion of Namibia in 1992 and led to the transformation of this establishment into the Multilateral Monetary Agreement. This scheme was necessary for trade and investment purposes, in that it ties the currencies of the member states together. In addition, the significance of this arrangement is to implement common exchange and free movement of funds among member states.

#### **FRONT LINES STATES (FLS)**

According to Mills (1994:2) the Front Line States also represent another attempt towards promoting regional integration in Southern Africa at a political level. Its scope of operations was mainly guided by the political circumstances in Southern Africa. Therefore, its agenda was therefore politically oriented. The FLS was formed through the inspiration of SADCC in 1980 to serve as its political wing. Mills (1994:2) argues that

the FLS was intended to bring together the independent states of Southern Africa, notably Zambia and Tanzania and lobby for the liberation of South Africa and Zimbabwe. Some states in Southern Africa never became members of this organization because of security reasons. This body was successful in its mandate to facilitate liberation within Southern Africa. Through the powerful lobbying and the systematic pressure exerted on South Africa, both by FLS and the international community, Namibia was liberated from colonial rule in 1990, and was followed by South Africa in 1994. The goal of liberating Southern Africa, which was the primary focus of this organization, was eventually achieved.

## **COMESA**

The Common Market for Eastern and Southern Africa (Comesa) is another regional integration initiative in Southern Africa. Comesa evolved from the Preferential Trade Agreement for Eastern and Southern Africa, which was formed in 1981. Mills (1994) maintains that Comesa aimed to promote economic reliance among its twenty-three members both from Eastern and Southern states. Its aim is to liberalize trade, foster co-operation in industry, agriculture, transport and communications and create a regional common market through the dismantling of tariff barriers by the year 2000. Its membership includes Angola, Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

Ngwenya (2001:45) notes that Comesa and SADC are working towards the goal of achieving continent wide economic community. This objective is in line with the aims of the Organization of African Unity (OAU), recently transformed into the African Union (AU), which embraces the building of the African Economic Community. However, Comesa is regarded as a more successful integration initiative than the SADC. Comesa is ahead in terms of regional integration initiatives because of the 'variable speed' strategy, which enables subgroups of countries that are able to implement regional economic integration at a faster pace than others (Ngwenya;2001). This approach can be very

important if only those, which are ahead in terms of implementation, serve as incentives and models for encouraging others to follow the same route. However, this model can further alienate others from integrating fully into a single unified integration bloc.

According to Ngwenya (2001:45) Comesa has signed the treaty, which sets out the agenda for the regional bloc and covers a large number of sectors and activities. This treaty is important since it outlines priorities that should characterize member states. It also attempts to forge a common vision among Comesa member states. Comesa is also aiming to achieve regional economic integration as its long-term project. Furthermore, Comesa has made a solid commitment in its quest to achieve the mandate it has set for itself. This involves the realization that

- trade cannot increase unless higher levels of production are achieved,
- higher levels of production cannot be achieved unless there is investment in the productive side of the economy,
- investment will not take place unless market access is guaranteed to investors (ibid).

#### **4. SADC AND RECENT REGIONAL INTEGRATION PROJECT**

It is against this elaborate discussion of integration initiatives that we can briefly discuss the SADC integration project with a view to assessing the probable role of South Africa within SADC. The regional integration process in SADC has been prompted by several factors. Firstly, the region needs to become globally competitive. Secondly, the SADC states intend building the capacity to deal with their own domestic contradictions. As argued previously, the SADC regional integration is two-dimensional: and deals with both the internal and external factors earlier as they impact on regional development.

The process of regional integration in the SADC was started at the 1989 Consultative Conference, which led to the adoption of the Theme Document: Towards Economic Integration and the SADC Treaty. The region has enacted various protocols to symbolize the progress of regional integration. According to Ramsamy (2001:34), “protocols

provide a legal policy framework within which member states are expected to align their national policies in order to develop and achieve regional goals". However, the most frustrating aspect so far is the delay caused by States in ratifying the protocols. Nonetheless, conditions in the global economy dictate that the SADC needs to integrate their markets in order to increase their capacity in the global economy.

In 2000 the African Development Bank (ADB) conducted a study on "Economic Integration in Southern Africa" the results of which had a strong bearing on SADC regional integration concept. The study recommended the following:

1. Priority should be given to investment in productive capacities and infrastructure aimed at increasing levels of production in all sectors.
2. Sector and project co-ordination retains a crucial function in this context and needs to be continued.
3. Macro-economic convergence, being a prerequisite for market integration, must be pursued vigorously in pursuance of harmonizing the economic fundamentals between member countries (fiscal and monetary policies, inflation and exchange rates).
4. The role of the private sector has to be enhanced through a conducive and enabling environment. The transition from sector coordination to market integration cannot be maintained without private business.
5. In a pragmatic manner the concept of variable geometry should allow for multi-speed implementation of the various agreements (Hoff, 2001:5).

As part of fostering prospects of regional integration the SADC states have signed the protocols. However the only lacking aspect is the implementation of the provisions emanating from the protocols. This includes protocols in the areas of immunities and privileges, trade, mining, energy, transport, communications and meteorology, education, and training, shared watercourse systems, health, tourism, wildlife conservation, law enforcement and combat illicit drug trafficking. These efforts are an imperative in order to consolidate the integration project within the region.

In addition, regional integration in Southern Africa intends to enable member states in the region to have the capacity to develop their potential in order to achieve economic development. As previously argued, it is also a mechanism to help the economically weak states to benefit from the relatively developed states. This is relevant in the context of Southern Africa because some countries in Southern Africa are still mono-culturally based economies, for instance, Zambia's dependence on copper. In this context, developmental regional integration is an important strategy to provide solutions to this status quo, since its major strength is to develop multi-sectoral strategies of development.

The SADC regional integration project is geared towards building conditions for the implementation of developmental regional integration. Currently, integration in the SADC is manifesting itself in various ways, both within, and across the region through various strategies such as the joint exploitation of resources. For example, the Transfrontier Park is an important initiative between South Africa, Botswana, Angola, and Mozambique. This integration initiative will promote tourism between and among these countries. In this context, the revenue is equally distributed within these countries and can be used for infrastructural development purposes. This approach is however, sensitive to the political dynamics of the region.

## **CROSS BORDER INITIATIVES**

Regional integration also intends to contribute to the provision of infrastructural development in Southern Africa. This phenomenon is gaining momentum under the auspices of Spatial Development Initiatives and Cross Border Initiatives. According to Regional Economic Review (2001), Spatial Development Initiatives are "short term investment strategies that aim to unlock inherent economic potential in specific Southern African locations". These initiatives include some important factors that are significant to the Southern African region in a number of ways. For instance, (i) they use public resources to leverage private-sector investment through identifying and assessing potential investment opportunities, (ii) and ensuring that the infrastructure and other resources are in place to create investment-friendly (ibid).

This is vital for Southern Africa since high level of disparities among member states characterizes a region. As a result, governments in Southern Africa must initiate projects that have the potential to solicit the involvement of other stakeholders in championing both national and regional development. The capacity of states as purveyors of economic development within their societies has also been undermined significantly by the advent of globalization. Therefore, forging partnerships with the private companies, states can still play a central role in influencing development within the region. In the context of Southern African states, it is still necessary to give political direction pertaining to both national and regional development. It is against this background that States in SADC can adequately address infrastructural development within the region.

The SADC has fully embarked on Spatial Development Initiatives since in the 1990s. Some important success stories in this case include the Maputo Corridor, Beira Corridor, Trans-Kalahari and Walvis Bay Highways, Lubombo and the Fish River Highway. These initiatives have thus promoted the public private partnerships schemes within the region. They have provided feasible mechanisms that development is possible phenomena given the collaboration of important stakeholders in the process. These initiatives are important in the context of Southern Africa since “they consolidate the position of the region for new investment in heavy industry, tourism, agriculture and agri-processing and mariculture” (Regional Economic Review, 2000:75). This can be vital in terms of helping the region to diversify its economic capacity. It is against this background that the region can achieve competitive development in all sectors of the economy.

