RATIONALISATION OR REDUNDANCY?

MAKING EASTERN & SOUTHERN AFRICA'S REGIONAL TRADE UNITS RELEVANT

Richard Gibb*

Executive Summary

This Discussion Paper identifies policy options to help restructure and rationalise the regional institutions of eastern and southern Africa. At present, there is a multiplicity of institutions with similar ambitions and overlapping memberships. There is also rivalry and tension among some of them. The existing structure is economically damaging, politically divisive and legally incoherent. It does not work now and it will not work in the future.

The Paper analyses what the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Southern African Customs Union (SACU) and the East African Community (EAC) have, and do not have, in common. Since 1994 there has been a convergence in the development strategies adopted by the regional economic communities (RECs) of eastern and southern Africa, with a policy orientation towards market integration and liberalisation. Thus SADC, COMESA, SACU and the EAC are united in their perception that intra-regional free trade, based on free trade areas (FTAs), is of absolute importance to the cause of regional integration. Furthermore, all the RECs have implemented (in the case of SACU) or are in the process of implementing (in the cases of SADC, COMESA and the EAC) customs unions that, in theory, will be fully operational by 2010. This consensus on prioritising the creation of FTAs and customs unions provides common ground upon which to build intra-REC co-operation. It also poses problems.

Countries will have to decide not only which REC will serve their interests best, but also how to restructure and rationalise the institutional architecture supporting regionalism. *The priority for the governments of the region is to develop a recognised and formal working and trading relationship among the different regional institutions.*

This Paper advocates a policy of adopting a variable-geometry approach to reconfiguring the regional institutions of eastern and southern Africa, while recognising that the ultimate goal of all RECs is an economic union. Given the economic and political diversity of member states within the region, variable geometry recognises that there are some countries able to achieve a higher degree of integration than others. Importantly, variable geometry avoids the problems associated with integration proceeding at the pace of the slowest, most reluctant member state.

The Paper also proposes the creation of an eastern and southern African FTA (EASA FTA). This would promote cohesion and a common sense of purpose, and result in custom union tariffs being imposed only on extra-regional trade. Without an EASA FTA, there is a real danger that, through Economic Partnership Agreements (EPAs), the countries of eastern and southern Africa will have liberalised their trade with Europe before liberalising trade with each other.

---

* Professor Richard Gibb is Professor of Human Geography at the University of Plymouth.

Introduction

Regional integration is not an optional extra; it is a matter of survival.[2]

Regional integration is a fashionable but far from novel phenomenon in eastern and southern Africa. Since the late 1970s, multilateral agencies, non-governmental organisations (NGOs), national governments, think-tanks and donor countries have consistently called for greater and more effective regional integration.

Africa already has a large number of regional blocs (14 in January 2006) with increasingly ambitious policy goals, centred primarily on the creation of regional common markets. The extreme geographical fragmentation of the continent, combined with the need for economic and political survival, has encouraged the formation of a large number of inter-state organisations and institutions. More recently, the economic liberalisation and globalisation of the world economy have acted as stimuli to integrate, especially in sub-Saharan Africa, based on fears of continued economic and political marginalisation.

At present, eastern and southern Africa has a multiplicity of regional institutions with remarkably similar integrative ambitions. The institutions overlap both geographically, with shared membership, and structurally, with a shared desire to create, at the very minimum, customs unions. There is also rivalry and tension among some of these regional institutions. The institutional structure supporting regionalism is overcomplicated and incoherent. Put bluntly, the present structure of overlapping memberships and shared integrative goals among the regional communities of eastern and southern Africa is unworkable. It does not work now and it will not work in the future.

This Discussion Paper therefore examines the impact of having a multiplicity of regional institutions and the structural problems this poses to the process of deepening regional economic integration. For deeper integration to proceed, some form of institutional rationalisation will have to take place among the regional economic communities (RECs) of eastern and southern Africa.[3] Countries will have to make hard choices on which regional grouping to support and which common external tariff (CET) to apply. It is not possible for a country to belong to more than one customs union and apply more than one CET.

This Paper therefore presents key issues related to this problem and identifies policy options to help structure the process of regional rationalisation. It examines the following four most important RECs affecting eastern and southern African regional integration.

- **The Southern African Customs Union (SACU)** is widely regarded as the most effectively functioning regional trade agreement in Africa. Incorporating Botswana, Lesotho, Namibia, Swaziland (BLNS) and South Africa, SACU was established in 1910 and is the oldest customs union in the world.[4] On 21 October 2002 a new

---

[2] ADB (African Development Bank) (1993) *Economic Integration in Southern Africa*. London: Biddles, p. 1.
[3] This report uses the term regional economic communities as an all-encompassing descriptor of the various stages/types of regional integration (whether free trade areas, common markets or regional integration initiatives).
[4] WTO (World Trade Organisation) (2003) *Trade Policy Review: Southern African Customs Union*. Report by the Secretariat, WT/TPR/S/114. Geneva: WTO.