Since the inauguration of the Spatial Development Initiatives in the 1990s through the IMF and the World Bank, the region has successfully achieved significant progress on infrastructural development. These initiatives have contributed largely in terms intra-regional trade and investment within the region. For instance the Regional Economic Review (2000:75) notes that the SDIs generated at least 400 investment projects with a value of more than R83 billion. It is of pivotal importance since Southern African states desperately needs investment to rescue their ailing economies in order to meet some

developmental needs within their respective societies. In addition, the SDIs are effective mechanisms to generate foreign direct investment within the region. These efforts are necessary because they promote economic development through joint ventures. It is also an important mechanism to consolidate the capacity of the member states to become instrumental in developmental processes.

According to Soderbaum (2000:10), “the involvement of the private sector is crucial in the whole SDI / development corridor paradigm”. This feature is indicative of a new phenomenon in the whole process of regionalism and regionalization in Southern Africa. Regionalism and regionalization are no longer the exclusive purview of the states only new actors are prominently gaining the centre stage in regional development framework as well. This factor has been increasingly visible in the Spatial Development Initiatives, which have been predominant in Southern Africa in the late 1990s. Therefore, the region has to contend with a great deal of challenges in this era of new regionalism. In addition Soderbaum (2000:10) notes that “SDIs involve an investors’ conference, in which private market is invited to fund and participate in major and so-called ‘anchor projects’ such as the Mozal project outside Maputo and the N4 Toll Road in the case of Maputo Development Corridor”.

The Spatial Development Initiative is an effective mechanism to ensure that Southern African region overcomes the uneven development orchestrated by Southern African integration schemes including South Africa’s destabilization policies. Since, it is premised on the public private partnership mechanisms it could be the best means and strategy to reduce dependency on South Africa. In this context states thus could forge links with other like-minded partners in the quest to provide infrastructural development within the region. They also serve as important mechanisms for provision of employment opportunities in Southern Africa.

## 5. CONCLUSION

The chapter was about regional integration in Southern Africa. The chapter has advanced the rationale for economic integration both at the regional and global level. The chapter has argued strongly for the integration of economic markets especially for the Southern states due to their insignificant input in the global economy. It has also maintained that SADC needs to follow a particular model of integration given the existing realities with the region. In this context the chapter has maintained that SADC states needs to adopt developmental-led approach to regional integration. In addition the chapter has provided an earlier integration initiatives within the region. Furthermore, the chapter discussed the SADC and the recent regional integration project.

As stated from the outset, the chapter concludes this debate by posing a question, which essentially emanates from the two previously discussed chapters. Those two chapters were concerned with demonstrating South Africa' overarching regional dominance. It is therefore proper to deliberate the likely role of South Africa within SADC. This role has been conceptualized between the dichotomies of the hegemon-partner debate by many theoreticians. The following chapter thus deals with these issues at greater lengths. It will attempt to provide clarification of these two concepts. In addition it will provide important scenarios and factors that can be attributed to the two worlds (hegemon-partner debate). The following chapter will therefore draw conclusions and provide and provide a rigorous analysis of the perceived role of South Africa within SADC.

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## CHAPTER FIVE

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### SOUTH AFRICA IN SADC: HEGEMON OR PARTNER?

#### 1. INTRODUCTION

The previous two chapters dealt with the role of South Africa in the Southern African Development Community (SADC). Chapter three focused on South Africa's historical dominance of the region. It highlighted some crucial factors that culminated into South Africa's regional dominance. Against this assessment it sought to draw some implications for the SADC regional integration project. These were further elaborated in chapter four, which interrogated the modalities of regional integration in Southern Africa. That chapter argued that the development regional integration model was probably more appropriate for SADC since it is still emerging from the legacies of the past. Furthermore, the chapter aimed to give an evaluation of South Africa's role within the SADC developmental regional integration framework.

Therefore, this chapter intends to question the role of South Africa within the SADC integration project. This role has been conceptualized in terms of hegemon-partner dichotomies (McGowan *et al.*, 1998; Van Wyk, 1997; Mlambo, 2001; Swatuk, 2000; Black, 1997; Oden, 1995). Before dealing with these issues in depth, the chapter will provide a conceptual clarification of hegemon and partner dichotomies. It starts with a brief abstract and empirical analysis of the two concepts and assesses the existence of any other possibility. The chapter will provide possible scenarios in an attempt to elucidate the probable role of South Africa within the region.

#### 2. CONCEPTUAL CLARIFICATIONS

##### (a) HEGEMONY

The concept of hegemony has been highly contested in theoretical discourse. According to Femia (1981:24) hegemony is essentially the consequence of two important elements: domination or coercion and intellectual or moral leadership. Hegemony is not something

that does not develop in a vacuum, but a condition that arises from the presence of these and other forces. Cox (1996:127) notes that the concept of hegemony in its wider applicability denotes relations of dominance and subordination, including relations of world order. Hegemony in sociology, political science and international relations, is used to describe dominance or control rather than leadership. Clarke describes hegemony as the policies of states which control or bully those within their influence (Clark:2002:3).

According to McGowan and Obeng (1998) hegemons are global or regional leaders in military, political, economic and often cultural affairs. They argue that all these factors are related to one another in order to produce hegemony. It implies that these dimensions mutually reinforce one another. In addition, they argue, the hegemon, working with its allies, makes most of the rules that govern global political and economic relations. Furthermore, the hegemon along with its allies usually controls most of the regional or international institutions where it holds sway. Thus, some argue, most of the policies of international institutions favour the hegemon and its allies ([www.dflorig.com](http://www.dflorig.com)).

Calleya (2000:3) maintains that hegemony is a recurrent feature of regionalism, contributing to polarization and resource imbalances. This implies that the concept of hegemony has become an important characteristic of regional blocs in contemporary times. For instance Brazil in the Mercosur, US within NAFTA, Indonesia within the ASEAN and South Africa in the SADC are perceived as hegemons within these regional economic arrangements. Therefore, the pivotal concern for success of regional integration is the ability of hegemons to cause skewed distribution of resources as this may impact negatively on the objective goals of regional integration. In the context of the SADC, regional integration is intended to redress the uneven development characterizing its member states, but the presence of a hegemonic state has the potential to derail the regional integration from achieving its intended goals. As argued in chapter four, the SADC integration project has to address these important factors in order to curb undesirable outcomes.

In terms of the control of international institutions, South Africa does not seem to control them. Its major diplomatic thrust has been geared to the promotion of democratization of the multilateral institutions (IMF, World Bank, UN, WTO) using its bestowed leadership on bodies such as the Non Aligned Movement (NAM). However, currently in regional institutions such as SACU and SADC, South Africa has a tremendous influence, which is vital to the exercise of its hegemonic dominance both within.

Femia (1981) notes that hegemony should be underpinned by an economic element. The economic element is an important instrument in maintaining and institutionalizing the existence of hegemony. As mentioned in chapter three the hegemonic status of South Africa emanated from the discovery of gold and diamonds in the Witwatersand and Transvaal, which became an important source of revenue in the South African economy. This was followed by the cheap migrant labour system, which in turn created the dependency relationship of the labour supplying neighbouring countries, such as Botswana, Lesotho, Swaziland and Mozambique. In a nutshell the development of the mining industry in South Africa was one of the mechanisms through which the dependency syndrome was created.

The economic dimension of hegemony is an important mechanism since it provides the capacity for operationalizing the hegemonic tendencies of the state both at an economic and political level and otherwise. It underscores the interrelationship between the economy and politics, and the two-way character of this process. Moreover, in order for a state to engage in serious political activities it needs the economic capacity to implement that ambition. This also applies to major economic decisions of the state that require political approval. For example, the South African economy is four times greater than the rest of the regional member states combined and this dominance spills over into the nature and manner of decision making across the region.