SACU Agreement was signed that, following ratification by the five member states, entered into force on 16 July 2004. It provides for the duty-free movement of goods between member states, a CET against the rest of the world and a revenue-sharing formula. SACU is therefore a sophisticated form of regionalism representing a level of integration deeper than a traditional customs union.

- **The Southern African Development Community (SADC)** is the successor organisation to the Southern African Development Co-ordination Conference (SADCC), whose primary objective was to reduce the region's dependence on apartheid South Africa. Originally, SADCC's integrative strategy avoided competition and free market strategies in favour of project co-ordination, with a particular emphasis on large-scale transport infrastructure projects. In August 1992, the Development Community replaced the Co-ordination Conference. The SADC Treaty calls for the development of policies aimed at the progressive elimination of obstacles to the free movement of goods, capital, labour and services.[5] In short, its integrative strategy incorporates the basic elements of the common market approach, the foundation of which is a free trade area (FTA).

- **The Common Market for Eastern and Southern Africa (COMESA)**, previously named the Preferential Trade Area (PTA) for Eastern and Southern Africa, was established in 1982 with the support of the United Nations Economic Commission for Africa. COMESA entered into force in 1994 and, as of January 2006, had 20 members (making it the largest trading bloc in Africa). A COMESA FTA was established in October 2001, but membership is confined to 11 out of the 20 member states and problems have been reported about its capacity to operate effectively. It aimed to create a customs union by 2004, but failed to do so, putting this back to 2008. It plans to create an economic union by 2025.

- **The East African Community (EAC)** has three member states, Kenya, Uganda and Tanzania (it is the smallest and most recent regional community in Africa). The East African heads of state signed the 'Treaty Establishing the East African Community' in Arusha on 30 November 1999 and it entered into force in July 2000. Both Rwanda and Burundi have talked about the possibility of joining the EAC at a future date, but no timetable has been established. The EAC Customs Union was established on 1 January 2005 and the first round of reductions on internal tariffs came into force on 1 January 2006.

Background and Context

Economic integration is widely regarded as a policy capable of lessening Africa's economic and political marginality. Hence, the creation of a continental African common market was a founding principle of the Organisation of African Unity (OAU) in 1963 and the African Union (AU), which replaced the OAU in 2002. The integration 'masterplan' of both organisations proposes the establishment of several regional projects that, over time, integrate to form a pan-African community.

Both the Lagos Action Plan of 1980 and the 1991 Abuja Treaty, which established the African Economic Community (AEC), aimed to create an African economic union. RECs are seen as the essential building blocs for the integration and economic development of Africa. The AEC has designated a number of RECs as pillars of the intended African

[5] SADC (Southern African Development Community) (1992) Treaty of the Southern African Development Community. Gaborone: SADC Secretariat.

economic union, including both SADC and COMESA.[6] The AEC's ambitious goal to achieve such an economic union by 2028 will demand not only the consolidation and rationalisation of existing RECs, but also a political commitment by member states to share sovereignty and deepen integration.

The potentially pivotal role of regional integration, providing the essential building blocs for integration and development, is also recognised by the New Partnership for Africa's Development (NEPAD), which has identified RECs as having responsibility to mobilise and oversee the translation of NEPAD objectives into practical and implementable programmes.[7] Similar to the AEC, NEPAD considers RECs to be the most appropriate political structure, and at the most appropriate geographical scale, to implement policies aimed at transforming the social, economic and political well-being of the African continent.

There is, therefore, a remarkable degree of consensus that effective regional integration is necessary for the economic and political transformation of the Continent. The conclusion to the 1993 African Development Bank (ADB) study on economic integration concludes that 'so serious are the challenges facing southern Africa that governments cannot afford to ignore … the limitations which national boundaries impose on their prospects for economic recovery and growth.'[8]

From within Africa, the AU, the AEC, NEPAD and the ADB, together with the 14 RECs, regard regionalism as not only desirable, but also a necessary prerequisite for development. There is a similar consensus outside Africa, with the World Bank, the European Union (EU), the Commission for Africa, NGOs and donor countries promoting the cause of regionalism.

In Africa, as elsewhere, most countries embark on regional integration schemes for both political and economic reasons. The existing structure of overlapping RECs in eastern and southern African regionalism is, in part, the product of an historical legacy dominated by colonialism and apartheid.

The reason why eastern and southern Africa has, in the words of one recent report, overlapping membership 'to an extent unparalleled anywhere else in the world'[9] is because, historically, regional strategies have promoted and prioritised different integrative goals (both political and economic) and strategies. Over time, the different RECs have developed their own internal dynamics and generated a sense of loyalty among member states. The existing complex and confusing structure of eastern and southern African regionalism is far from an ideal starting point from which to build a regional framework for the 21st century. The region now has to confront that inheritance.