The existence of other dimensions such as military power is necessary in order to maintain political control over the strategic issues vital for the national interests of the state. The military can be used as an instrument of influence in order to maintain and

defend the national interests of the state, be these either security or economic interests or both. This was exhibited by South Africa in 1999, when it intervened militarily in Lesotho. Some of the lucrative deals, which emanated from the Lesotho Water Highlands Project were concluded during the South African National Defence Force (SANDF) presence in Lesotho.

Dominance in cultural affairs can be an important element of hegemony since it could be used to create hegemonic dominance psychologically through the production of cultural products. The well-known power and influence of American cultural artefacts and forces not only on its closest neighbours, such as Canada and Mexico, but across much of the world, is testimony to this. The role of culture in reinforcing South Africa's hegemony across the region is perhaps less apparent and even arguable, but it can be argued that some elements such as the power of its urban consumer values and its dominance in the media of the region are cultural elements that can be used in its shaping of regional relations.

Femia (1981) thus argues that hegemony can be created in a number of ways: political, economic, military and cultural. The erstwhile apartheid South African government exhibited this on a number of occasions throughout the 1980s. For instance during the P.W. Botha era the South African government wanted to establish a Constellation of Southern African states in which South Africa would assume leadership in the region. This was an illustration of what actually constitutes the desire to maintain a hegemonic status within the then SADCC. South Africa thus was impelled to play this dominance role through its destabilization policy due to international sanctions. In essence South Africa wanted to maintain this dominance in order to escape the adverse effects of sanctions and satisfy its narrow selfish economic interest. This strategy was implemented explicitly through the policy of destabilization in the 1980s in which the aim was the destruction of the region's infrastructure.

Buthelezi (2000:21) maintains that certain factors are crucial to the existence of South Africa's hegemonic position within the region. These factors are:

- Technological diffusion: the heavy transnational activities and foreign investment in the country have helped and advanced a technological base which can be easily diffused to the rest of the continent.
- Manufacturing output: South Africa has a large capacity in metallurgy, capital goods, construction and consumer goods, and regional cooperation, many of the manufactured products can replace more costly imports from the North into the rest of Africa;
- Skilled labour and entrepreneurship: a pool of skilled human resources and entrepreneurs can, through appropriate arrangements and joint ventures, facilitate their diffusion to the rest of the continent; and
- New development pole: post apartheid South Africa is widely expected to become an additional development pole for Africa, alongside Nigeria, Egypt and Kenya at the sub-regional level.

These are important factors upon which South Africa can claim its hegemonic position within the region. As a new entrant in the SADC these factors put South Africa in a strong position over the weaker and fragile other economies of the SADC and reinforces the 'dominance subordinate relations' between South Africa and the region. As a result the region is vulnerable to South Africa's economic and political strengths.

These factors highlight the need for the region to adopt the developmental led regional integration approach, as opposed to a market led approach, as argued in chapter four. It is through this type of regional integration strategy that SADC can be in better position to deal with the challenges of the negative effects of the presence of a dominant player in the region.

The region also needs to rely on other important mechanisms provided by WTO rules and SADC protocols so as to put pressure on South Africa to liberalize its economy towards regional member states. However, South Africa continues to rely substantially on the bilateral agreements with individual SADC states. These could however conceal the

hegemonic dominance of South Africa within the region since through bilateral arrangements South Africa is in a better position to negotiate better concessions for itself.

#### **(b) PARTNER**

The concept of South Africa being a partner in the SADC gained prominence during the political transition in the 1990s when the African National Congress was vying for political power. The ANC propagated the need for South Africa to become a partner in the region. This was clearly stipulated in South Africa's foreign economic policy towards the region. As South Africa anticipated joining the new SADC it gave an impression that it would essentially play a partnership role within the SADC. This implies that South Africa would increase prospects for regional integration within SADC. McGowan *et al.* (1998:178) note that partnership implies that "South Africa initiate reciprocal arrangements, opening its product market to SADC exports, its labour market to skilled (SADC) workers and universities and technikons to SADC students".

In addition, McGowan *et al.* (1998) argue that partnership should be characterized by the following: "specifically, South Africa's investment should promote SADC exports, technology transfer and reconstruction and development agreements; and infrastructural projects, lowering regional transportation costs, particularly for land-locked SADC states". Therefore, South Africa needs to work jointly with other regional member states to achieve sustainable economic development in this era of regional integration.

### **2.1 SOUTH AFRICA AND THE ECONOMIC INTEGRATION OF SADC**

Spence (1993) and Van Rooyen (1998) maintain that South Africa is strategically placed to become the driving force for the regional integration project within Southern Africa. As previously argued, South Africa's geographical position, its level of economic development and its credibility in the international community are crucial for South Africa's involvement in the SADC development framework. In addition, Hoff (2001:4) argues, that "prospects of friendly cooperative relationship with South Africa under the majority rule opened up new opportunities of integration with a view to creating a strong

competitive region". This however brought some level of optimism and despair among regional member states. Some small states within SADC saw the economically powerful as a threat to their economic well being while others perceived this as a boost to the prospects for regional economic development.

The inclusion of South Africa in the wider political and economic union of SADC implies several dimensions for the regional integration project. This implies that the region needs to adopt the model of integration that will be able to deal with the dynamics within the region. It is against this background that *developmental regional integration* is hailed as the appropriate model since it will confront the existing status quo and bring about structural transformation of the region. This model will provide a solution to the most obvious concern, which is the overarching dominance of South Africa in the region. Furthermore, this approach will ensure that the economic dominance of South Africa is used positively for regional development.

Halbach et al. (1998), Hoff (201) and Van Rooyen (1998) however cautioned about the possibility of polarization of benefits given the discrepancy between South Africa and the region. Polarization of resources would mean that the benefits would accrue to the economically dominant South Africa. This could lead to disintegration rather than integration. The SADC region is currently working on efforts to ensure that the objectives of regional integration are not compromised by these factors. This however depends on the capacity of the region to put mechanisms in place to ensure equitable benefits among member states.

In terms of SADC regional integration development, South Africa has been allocated the Finance and Investment Sector. This sector is coordinated through the Finance and Investment Co-ordinating Unit (FISCU). The South African finance minister is responsible for the overall coordination of this sector. According to the Governor of the Reserve Bank, Tito Mboweni, the award is recognition of the fact that South Africa possesses brilliant financial expertise and developed financial institutions (Mboweni,

1999:2). South African financial institutions are monopolizing this sector and this has the potential to reproduce South Africa's dominance over the region.

South Africa is deemed to play an increasingly positive role within the SADC regional integration project. The South African financial institutions are shaping the finance and investment conditions of the region. A Committee of the regions' Central Bank Governors meets twice a year and is chaired by the Governor of the South African Reserve Bank. Mboweni has noted that the Committee has recorded progress since its first meeting in 1995 in the areas of its terms of reference, which include closer cooperation among central banks in the areas of monetary policy and policy instruments; bank supervision; money and capital markets; international financial relations; and clearing and settlement systems, training and money laundering.

The South African government formally assumed responsibility for the newly established Finance and Investment Sector on 3 May 1995 (Brummerhoff :2001:4). Subsequently, South Africa convened a meeting of regional Finance and Central Bank Governors to develop a sectoral programme of action. This meeting culminated in three broad action goals:

- to provide a framework for regional cooperation in the area of finance in collaboration with central banks and other financial role players in order to mobilize more resources for investment.
- to encourage movement towards regional macro-economic stability by promoting prudent fiscal and monetary policies; and
- to promote the development of sound investment policies and movement towards the regional macro-economic stability of member states.

Through its control of the Finance and Investment Sector Unit (FISCU) South Africa's financial institutions have thus penetrated Southern Africa in terms of promoting financial management skills and institutions in the region. These include the following: Development Bank of Southern Africa (DBSA), Industrial Development Corporation (IDC), Khula Enterprise, National Housing Finance Corporation (NFHC), and the Land

Bank (LAB) (Torp et al.,2000:93). The operation of these institutions is sophisticated and has culminated in a clear division of labour. This increasing domination of South Africa of this sector poses a significant threat to equitable regional development.

The involvement of South African companies is crucial in order to deal with the challenges of regional integration and financial globalization. However, there is no guarantee of trickle down effects of integration benefits. This could essentially amount to polarization rather than convergence. Bummerhoff (2001:1) has cautioned that these processes should be characterized by important prerequisites that should go hand in hand with South Africa's greater participation in financial globalization that is further relaxation of exchange control and financial system among regional member states". Furthermore, Handley (1998:90) believes that South African capital expertise could be used to set up business, which could mean remittance to South Africa and skills for neighbouring economies. South African companies have shown interests in further engaging in regional integration projects. However, this could be motivated more by profit maximisation than mutual benefit. Therefore, in order to ensure trickle down of benefits the (sharing of skills and expertise) should be an important condition between the host governments and the operations of these companies.

As Blaauw et al. (20001:56) South African companies have "sophisticated regional strategies and push regionalization". This can be evidence by the large-scale involvement of South African companies in regional integration initiatives such as Eskom, Transnet, Banks, mining and other retail companies. As a results South Africa's well developed economy and its infrastructure puts it on the advantageous position to dominate SADC regional integration. Therefore, these companies essentially take most of the opportunities that emanate from SADC regional integration development initiatives.

### **3. SOUTH AFRICA IN THE SADC: CONVERGENCE OR CONTRADICTION?**

In attempting to analyze South Africa's role within the SADC, it is important to highlight some empirical evidence in order to give a contrasting analysis of the prevailing situation.

This is necessary in order to ascertain whether South Africa's foreign economic policy towards the region converges to the partner dichotomy as it purports, or whether it contradicts this perception.

Firstly, in its regional policy document 2002, South Africa has stated that it will be guided by the following important factors:

- “The construction of a new regional order will be a collective endeavour of all the free people of Southern Africa and cannot be imposed either by extra-regional forces or any self appointed regional power;
- “Militaristic approaches to inter-regional security and cooperation should have no place in the reconstruction of Southern African regional relations. This should be rooted in a peace-based, development oriented approach to regional co-operation;
- “A democratic South Africa should therefore explicitly renounce all hegemonic ambitions in the region. It should resist all pressure to become the “regional power” at the expense of the rest of the sub-continent; instead it should seek to become part of movement to create a new form of economic interaction in Southern Africa on the principle of mutual benefit and interdependence” (www.dfa.co.za).

Furthermore, the former President, Nelson Mandela emphasized, “the new government operates in concert with other states of the region. The GNU has been at pains to avoid using its predominant power in regional relations” (Hussein,1997:217). These statements have been vital in terms of legitimizing the economic and political operations of South Africa within the region. Nonetheless some analysts (McGowan *et al.*, 1998, Lee, 2000) observe that there are patterns of dominance relations between South Africa and the regional member states, which continue to be manifest irrespective of these policy statements, which they argue have not been translated into reality.

Buthelezi (2000) has offered certain prescriptions of how South Africa might build partnerships and promote integration within the region. He suggests that South Africa must “negotiate with neighbouring countries to forge an equitable and mutually

beneficial programme of coordination and integration appropriate to the conditions of the region". In this context, South Africa will be essentially establishing itself to become a partner in the region. As a result South Africa's relations must be guided by the following important factors:

- the current trade pattern between South Africa and the continent is unbalanced, as regional imports to South Africa stand at five to one: a democratic government must develop policies in consultation with our neighbours to ensure a more balanced trade;
- developing the capacity of our neighbours to export manufactured goods to South African markets requires the democratic government, in consultation with neighbouring states to encourage and promote industrial development throughout the region in specific sub-sectors such as minerals beneficiation, auto components and textiles;
- South Africa should encourage the development of joint, mutually beneficial projects to develop Southern Africa's water resources, electricity and energy supply, transport and agricultural food production and a democratic South African government should encourage technical and scientific cooperation within African countries.

This suggests that in its quest to become a partner, South Africa's relations with the region need to be characterized by the above-mentioned recommendations. The above are essentially areas of cooperation in which South Africa could better build cooperation and integration within the region. This requires both active participation of South Africa and other SADC regional member states, in addressing issues of regional interest. However, since the regional member states have taken advantage of SADC protocols and WTO rules, South Africa is already trying to address these important challenges facing the region. It has both bilateral and multilateral agreements with SADC member states on water resources, electricity, energy supply, transport and agricultural production. However, the instrumentality of South Africa in this process is not enough but should be reinforced by the internal forces within these countries to achieve economic development.

The espoused official South African policy stance is also one of promoting partnership and the goals of integration within the region. By way of example, the South African Department of Foreign Affairs acknowledged some important factors as crucial in the quest for South Africa to play a partnership role within the region. This includes the following:

- Poverty alleviation is crucial if the region is to prosper and create the conditions for peace and security to endure. This objective is facilitated through protocols designed to promote trade and investment and the promotion of debt relief.
- The high incidence of HIV/AIDS and other infectious diseases in the region, and the catastrophic effects as they are likely to have in the long term, makes the promotion of health within the SADC of paramount importance. South Africa and its regional partners are closely monitoring HIV/AIDS and the effect it has on the region. The signing of bilateral agreements in the health sector is aimed at the combating of communicable diseases, the sharing of medical expertise and the improvement of the infrastructure in the region.
- Human Resource Development is fundamental to the achievement of many other regional objectives, such as poverty alleviation, health and education. Bilateral endeavours in this field include the establishment of technical programmes with a number of countries in the region on a bilateral basis.
- The promotion of human rights remains high on South Africa's list of priorities in the region. Endeavours in the field of human rights include the monitoring of elections within the region and rendering assistance in this regard upon request. The promotion of a culture of human rights is one of the pillars of South Africa's foreign policy.
- The combating of crime is another area that affects bilateral relations. Inter-regional co-operation aimed at combating crime is promoted by means of, among others, the South African Regional Police Chiefs Coordinating Organization

(SARPCCO) and Interpol. Joint operations regularly occur such as control of stock theft, the search for destruction of small arms, combating of drug trafficking and also the sharing of expertise e.g. in DNA forensics training. South Africa was also part of the driving committee that successfully initiated a process that culminated in a protocol on the proliferation of small arms that was adopted at the Extra-ordinary SADC summit this year ([www.dfa.co.za](http://www.dfa.co.za)).

This basically represents a visionary plan in which South Africa is envisaged as playing a partnership role within the SADC. But it begs the important question as to how has South Africa's actions actually measured up to these espoused partnership and integration goals and performance?

Some see South Africa's record in this regard as being positive and see clear evidence of a series of concrete actions that are illustrative of moving along the path of building partnerships and promoting economic integration – for example, a position taken by Swatuk et al (1997:40).

Swatuk *et al.* (1997:40) note that “at a level of political economy some member states of SADC at least in both spatial and class terms are benefiting from increased South African interests. For instance, Eskom and its subsidiary Roschon are developing rehabilitating power grids in Angola, Lesotho, Mozambique, Tanzania and Zambia with long-term view towards establishing a SADC grid. In addition mining giant Johannesburg Consolidated Investment (JCI), in conjunction with other South African organizations, has entered into a turnkey supply agreement to rehabilitate Maamba Colliers in Zambia. These important initiatives have the potential to revive economic growth within the region if properly managed to achieve desired goals.”

In addition, Swatuk *et al.* (1997:40) maintain that South Africa's partnership in the region has been shown by the involvement of firms and farmers, which are providing much needed investment, technology and employment. They argue that these projects are vital since they could help those economies to get the much-needed foreign exchange for

economic growth. The prosperity of these firms should contribute to the economic upliftment of those economies. In this context the economic advancement of these firms and farmers could ensure trickle down effects in the long term. But Swatuk *et al.* (1997:40) do express some reservations on this point, arguing that this trickle down effects is unlikely due to the “absence of effective institutional frameworks and regulatory safeguards, both nationally, and regionally.” He asserts that “this will significantly exacerbate disparities and promote private networks of patron-clientilism”.