---

[6] AEC (African Economic Community) (1991) Treaty Establishing the African Economic Community, available at <http://www.au2002.gov.za/docs/index.html>.
[7] 'Joint communiqué of the Chief Executive Officers of Regional Economic Communities and the NEPAD Secretariat', 29–30 October 2003, Abuja, Nigeria.
[8] ADB (1993), p. 1.
[9] Jakobeit, C., T. Hartzenberg and N. Charalambides (2005) *Overlapping Membership in COMESA, EAC, SACU and SADC: Trade Policy Options for the Region and for EPA Negotiations*. Draft copy, p. viii, available at <http://www.gtz.de>.

The State of Regional Integration

In order to explore the effectiveness of the existing regional arrangements, this section of the report focuses on recent trends in the economic integration of eastern and southern Africa. The 26 countries belonging to SACU, SADC, COMESA and the EAC constitute an important economic space, with a combined population of 466 million and a combined gross domestic product (GDP) of approximately US$300 billion in 2002.

In 2004 the ADB observed that the success of a regional integration community 'will be measured by the extent to which it promotes intra-regional trade.'[10] While many may contest this assertion, there is no doubt that the level of intra-regional trade provides a useful indicator of economic integration and regional cohesion. In theory, RECs boost regional trade through tariff reductions and by limiting the use of non-tariff barriers (NTBs).

Before analysing the level of intra-regional trade, a word of caution is necessary. The quality of intra-regional trade data for SADC, EAC, SACU and COMESA is problematic. Most RECs do not publish intra-regional trade data for individual member states and figures vary, sometimes quite dramatically, according to source.

Intra-SADC trade

Many commentators observe that trade integration among SADC countries is limited.[11] However, intra-SADC trade has experienced considerable, if unequal, growth in the past 10–12 years, primarily as a result of South Africa joining SADC in 1994.

Prior to South African membership, SADCC failed in its endeavours to promote meaningful progress towards regional economic integration. The principal manifestation of this failure was persistently low levels of intra-regional trade, standing at 5% or less in the period 1980–94. This was the result of several contributory factors, of which the lack of complementarity among national economies was prominent.

South Africa's membership of SADC has had a profound impact on the organisation in general and the level of intra-regional trade in particular, raising the level of internal trade from 5% throughout the 1980s, to 17% in 1995, 20% in 1997, 23% in 2000 and 25% in 2003.[12] International Monetary Fund (IMF) data estimates that intra-SADC trade grew by approximately 8% per year in the period 2001–03.[13]

The initial boost given to intra-regional trade following South Africa's membership (from 6% to 17%) is more statistically apparent than real. South Africa already had extensive trading relations throughout eastern and southern Africa before joining SADC, which, on membership, were reclassified as intra-regional. Nonetheless, intra-

---

[10] ADB (2004) *Southern Africa: Regional Assistance Strategy Paper (2004-2008)*. Cote d'Ivoire, ADB, ONCB Department, executive summary, p. II.
[11] See, for example, ODI (Overseas Development Institute) (2005) *Regional Integration and Poverty*. ODI Briefing Paper (March), London; and Meyn, M. (2005) *NEPRU Yearbook, Vol. 1, The Progress of Economic Rationalisation: Challenges for SADC and COMESA*. Windhoek: NEPRU.
[12] SADC (2005) *Trade Policy and Intra-regional Trade in SADC*. Gaborone: SADC Secretariat.
[13] IMF *Direction of Trade Statistics*, various issues cited in Yang, Y. and Gupta, S. (2005) Regional Trade Agreements in Africa: Past Performance and the Way Forward, IMF Working Paper (WP/05/36), Washington DC, IMF.

regional trade has experienced real and considerable growth, expanding by 30% after South Africa's SADC trade was reclassified as intra-regional.

Although intra-SADC trade has grown significantly since 1994, it has not done so in a balanced fashion. Within SADC, SACU countries, and in particular South Africa, account for the vast majority on intra-regional trade (see Table 1). Intra-SADC trade is asymmetrical and imbalanced. Indeed, the most striking feature of South Africa–SADC trade is the high ratio of South African exports to imports, which stood at 4.2:1 in 1994, 7.2:1 in 1998 and 8.2:1 in 2002.

Table 1: Total Intra-SADC Trade

	As a Share of Intra-SADC Exports, 1992 (%)	**As a Share of Intra-SADC Exports, 2002 (%)**
SADC countries		
Angola	0.55	0.23
Democratic Republic of Congo (DRC)	2.64	0.99
Malawi	2.5	1.66
Mauritius	0.63	0.65
Mozambique	1.4	3.33
Seychelles	0.04	0.12
SACU	70.9	77.32
Tanzania	0.72	1.08
Zambia	3.19	4.88
Zimbabwe	17.43	9.74

	As a Share of Intra-SADC Imports, 1992 (%)	**As a Share of Intra-SADC Imports, 2002 (%)**
SADC countries		
Angola	5.28	7.43
DRC	5.83	4.17
Malawi	9.01	9.56
Mauritius	7.15	7.29
Mozambique	11.86	10.5
Seychelles	1.12	1.15
SACU	18.54	12.74
Tanzania	3.36	5.24
Zambia	9.6	16.15
Zimbabwe	28.25	25.78

Source: ADB, 2004[14]

Intra-COMESA trade

Intra-COMESA trade has grown rapidly, albeit from a very low base, from US$834 million in 1985 to US$1.7 billion in 1994 and US$4.2 billion in 2003. COMESA data indicates intra-regional trade grew by 30% in 2001–02 and that it now accounts for 18% of member countries' total trade.[15] This assertion almost certainly overestimates the level of intra-regional trade. In 2003, with total COMESA trade standing at US$63 billion, intra-regional trade represented about 7% of total COMESA trade. IMF direction of trade statistics estimate intra-regional trade to have been 7.5% in 2003, but that it experienced an annual average growth rate of almost 19% in the period 2001–03.[16]

South Africa's economic dominance in southern Africa and its refusal to join the PTA/COMESA in 1994 are important factors behind the low level of intra-COMESA trade.

---

[14] ADB (2004) *Southern Africa: Regional Assistance Strategy Paper, p.9.*
[15] COMESA (Common Market for Eastern and Southern Africa) (2006) *Intra-COMESA Trade, 2000–2004*, available at <http://www.comesa.int/trade/information/external>.
[16] Quoted in Meyn (2005).

Intra-SACU trade

Intra-SACU trade is characterised by the importance of South Africa in BLNS trade. South Africa completely dominates the import markets of the BLNS states, enjoying no less than 75% of the market in each country.[17] However, given its diversification in terms of export destinations and import sources, South Africa's trade with its SACU partners is relatively minor. South African SACU imports as a percentage of total imports stand at approximately 2% (R6–7 billion – approximately US$1.2 billion – in 2003). Intra-SACU imports as a percentage of total imports stand at approximately 16%.[18]

Intra-EAC trade

Although the EAC trade regime is now more open than during the 1980s and 1990s, intra-EAC trade remains limited and the chances of it increasing significantly are hampered by complementarity and capacity issues. As the EAC Secretariat observes, intra-regional EAC trade 'is still very low.'[19] In the period 2001–03, only 7.3% of EAC total imports were sourced from within the EAC region. Similar to SADC, there are considerable inequalities, with Kenya dominating intra-EAC exports. However, whereas Uganda sources almost 29% of its imports from the EAC, Kenya derives just 0.7% from EAC partners. Furthermore, South Africa has become the largest single trading partner for Kenya and Tanzania, supplying 11.4% and 12.6% of imports, respectively.

Intra-regional trade in summary

Despite the various trade-promoting initiatives of SADC, COMESA, SACU and the EAC, and progress with regional trade liberalisation strategies, intra-regional trade remains limited and asymmetrical. The level of such trade remains, in comparison to other regional communities, a small proportion of total trade. It has, however, experienced considerable growth recently.

The dominant issue determining the character and extent of intra-regional trade flows is South Africa. Without South Africa, intra-regional trade is in the region of 6–7%, since most countries in the region maintain their traditional roles of being exporters of primary goods to industrialised countries. This is a very low figure compared to almost any other regional community in the world. With South Africa included, intra-regional trade flows expand to around 20%. In 2004 the ADB concluded that '[t]rade integration is low, with total intra-regional trade accounting for 22% of the sub-region's total trade for the period 1999–2003. Within the sub-region, there appears to be a disconnect between trade and integration, both regionally and globally.'[20]

---

[17] South African Foundation (2004) *South Africa's Business Presence in Africa*. South Africa Foundation Occasional Paper no. 3/2004, p. 9.
[18] Flatters, F. and Stern, M. (2005) *Implementing the SACU Revenue-Sharing Formula: Custom Revenues*, p. 6, available at <http://www.qed.econ.queensu.ca/faculty/flatters/writings/ff&ms_nt_sacu_rsf.pdf>.
[19] EAC (East African Community) (2004) *Customs Union Implications and Benefits of the EAC Customs Union*. Arusha: EAC Information and Public Relations Office, EAC Secretariat.
[20] ADB (2004), p. 5.