Probably the one area where there seems to be a fairly good evidence of a more regional strategy or policy by South Africa is in the area of tourism. Tourism industry is prioritised as the most important aspect of economic development due to its potential to generate growth and employment. In addition tourism is very important since it is an instrument of bringing foreign capital into these countries. In this context, the region can enhance its economic prosperity through joint exploitation of these resources. It may well be that in order to increase the value and attractiveness of some of South Africa’s tourism assets, it is good business strategy to also upgrade and promote the tourist products and destinations throughout the region, but nonetheless the evidence is clear that South Africa not only promotes the South African tourism brand but is contributing to the overall regional brand as a desirable tourist destination. In addition plans are underway to promote trans-frontier parks between South Africa, Botswana, Mozambique and Zimbabwe. The project involves the relocation of wild animals to other game reserves between these countries.

Let us now examine the alternative and more pessimistic or negative interpretation of the record of actions by South Africa in this regard. It is our contention that the record shows that South Africa is to-date failing to adhere to its declarations of promoting partnership and integration if one uses the litmus test of some critical policy areas. We illustrate this with four examples:

- 1) in the area of import tariffs imposed against the Zimbabwe textile industry – following pressure from the SA textile industry South Africa was forced to nullify

the preferential trade agreement of 1964 between SA and Zimbabwe and impose stringent import tariffs of Zimbabwe textile imports.

- 2) in the area of import tariffs imposed against Botswana's Volvo and Hyundai autos – similarly, following pressures from the SA automobile industry South Africa imposed tariffs against the imports from these two Botswana based auto plants, forcing them to relocate into South Africa.
- 3) a 'resolution' to the common revenue sharing formula, which is essentially an merely an imposition of South Africa's will without due regard to actively promoting regional economic goals – despite the positive fact that at the last renegotiation in the early '90s of the formula the allocations to Botswana, Lesotho, Swaziland and Namibia were increased regional economic integration and growth goals were in fact not factored into the outcome as this occurred before the integration project had been created.
- 4) the continuation of the migrant labour dependency with little material change to that of the apartheid era and no program for building sustainability into these employment experiences – while proponents of a positive interpretation of SA role in the region point to the millions of Rands in remittances home from migrant workers (Remittances by migrant workers over the period 1987-89 averaged R96 million per annum in the case of Botswana, R160 million in the case of Lesotho and R40 million in the case of Swaziland. (Poku, 2001:86)) it can be argued that these migrant workers still remain largely mine workers and are thus not acquiring the new higher knowledge skills of modern industrial and service economy. Skills and experiences that could be used to build wider economic horizons for them and sustainability in their home countries.

These examples are illustrative of the de facto actions by South Africa in taking actions that are in sharp contradiction to the espoused policy declarations of partnership and promoting regional economic development and integration. They are also examples of negative action within critical; areas of development, tariff barriers being perhaps the most punitive. This review makes us conclude that on balance the evidence shows that in

action South Africa is still behaving as a hegemon rather than a partner in its economic relations with its SADC regional neighbours.

### **GEAR AND REGIONAL DEVELOPMENT: COMPATIBILITY?**

South Africa's macro-economic policy also provides an important analysis in which the hegemon debated can be interrogated. As South Africa's macro-economic policy, Gear was inaugurated in 1996 replacing the Reconstruction and Development Programme. The RDP as initially conceptualized by the African National Congress was deemed as an effective strategy of addressing the imbalances of the past. However, due to the pressures of globalization the RDP was essentially reduced to Gear. As a neo-liberal economic policy Gear was hailed as a competitive economic policy that will put South Africa into the global economic standard.

The Gear macro economic policy is premised on creating export oriented policies, including tariff reform, a competitive exchange rate, policies to support investment, a reduction in fiscal dissaving, incentives to attract foreign investment, and a commitment to restructure state assets. (McGowan-Obeng; 1998). Despite being celebrated by its designers, particularly in the International Monetary Fund and World Bank, Gear has systematically failed to meet its targets. The Gear policy predicted the creation of 400,000 employment opportunities for jobless South Africans, and aimed to generate an economic growth of 6,1 per cent, neither of which materialized. In addition, the Gear macro-economic policy intended to redress the internal weaknesses of the South African economy however contradictions continue to persist. Some analysts have however argued that Gear has in fact put the macro-economic essentials in a good shape, however, higher GDP and employment growth seemed difficult to achieve.

However, the Growth Employment and Redistribution (Gear) policy also constitutes the framework that defines South Africa's relations with the region. As an export-led strategy, Gear essentially gives South Africa leverage over other regional member states. A number of South African firms are infiltrating the African market. Some notable South

African companies that have brokered deals with foreign governments include Shoprite, Pick n' Pay, the Industrial Development Corporation, Standard Bank, Eskom, Khula Enterprise, Vodacom and MTN. But McGowan *et al.*, (1998) have warned that this unrestricted penetration of South African companies into the continent has the potential to perpetuate uneven development between South Africa and the continent. In this context South Africa is likely to remain a hegemon since these agreements are concluded outside the SADC regional integration framework, which aims to create equity among regional states.

According to Notshulwana (2000:35) “this is not just a corollary of the sheer size of the South African economy, but a function of deliberate South African policy”. This implies that South Africa is consciously pursuing this policy in order to maintain this hegemonic dominance within the region. The most threatening factor is that member states within the SADC may not be adequately equipped to deal with this dominance engendered by these companies. This trend is likely to grow since the Gear macro-economic policy is premised on neo-liberal economic values. Emphasis on export led strategy will entrench this hegemony since it promotes active penetration of South African companies into the continent without additional compensating developmental benefits. These countries desperately need this investment but due to their weak local regulatory mechanisms some of these South African investments the countries are not reaping sufficient developmental benefits from the presence of these companies: such as greater depth and spread of development. By way of example, the earlier South African ‘local content’ requirements for the now sizable South African automobile industry was very successful in building a local and sustainable auto industry capability, which included the creation of numerous local small and medium sized firms (SME’s).

An additional dimension of the relationship is that, in its dealings with the region South Africa seems to prefer a policy of bilateralism as opposed to multilateralism. This is because there are a number of advantages since the former gives South Africa liberty to argue strongly for its national interests. Multilateralism, however, reduces the influence of South Africa and thus maximizes the potential for regional member states. However,

McGowan-Obeng (1998) also makes a contention by arguing “DTI officials justify this behaviour by insisting that as long as bilateral relations are consistent with the protocol, SADC member states are at liberty to negotiate agreements with one another. The absence of SADC institutional backing in this arrangement put these states in a vulnerable situation since they enter negotiations as unequal partners. Therefore, the dominant partner is first and foremost in a good position to influence the negotiations to the extent of safeguarding her interests in relation to other partners.

According to Tsie (2000:17) Gear is predicated upon promoting South Africa’s manufactured goods in the region since they are not competitive in global markets. Thus, the manufacturing export competitiveness mechanism mainly targets SACU member states, Zimbabwe and Mozambique, countries that essentially constitute the biggest market for South Africa. Therefore, he argues, this has several dimensions for the region: (i) the targeted countries face tough competition from South African manufacturers and even protectionism; (ii) South African products will consistently dominate the markets of other SADC member states. This will result raising the barriers to entry of newcomers in the targeted member states. I would concede that it is most likely that the motivation and expectation of South African companies is today one of trying to exploit the non-competitive character of these markets today – where non-competitive South African goods can to-day be sold – I would challenge Tsie’s conclusion that these companies can rely on this situation over the medium- and longer-term. These countries can at any time, as they likely will, start importing very competitive products – in price and quality - from outside the region, and thus it would be foolhardy for either the South African government and these companies to assume that these neighbouring markets can remain for long ‘dumping grounds’ for non-competitive South African goods.