Multiple Memberships and Overlapping Goals

Figure 1: Membership in RECs, FTAs and EPA Configurations

Country	COMESA	COMESA FTA	ESA-EPA Config.	SADC	SADC's EPA Config.	SACU	Common Monetary Area	EAC	WTO
Angola	■			■	■				■
Botswana				■	■	■			■
Burundi	■	■	■						■
DR Congo	■		■	■					■
Comoros	■		■						
Djibouti	■	■	■						■
Egypt	■	■							■
Eritrea	■		■						
Ethiopia	■		■						
Kenya	■	■	■					■	■
Libya	■								
Lesotho				■	■	■	■		■
Madagascar	■	■	■	■					■
Malawi	■	■	■	■					■
Mauritius	■	■	■	■					■
Mozambique				■	■				■
Namibia				■	■	■	■		■
Réunion									■
Rwanda	■	■	■						■
Seychelles	■		■						
Somalia									
South Africa				■	Observer Status	■	■		■
Sudan	■	■	■						
Swaziland	■			■	■	■	■		■
Tanzania				■	■			■	■
Uganda	■		■					■	■
Zambia	■	■	■	■					■
Zimbabwe	■	■	■	■					■

Recent integration agendas and strategies

An obvious starting point in analysing the structure of the regional institutions in eastern and southern Africa is to address the question of what SADC, COMESA, SACU and the EAC have, and do not have, in common. Since 1994, there has been a convergence in the development strategies adopted by the RECs of the region, with a policy orientation towards market integration and liberalisation.

The AEC identified six stages in establishing an economic union. It promotes a classical neo-liberal approach to regional integration, calling for the establishment of FTAs (stage 3), leading to customs unions (stages 3 and 4), common markets (stage 5) and, finally, an economic union (stage 6).[21] The AEC calls for the gradual removal of obstacles to the free movement of persons, goods, services and capital, and for the

[21] AEC (2004).

right of residence and establishment. The Abuja Treaty makes it clear that the establishment of an economic union, based on the six integrative stages, is the final objective toward which the activities of all African RECs should be geared (art. 88). The RECs of eastern and southern Africa have, by design or default, adopted integrative strategies similar to those advocated by the AEC.

Free trade areas

SADC, COMESA, SACU and the EAC are united in sharing a common goal to promote regional FTAs. The degree of integration required to create an FTA is, in theory, limited. Member states agree to remove the classic trade barriers of customs tariffs and quota restrictions among themselves, but remain free to decide their own particular trading arrangements with non-member countries. However, with the exception of SACU, establishing effectively functioning FTAs has been problematic.

In 1981 COMESA, then known as the PTA, proposed a programme of tariff reductions leading to the establishment of an FTA by 30 October 1992. This deadline was missed, and in 1994 the organisation established a new agenda for regional integration, based on the establishment of an FTA, a customs union and an economic union. In October 2000, 9 out of 20 COMESA countries launched a 'partial' FTA[22] and by 2005, 11 COMESA states (just over half) had signed up to the FTA (see Figure 1). The COMESA FTA covers all products conforming to its rules of origin and all COMESA countries are being encouraged to adopt a full FTA immediately.[23]

In August 1996, 11 out of the then 12 SADC members (all but Angola) signed a Protocol on Trade, which committed signatories to establish an FTA.[24] For the protocol to enter into force, it had to be ratified by at least a two-thirds majority of member states, which was achieved in January 2000. The protocol aims to 'further liberalise intra-regional trade in goods and services on the basis of fair, mutually equitable and beneficial trade arrangements.' The DRC is now the only SADC member state not to sign this protocol.

Since 1910 SACU has had an effectively functioning customs union, incorporating an FTA, based on the free movement of manufactured goods. The new 2004 SACU Treaty continues to prioritise free trade in goods among member states: 'Goods grown, produced or manufactured in the Common Customs Area, on importation from the area of one Member State to the area of another Member State, shall be free of customs duties and quantitative restrictions ….'[25]

Finally, the EAC has engaged in a 'fast track' integration process. The 2005 Customs Union Protocol stipulates that Kenya (the most developed member) should fully liberalise its trade with Uganda and Tanzania as from 1 January 2006 and that free trade should operate between Uganda and Tanzania.[26] However, in order to safeguard the less competitive and less diversified Ugandan and Tanzanian economies against

[22] CUTS–ARC (Consumer Unity and Trust Society – Africa Resource Centre) (2003) *COMESA Regional Trade Agreements: The Zambian Experience*. Lusaka: CUTS.
[23] Pearson, M. (2004a) 'Variable geometry: What future for southern African integration?' Paper presented at a conference on EU–Africa relations held at the South African Institute of International Affairs (SAIIA), Johannesburg, 4–5 November 2004.
[24] SADC (1996) Protocol on Trade in the Southern African Development Community Region. Gaborone: SADC Secretariat.
[25] SACU (Southern African Customs Union) (2002) Southern African Customs Union Agreement. Windhoek: SACU Secretariat, art. 18.1.
[26] AEC (2004).

Kenyan exports, certain categories of Kenyan exports to the other member states are subject to tariffs, most of which will be phased out by 2010.

Thus COMESA, SADC, SACU and the EAC are united in their perception that intra-regional free trade, based on FTAs, is of absolute importance to the cause of regional integration. They have all adopted a market-driven approach to promoting intra-regional trade. This consensus on prioritising the creation of FTAs provides common ground upon which to build intra-REC co-operation.

Customs unions

In a customs union, to counteract the problems arising from member states having separate trade deals with non-member countries, a common customs tariff or a CET is adopted. Under a customs union there is, in theory, no longer any question of member states importing goods at different tariff rates; they must all impose identical trade barriers to be decided in concert among themselves. Once in a customs union, there is a compulsion on states to work together to produce common decisions about duties and quota restrictions they place on imports from non-member countries.

SACU is the only REC in eastern and southern Africa to have an effectively functioning CET (in operation since 1910), with decisions being made by 'consensus' among member states. The 2004 SACU Treaty states that '[t]he (SACU) Council shall … approve customs duties to be applied to goods imported into the Common Customs Area from outside that Area' and that 'Member States shall apply identical rebates, refunds or drawbacks of customs duty on imported goods.'[27]

Both COMESA and SADC are in the process of implementing their own customs unions. COMESA's planned timetable to move from an FTA to a customs union on 8 December 2004 was not realised, and a revised timetable aims to establish a CET and customs union by 2008 and an economic union by 2025. SADC has also expressed its intention to establish a customs union following implementation of its FTA. The SADC timetable envisages the establishment of a FTA by 2008 (although some sensitive products will not be liberalised until 2012), a customs union in 2010 and a common market by 2015.

Similar to COMESA and SADC, the EAC Treaty calls for the establishment of a customs union, to be followed by a common market, monetary union and economic union. The EAC signed a Customs Union Protocol that was ratified in 2004 and came into effect on 1 January 2005. COMESA and SADC preferential tariff treatment will continue on eligible goods for two years. According to the EAC, the main objective of its customs union is 'the formation of a single customs territory. Therefore, trade is at the core of the customs union.'[28]

The severity of the problem

The integration strategies of the RECs of eastern and southern Africa, although starting from very different positions historically, economically and politically, have over the past 10–12 years gradually converged towards a market-driven agenda (see Figure 2). Although differences exist in the degree of commitment to market

[27] SACU (2002), arts. 20 & 22.
[28] AEC (2004), p. 1.

integration, it is no longer appropriate to describe SADC as 'dirigiste' or SACU as 'colonial'.[29]

Figure 2: The Regional Integration Strategies of SADC, COMESA, SACU and the EAC

	Free Trade Area	Customs Union	Common Market	Economic Union
SADC	2008	2010	2015	2016
EAC	2004	2005	✓	✓
SACU	1910	1910	?	X
COMESA	2001	2008	✓	✓
AEC Plan	→	→	→	2028

✓ = Planned but no timetable
X = Not planned
? = Elements of a common market already exist in SACU

All the RECs prioritise and promote free trade as the primary strategy to deepen integration. Thus, SADC, COMESA, SACU and the EAC are united in their perception that intra-regional free trade, supported by FTAs, is of absolute importance to the cause of regional integration. SACU has an established FTA and COMESA,[30] SADC and the EAC plan to have established FTAs in the immediate future. Furthermore, all the RECs have (in the case of SACU) or are in the process of implementing customs unions that, in theory, will be fully operational by 2010.

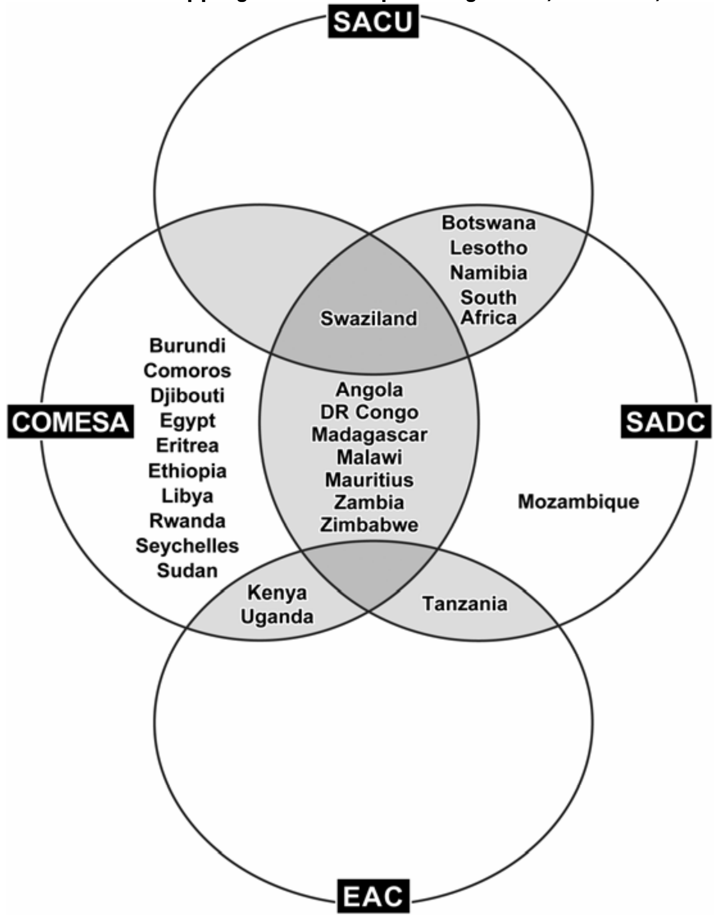
While it is technically possible for the FTAs of COMESA, SADC, SACU and the EAC to co-exist, it is not possible for any member state to belong to more than one customs union regime, unless each of these regimes adopts identical trade regulations and the same CET. In reality, one country cannot realistically belong to two different customs unions.