Furthermore, Tsie (2000:17) maintains that Gear will have distinctive consequences for the region. Also it puts the private sector in the driving seat of growth and development in South Africa and by implication in the regional integration project. It is not our intention here to explore the many possible scenarios of how the interplay of the influence of the private sector companies, their prominent role within the policy and

decision making processes within South Africa, and the potential spill-over effects of South Africa's Gear policy and the actions of these companies will work out in either enhancing or distorting the goals of the regional development effort. But we do want to underline that there seems to be an undoubted case for recognizing that they have and will continue to be an important influence that creates tensions in achieving the regional economic and partnership goals. In some instances the actions of these private sector companies even seem to directly undermine the regional development goals, as we illustrated in the previous section.

This approach will obviously impede the region from achieving desired prospects for successful regional integration based on equity and mutual benefit. This type of behaviour does not signal any intentions of 'partnership' whose objective aim is to increase prospects for overall regional economic development. It is in fact the opposite of what South Africa foreign policy stipulates regarding South Africa's relations with the region.

Against this background it can be argued that Gear has not been made compatible with regional development. As the macro-economic policy for South Africa, Gear must in fact define the framework of interaction between South Africa and the region. Gear economic policy does not show any element that intends to design a framework of building the path towards regional partnership. Therefore, the relationship between South Africa and the region appears paradoxical, since South Africa is touting partnership with the region whereas empirical evidence suggest otherwise. As a result not only do South African companies seems to enjoy an undisputed challenge within the region but Gear is in contradiction with the objective aims of creating equity in the context of SADC regional integration.

### **Peacekeeping and Conflict Resolution**

Since the advent of democracy in 1994, domestic and international expectations have steadily grown regarding a new role for South Africa as a responsible and respected

member of the international community. These have included a hope that South Africa will play a leading role in a variety of international, regional and sub-regional forums and that the country will become an active participant in attempts to resolve various regional and international conflicts (Holtzhausen, 2000:22).

South Africa has demonstrated its steadfast determination to rid the continent of civil wars and conflict. This has been shown in its pioneering role in important and visionary programmes such as the African Renaissance and the Omega Plan, which evolved into the New Partnership For Africa's Development (NEPAD). As part of bringing peace and conflict resolution into the region, it has participated in several peacekeeping and conflict resolutions mechanisms. According to Deputy Minister of Foreign Affairs Mr Azis Pahad "South Africa can no longer sit on the sideline" and therefore has to engage in conflict resolution in the region (Holtzhausen, 2000:22). Some important missions already undertaken by South Africa involve the Lesotho constitutional crisis and 1999 elections. It was argued that the intervention of South Africa was vital since it intended to curb political mayhem in that country and to prevent escalation of conflict into other regional member states.

South Africa is also involved in various peacekeeping missions in Africa. The first attempt to broker peace in the DRC between Mobutu Sese Seko and Laurent Kabila was initiated by the former President Nelson Mandela, when the South Africa Navy Vessel SAS Outeniqua was placed in international waters near Pointe Noire. Furthermore, the recently held Inter-Congolese Dialogue held in Sun City in the Northwest Province of South Africa has reinforced these efforts. These talks were of pivotal importance since they aimed to build consensus and concrete mechanisms towards a peace agreement between the warring parties. In addition, South Africa has helped to resolve conflicts through contributing troops towards peacekeeping missions both in the DRC and Burundi.

South Africa has not however an unblemished record with respect to creating conflicts in the region. The erstwhile apartheid South African government in the 1980s flexed its

military prowess through the policy of destabilization towards neighbouring SADC states. And even the new democratically elected South African government, while clearly committed to a peace making role, has shown that it is not immune from the use of force and getting engaged in a military intervention when it intervened militarily in Lesotho in the 1990s'. On balance I do believe that despite the 'relapse' to the interventionist use of military power of the new government when it went into Lesotho, there is sufficient evidence to conclude that it has a strong bias and a growing commitment to playing a role as peacemaker and peacekeeper in the region.

We could argue that the explanation for this apparent transformation from a very overt use of force and show of hegemonic power – that characterized South African behaviour, especially in the 1980's – to the peacekeeper and peacemaker role is actually used to conceal its hegemonic ambitions through adopting a much more subtle exercise of power and influence. It is not a coincidence that South Africa is typically in the chair and host to many of these conflict resolution events. Another, though not incompatible interpretation is that it is in South Africa's enlightened self-interest to have stability within the region because instability threatens South Africa's own investment climate and will also undermine the growth of the markets in the region for its consumer products and investments.

So it seems clear that the involvement of South Africa in the SADC should be geared towards conflict resolution mechanisms as it progresses towards regional integration development. This is important since it would allow member states to deliver on programmes identified both at national and regional level. The region also needs to experience peace in order to allow the trickle down effects of regional integration initiatives. However, Swatuk *et al.* (1997:45) warn that in championing such a gigantic missions there is a need for South Africa to exercise caution, as Mandela has exhibited this modesty in continental forums. In this context, South Africa will attain the support of other regional member states in engendering prospects for successful regional integration. South Africa however has an obligation in terms of its own enlightened self interest to discharge towards the region because if conflict persists it will bear the economic brunt.

South Africa is currently experiencing a high influx of economic refugees from both the region and the continent.

Therefore, South Africa's involvement in peacekeeping and conflict resolution within the region is vital to South Africa's national interests. However, the participation of South Africa in peacekeeping and conflict resolution in Southern Africa has spawned some rivalry between South Africa and Zimbabwe. As Chairperson of the Organ on Politics, Defence and Security, President Robert Mugabe took decisions, which were not ratified by the SADC Summit. This contest between South Africa and Zimbabwe culminated in two differing opinions between the two states regarding the DRC conflict. South Africa believed that the situation did not warrant any military intervention whereas Zimbabwe cherished the idea. This resulted in Zimbabwe committing its troops jointly with the inclusion of Namibia and Angola to the Democratic Republic of Congo to assist Laurent Kabila against the rebel incursions.

As argued earlier the most important dimension of this hegemonic behaviour is the underlying economic factors, which are crucial to its exercise. With the largest economy, South Africa is in a position to exhibit this hegemonic dominance within the region. South Africa fits well into this definition as illustrated through the policy of destabilization towards other regional member states in the SADC in the 1980s and even in the 1990s. As a dominant power in the region it bullied other SADC states and caused destruction of the region's infrastructure. This however was a deliberate strategy pursued to achieve certain objectives.

The analysis provided earlier on the conception of hegemony seems to capture the status quo prevalent in contemporary Southern Africa. As mentioned in chapter three South Africa is mainly dominating SADC member states due to its level of economic development vis-à-vis SADC member states. The patterns of relations between South Africa and the SADC exhibit core periphery structure. Regionally, South Africa is the core of the region due to the magnitude of its economy vis-à-vis other SADC member states. South Africa is dominating and exploiting the region for its own economic

prosperity. Furthermore, South Africa has intensified this through non-reciprocal type of economic relations with the SADC.

Politically, speaking South Africa has been reluctant to show and express brutal dominance over the region. It has cautiously portrayed itself as an essential partner within the region. Indeed South Africa is becoming subtler rather than more vigorous. South Africa has thus presented itself as in agreement with the region in terms of regional development issues. This seems to suggest that there is consensus between South Africa and the region. It implies that South Africa does not want to impose itself on the region. However, economically South Africa continues to dominate the region. Its economy is four times larger than all SADC states. Furthermore, its hegemony continues to manifest itself in different ways, for example, in regional policymaking within the SADC. As Swatuk (2000:12) has noted, “the recently held SADC consultative conference in Mbabane, 2000, demonstrated the only parochial nature of South African government policy and the increasingly belligerent attitude taken by policymakers in regard to the hegemon’s involvement in the region.”

#### **4. WHAT KIND OF A REGIONAL PLAYER?**

It is against this background that some authors have postulated scenarios to use as methodological tools of analysis to analyse South Africa’ role within the SADC. The scenarios are important since they give us a forecast of possibilities in the context of the internal and external forces. This is simply because scenarios are mainly the product of the interplay between the several forces. As a result this gives rise to the existence of factors that makes a particular scenario possible and realistic. Therefore, scenarios are the mechanisms of arriving at a particular conclusion. Therefore, they are not absolute since they are mainly determined by some trends and factors, which play a crucial role in shaping the dynamics of regionalism. As Söderbaum (2000:3) has concluded, “there are no natural regions, but these are constructed, deconstructed and reconstructed – intentionally or non-intentionally in the process of global transformation, by collective human action and identity formation.”

### **Possible Scenarios**

McGowan and Obeng (1998) have noted the phenomenon of South African companies actively infiltrating both the region and the continent. This is becoming widespread and thus causing some alarming concern among observers. This penetration of South Africa's capital into the region is likely to culminate in the three possible scenarios: first, possible marginalization and fragmentation of the region; second, asymmetric regional development whereby South Africa continues to exploit SADC members; and third symmetric multilateral regionalism and development (Van Wyk;1997:1).

This shows that hegemony is a crucial factor in the process of regionalism and regional integration initiatives. As has been highlighted before, hegemony can potentially contribute to polarization rather than convergence. However, Van Wyk argues that hegemony is not a bad factor in instances where "well developed institutions and cooperative culture are lacking" (Joe-Ansie Van Wyk; 1997:1 cited in McGowan *et al.* 1998)

### **Scenario One: Fragmentation**

It is argued that there have been conflicts within SADC, such as the contest between Mandela and Mugabe regarding the functioning of the Organ on Politics, Defence and Security (OPDS) and also the dispute between Botswana and Namibia over the Okavango and that if similar conflicts were to proliferate and characterize the relations between SADC states, then the seeds of fragmentation may well take root within the region.

This will however create a dilemma for South Africa because lack of decisive leadership will result in hegemonic dominance by South Africa. Currently, South Africa has been very reluctant to undertake such an important task as providing proper leadership within the region. However, this is a task that South Africa cannot escape. South Africa has earned credibility due to its democratic dispensation and the position it occupies in the global economy. But the prevailing conditions in the South African society may compel the government to engage in selfishly securing its national interests culminating in the possibility of such hegemonic dominance within the region.

### **Scenario Two: Exploitation**

The second scenario highlighted by Joe-Ansie Van Wyk (1997) is one characterized by exploitation. This is likely to result from some important forces (such as Gear) that constitute the framework of interaction between and among countries such as globalization and neo-liberalism. I concur with Joe-Ansie Van Wyk (1997) in her assertion. Since globalization is an uneven process it will exacerbate the already existing disparities between South Africa and the SADC member states. Gear promotes the hegemonic dominance of South Africa within the region. In that context South Africa will essentially exploit the region for its narrow national interests.

In addition exploitation will emanate from the global level where South Africa plays an important role in the capitalist development. Put in Wallersteinian terms South Africa is a semi periphery and its role is to smooth relations between the core and the periphery. This implies that South Africa is exploiting the periphery and in return is exploited by the core (capitalist countries). Even at the regional and continental level South Africa continues to exploit the SADC member states. South Africa is locked into this kind of relationship with the region by the dictates of capitalism. Van Wyk (1997:1) argues that “the scenario could be benign”. It implies that South Africa will be the sole beneficiary of regional integration initiatives at the expense of the region. This type of hegemonic regionalism is not vital since it will compromise the mutual and equitable regional integration in the SADC.

### **Scenario three: Cooperation**

In this scenario Joe-Ansie Van Wyk (1997) argues that cooperation is likely to occur between South Africa and the region if only there is acquiescence from the region member states in accepting South Africa’s leadership. The admission of South Africa into the regional bloc was an attempt to increase prospects for regional integration. The adoption of the regional integration initiatives by all SADC members states signify the common vision, which seems to unify the region. However, some inter-state conflicts impede these intentions. In addition member states are highly cautious about South

Africa's domineering role within the SADC. As some states have shown that they resent any attempt by South Africa to dominate the region.

This indicates the hostile attitude that South Africa will encounter when it is allowed to play a leadership role in regional politics. Van Wyk (1997) argues, "the long-term dividend could be mutually beneficial regional development as well as integration of the regional economy into the global economy. This represents the ultimate goal that the SADC intends to achieve through its regional integration schemes. Therefore, the inclusion of South Africa brought a high level of optimism given the region's desire to integrate its markets. The fundamental objective is to create economies of scale in order to make the region a viable destination for investment." Furthermore, Van Wyk (1997) argues that alternatively, the rejection of the idea of South African leadership could result in a combination of fragmentation, marginalization and continued South African 'malign' hegemony in the region.

Also chapter five of this thesis unpacked the two dichotomies (hegemon-partner), which had been used as a hypothesis to locate South Africa's role within the SADC. Chapter five in particular has highlighted some specific case studies that clearly exhibit the hegemonic role of South Africa within the region. However, in so far as the partner dichotomy is concerned much of this desired role exists only theoretically rather than in a practical sense. Gear serves as a mechanism to further engender the hegemonic dominance of South Africa within the SADC. This provides us with sufficient evidence to conclude that South Africa's role in the SADC can be seen as a 'hegemon' rather than a 'partner'. However, this hegemonic dominance may not be as robust as during the destabilization policies of 1980s since the prevailing circumstances do not favour such type of dominance because South Africa's pioneering leadership role in programs such as NEPAD and African Union (AU), and the Non-Aligned Movement (NAM) impedes South Africa from expressing its hegemonic ambitions over the regional member states in too obvious a form.

## 5. CONCLUSION

The purpose of this chapter was to analyze and assess the role of South Africa within the SADC by situating the debate between the frameworks of hegemon-partner. It has shown some empirical evidence regarding the hegemon-partner dichotomies. Chapter three of this thesis has also provided evidence that shows hegemonic patterns between South Africa and the region. This has given some degree of concern regarding South Africa's domineering role within the SADC.

However, the economy of South Africa still shows growing disparities between South Africa and the region. South Africa still dominates the region in many respects. This chapter has highlighted some important factors crucial to South Africa's hegemonic dominance within the region. As highlighted, South Africa's hegemonic dominance can be attributed to its position within the world system and its significance to the global economy. Thus, it can be argued that South Africa's hegemonic dominance is not only an instrument to serve its national interests but also the interests of the capitalist system.

Therefore, South Africa partially has control over this role but the dictates of capitalism have engendered this since it caters to its own interests. Furthermore, the chapter has made some reference to the possible scenarios that are likely to occur given South Africa's role within the region. It concluded that South Africa's role could be attributed to a hegemon rather than a partner. However, South Africa is not in a position to express this dominance vigorously due to the pressures of multilateral agreements that need to ensure that the region benefits from South Africa's hegemonic dominance. South Africa on the other hand needs the support of the region in order to conquer the plethora of struggles within international forums. This inhibits South Africa from brutally expressing this hegemonic dominance. The final chapter deals with conclusions and summary of the main arguments.

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## **CHAPTER SIX**

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### **CONCLUSIONS**

#### **1. INTRODUCTION**

This study set out to analyse and assess South Africa's role within the SADC. It has arguably demonstrated the overarching dominance of South Africa within the SADC. This was clearly demonstrated in the foregoing chapters of the thesis, particularly the extent to which this dominance is predominant vis-à-vis the SADC states. The implications of this dominance have been discussed within the SADC regional integration development framework. In this light, the thesis has argued strongly for the adoption of the developmental led regional integration rather than market-led approach. This approach is regarded as the viable option for the SADC regional integration in order to ensure equity and mutual benefit for all member states. The latter however will perpetuate the existing disparities between South Africa and the SADC states. This chapter will attempt to present a summary of arguments and implication for these arguments to the SADC regional integration programme.