This poses a major obstacle to the development plans of the regional economic communities within sub-Saharan Africa. Multiple membership of overlapping customs unions with different trade regimes is geographically, economically and politically unsustainable.

The dilemma of multiple memberships applies to all the RECs; none of the regional groups is exclusive (see Figure 3). All five member states of SACU belong to SADC, with Swaziland also being a member of COMESA. Only Swaziland has membership of SACU, SADC and COMESA. Within SADC, only Mozambique does not belong to another regional grouping (but may apply for SACU membership). Eight SADC member states are also members of COMESA: Angola, the DRC, Malawi, Madagascar, Mauritius, Swaziland, Zambia and Zimbabwe. In the EAC, Kenya and Uganda belong to COMESA, while Tanzania has SADC membership. The level of overlap is, to say the least, considerable.

[29] See Meyn (2005).
[30] With only 11 out of 20 COMESA states joining the FTA, it can best be described as incomplete.

Figure 3: The Extent of Overlapping Membership among SADC, COMESA, SACU and the EAC



Incompatibilities

Three case studies serve to illustrate just how unworkable the present situation is.

- **Zambia** is a member of SADC and COMESA. Under the SADC Protocol on Trade, Zambia is obliged to dismantle all tariff barriers to South Africa, a fellow SADC member, by, at the latest, 2012. However. Zambia is also obliged, as a result of its COMESA membership, to create a COMESA CET (by 2008) that excludes and discriminates against South Africa. Thus, Zambia has agreed simultaneously to promote free trade with South Africa and to maintain tariff barriers against that country. Madagascar, Malawi, Mauritius and Zimbabwe are in exactly the same position.

- **Swaziland**, being a member of SADC and the only SACU state with COMESA membership, has agreed to implement simultaneously three FTAs and three customs unions. It has agreed via the SACU CET to maintain tariff barriers against non-SADC COMESA states (despite being a member of the COMESA FTA), while simultaneously agreeing to erect a COMESA CET against other SACU states. At present, Swaziland relies on COMESA derogations, allowing it to access the COMESA FTA while, simultaneously, applying the SACU tariff regime against COMESA imports.

- **Kenya's** exports are focused on COMESA member states and Tanzania, with less then 1% of exports being destined for South Africa. It makes perfect sense, therefore, for Kenya to promote FTAs with its most important trading partners, via the EAC and COMESA (and not SADC). However, because several COMESA members and Tanzania are also signatories to the SADC Protocol on Trade, South African goods will, in theory, gain access to Kenya's market via the customs unions of the EAC and COMESA.

Clearly, the present situation of overlapping memberships and shared integrative goals cannot work. Apart from the major obstacles of being practically and legally unworkable, other problems include the following.

- National negotiating capacities are overstretched.
- Multiple membership fees are costly.
- Conflicting membership loyalties hamper progress with implementing agreements and promoting deeper integration.
- Different rules of origin impose costs on business and governments.
- Regional trade is hampered by a lack of commitment to one FTA at the expense of another, resulting in the proliferation of NTBs.
- Most importantly, for business, because the system lacks credibility and is so obviously unsustainable, it serves to highlight issues of market unpredictability. For example, a chocolate factory in Swaziland that sells more to the COMESA market than to SACU may be unwilling to invest on the grounds of unpredictable market access to COMESA.

This complicated situation is made even more difficult (and unsustainable) as RECs negotiate 'bilaterals' with third parties. Thus, the EU–South Africa Trade, Development and Co-operation Agreement; the SACU FTA with the Mercado Común del Sur (the Southern Common Market or MERCUSOR) and potentially, with China, India and the United States; and, not least, the EU's Everything But Arms agreements and EPAs, the latter based on the establishment of FTAs, will put further strain on the already deeply flawed structure of regional integration. For example, four SADC states have decided to negotiate an EPA, and thus an FTA, within the COMESA grouping rather than the SADC EPA grouping (see Figure 1).

By 2008, at the very latest, all the countries of eastern and southern Africa will *have* to make choices on which customs union to belong to and which CET to apply. As the implementation of FTAs and customs unions progresses, and as the financial strains, bureaucratic complexity and business insecurity deepen, the need for rationalisation will become ever more pressing. In fact, a limited amount of rationalisation has already taken place.

- South Africa has consistently refused to join COMESA.
- Lesotho, Mozambique, Tanzania and Namibia have left COMESA.
- The Seychelles quit SADC in July 2004.