#### **SUMMARY OF ARGUMENTS**

The inauguration of the democratically elected government and the subsequent admission of South Africa within the SADC caused an alarming concern as to what kind of role will South Africa play in the economic development agenda of the organisation. This paper advances several arguments in relation to the role of South Africa within SADC. It illustrated various problems regarding the perceived role of South Africa within the SADC. Furthermore, it has depicted the most important challenges that the SADC faces, particularly in the advent of globalisation as it moves into integration of economic markets. The paper has also alluded to some of the dilemmas regarding the expected role of South Africa with the SADC region. Of paramount importance are the existing contradictions within South Africa. This imposes some limitations for South Africa's role

within the region. Therefore, this expected role will thus take place within the ambit of national versus regional priorities. For instance poverty and high unemployment rate in South Africa requires the immediate government attention.

The argument of the thesis is that South Africa is a hegemon within the region due to its overarching economic dominance of the region. It has evaluated this conception by making reference to miscellaneous definitions of the understanding of hegemony. In terms of the practical evidence, South Africa fits quite this categorisation within the region. It has demonstrated the main critical dimensions attributable to hegemon states, for instance, that of military, economic status, technology and infrastructure. The thesis has argued that South Africa's hegemony is increasingly becoming subtler rather than vigorous since the prevailing circumstances do not warrant the existence of the latter. The involvement of South Africa in the structures, and its pioneering leadership inhibit the potential to exhibit the gross hegemonic behaviours. Therefore, it is concluded that South Africa is a benevolent hegemon since it has the moral obligation to assist the region to achieve its own economic development. This role is therefore advantageous to the political, economic and social well being of South Africa since it cannot escape the challenges of the region and the continent.

Chapter One of this thesis set out to lay a context of the argument. It dealt with other important aspects such as the research goals and the methodological framework of the study. It also highlighted the objectives of the study and how each chapter intended to achieve them.

Chapter Two of this thesis has shown the historical background of the SADC. It illustrated some important factors that led to the transformation of the SADCC into SADC. In addition, it highlighted the circumstances that were prevalent during the formation of the SADC. The chapter acknowledged that the SADCC was not originally conceived as an economic organisation, with rather a more politically inclined entity. As a result, it never achieved the mandate it set for itself. This actually triggered a need for the renewal of the SADC. The new organisation was thus inaugurated with a totally

different focus. In its inception, regional integration was adopted as its guidelines in the advent of globalisation and new regionalism. The chapter has distinctly shown the difference between the SADCC and the SADC in terms of their programme of actions and objectives.

Chapter Three focused on the inclusion of South Africa within the region and the implication this has on regional development. It highlighted critical aspects regarding South Africa and the region on purely on trade and economic terms. It briefly reflected on South Africa's regional economic policy vis-à-vis the region. The chapter illustrated the overarching economic dominance of South Africa within the region, which was mainly expressed by the behaviour of its companies within the region and the continent in broader terms. Even in terms of the GNP factors, South Africa's contribution to SADC is higher than that of other SADC states. This has been demonstrated by South Africa's manufacturing output, the military-industrial context, and technological innovation far exceeds that of SADC states.

Chapter Four set out to discuss regional integration within Southern Africa. It highlighted some important regional integration initiatives within Southern Africa. The chapter showed that regional integration in the SADC is intended to fulfil some important objectives. For instance, internally, it attempts to redress uneven development, skewed trade and distribution of benefits, which continues to favour South Africa at the expense of the region. It argued strongly that the SADC needs to adopt the developmental regional integration in order to fulfil the aims of the SADC Treaty. In this context, the adoption of the SADC Treaty is intended to shape the common vision that all member states needed to embrace, in order to achieve global competitiveness. As a guideline to achieve the abovementioned goals, it stipulated the most important steps that member states needed to follow to achieve prospects for regional integration. However, these initiatives are not enough to enable the region to transcend the legacy of the past. There is a much more needed prominent role of individual states to redress the imbalances of the past within the SADC.

Chapter Four highlighted some important challenges that the region has to grapple with in the era of regional integration. This involves the challenges ushered in by globalization and the advent of new regionalism. Secondly, the weak and fragile economies of the region that still depend largely on the primary commodities are subjected to the international market prices. Thirdly, the overarching hegemonic dominance of South Africa, which threatens the equitable distribution of benefits within the region. The greatest challenge for the region in this era is to positively use this dominance to benefit the developmental framework of the region. This however, depends largely on the choice of the model for the SADC regional integration process. As mentioned in Chapter Four SADC needs a developmental-led model as opposed to market-led integration. The former is appropriate for the SADC since it involves a multiplicity of strategies to resolve the economic growth and development in the region. The latter is inappropriate, since it will perpetuate the inequalities already existing within the region.

However, the exponents of developmental regional integration recommends this approach since it has the capacity to contain South Africa's hegemonic dominance. This approach is vital due to its potential to yield prospects for regional integration. It is also necessary since it allows for the diversification of the economies of the region. In this context, the region will stop its over reliance on primary commodities that are subjected to market fluctuations. It is against this background that the regional integration becomes the most important strategy within the context of global economy. Again, this will be an important strategy for the small, weak and fragile economies of the SADC states.

Furthermore, Chapter Four noted a number of significant challenges in this era of globalisation. The challenges ushered in by globalisation have been intensified by the advent of New Regionalism. In this context, regional integration remains the most effective mechanism to create economies of scale in order to play a much bigger role within the global economy. However, in the SADC states still need to play a more decisive role in resolving the contradictions inherent within the region. For example, some SADC states are currently grappling with the consequences of Structural Adjustment Programmes, which had adverse effect on regional economic development.

The SAPS have placed more emphasis on the liberalisation of the economies and this has deprived some states of opportunities to earn the desperately needed national revenues. Such states notably include Botswana, Lesotho, Swaziland and Namibia; and the further elimination of tariffs will affect them adversely and retard economic development.

Chapter Five however, was mainly preoccupied with the understanding of South Africa's role within the SADC. It located the debate within the duopoly of hegemon-partner dichotomy. It attempted to unpack the two concepts, which constitute the main crux of this thesis (hegemon-partner dichotomy). Its intention was to interplay the two concepts together and to make an objective analysis of which, among the two constitutes the most relevant explanation towards understanding South Africa's role within the SADC. This thesis maintains, that since South Africa is dominating the region in many aspects of the economy, its role in the SADC mirrors that of a hegemon rather than a partner. South Africa continues to exercise this hegemonic behaviours due to a number of advantages it has vis-à-vis the region. In addition, it derives enormous advantages from its geographical location, infrastructural development and military superiority. This hegemonic dominance is further heightened by the landlocked ness of states such Botswana, Lesotho and Swaziland.

In conclusion, the thesis maintains that South Africa is a 'benevolent hegemon' and further argues that the prevailing circumstances in SADC do not warrant the existence of the 'benign hegemon'. South Africa is impeded from being a 'malign hegemon' because of its historical legacy. Again, since the current wave of diplomacy to legitimise South Africa's role in the Southern region cannot be a 'benign hegemon' in which it is going to be concerned about its narrow selfish interests. South Africa has been under immense pressure due to its alienation from the rest of the region and the African continent during apartheid. As a result, it is battling to identify itself with the political, economic and social struggles of the region and the continent as understated. Currently, South Africa is pioneering various programmes such as the New Partnership for Africa's Development (NEPAD), which undertakes to restructure relations between the African continent and the North.

Furthermore, South Africa as a chairperson of the African Union and is statutorily obliged to contribute to the resolution of conflict within the continent and shape prospects for the successful implementation of the programmes, which intends to champion the socio-economic development of the Southern states globally. This can be evidence by the involvement of South Africa within various platforms to challenge the status quo, which seem unfavourable for the Southern states. South Africa inherited this obligation since joining the international community after 1994. As commonly stated South Africa cannot be an 'island of prosperity while the majority of African countries in particular are living in the ocean of poverty'. Even regionally within SADC South Africa seems to be confronted with such huge expectation of helping the region to champion its own socio-economic and political development.

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