Although some authors suggest that belonging to several RECs is beneficial, in that it maximises the benefits of integration and minimises losses by spreading risk, the consensus is that multiple membership of overlapping RECs significantly weakens the integration process.[31] There is no evidence that overlapping membership encourages either intra-regional trade or foreign direct investments.

[31] See, for example, Lyakurwa, W. (1997) 'Regional intgeration in sub-Saharan Africa: A review of experiences and issues' in Oyejide, A. *et al.*, *Regional Integration and Trade Liberalisation in sub-*

Indeed, the lack of complementarity between the RECs promotes unnecessary competition among both countries and institutions, and hampers efforts designed to promote further integration. As a recent paper observes: 'Some countries that belong to multiple regional trade blocs show little eagerness to sign and implement certain protocols as these may conflict with the practices, concerns and interests of some or all of the regional blocs.'[32]

The membership and integrative goals of eastern and southern African RECs must be significantly different in 5–10 years time if meaningful regional integration is to proceed. Put simply, overlapping membership among the RECs of the region represents one of the most significant obstacles to achieving the goals of regional integration. The existing structure is not credible.

Reconfiguring and rationalising the RECs is as much a political as an economic challenge. It is, however, a challenge that has to confronted. Eastern and southern Africa can no longer afford the luxury of competing trading blocs.

Geographic Realities

Regional inequalities

An important factor determining the nature and success of eastern and southern African regionalism is South Africa's absolute dominance of the region, both economically and politically, and how to manage this dominance. Two sets of figures serve to illustrate the extent of South Africa's dominance: GDP and trade. In 2003 approximately 90% of SACU's GDP was produced in South Africa. The corresponding figures for SADC and COMESA are 66% and 61%, respectively. South Africa's real GDP is approximately three times larger than the combined GDPs of the other 13 SADC member states. In 2004, South Africa accounted for approximately 25% of total African GDP.

This disparity in economic power is reflected in the region's trading patterns. In the post-apartheid period, South Africa has an impressive track record of rapidly increasing economic involvement in Africa. There is, however, a marked asymmetrical imbalance of trade, leaving South Africa with a multi-billion dollar regional trading surplus.

South Africa's exports to the rest of the continent increased from US$1.3 billion in 1994 to US$5.9 billion in 2003, representing a growth of over 450%. During the same period, South Africa's imports from Africa grew by 300%, from just US$0.4 billion to US$1.2 billion.[33] The commodity composition of the trade is also asymmetrical, with South Africa exporting primarily manufactured goods and importing primary products. Almost two-thirds of South Africa's manufactured exports are now sold to other African countries.

Saharan Africa: Framework, Issues and Methodological Perspectives, vol. 1. Macmillan: Houndmills, p. 196.

[32] Hansohm, D., J. Adongo and C. Tutalife (2005) *Namibia's Withdrawal from COMESA: A Case Study of Successful Policy Research in Namibia*. NEPRU Working Paper, no. 101, p. 4.

[33] Grobbelaar, N. (2004) *Every Continent Needs an America: The Experience of South African Firms Doing Business in Mozambique*. Business in Africa Report No. 2. Johannesburg: SAIIA. (http://www.sarpn.org.za/documents/d0000871/P987-BIA_SA-Firms_Mozambique.pdf)

In eastern Africa, Kenya is the most significant economy, dominating both Uganda and Tanzania. The economic dominance of Kenya, and the fact that it was receiving a disproportionate share of the benefits of integration, was the primary reason for the collapse of the first EAC in 1977. Similarly, Egypt, although less dominant than South Africa and Kenya, has a healthy trading surplus with COMESA, exporting twice as much as it imports.

Such large inequalities create a number of serious obstacles that need to be addressed by regional institutions. Most importantly, they raise the question of how best to integrate a semi-developed state, South Africa, with developing and less-developed countries.

Traditional customs union theory supports the idea that states have to be at broadly comparable levels of development for integration to succeed. Otherwise, polarised economic development is likely to occur that will favour the developed at the direct expense of the underdeveloped. Eastern and southern African regionalism has to address the question of how best to counter this polarisation trend.

Redistributive strategies

In a region such as eastern and southern Africa, characterised by such intense inequalities, regional integration based on the principles of the free market will promote a tendency towards agglomeration.[34] This raises the controversial question of how best to reduce, or compensate for, the trend towards industrial and economic polarisation. Over this issue, unlike the policy of creating FTAs and customs unions, there is a clear difference in the strategies adopted by SACU, SADC, COMESA and the EAC.

The 1969–2004 SACU Agreement contained a powerful and positive redistributive mechanism aimed at compensating the BLNS states for being in a customs union dominated by South Africa. The longevity of SACU, which is often regarded as following a traditional trade integration approach, is a product of its redistributive mechanism. The new 2004 SACU Agreement maintains a significant redistributive mechanism in favour of the BLNS states. The new 2004 SACU revenue distribution formula (RDF) incorporates a distribution mechanism — including a development component — that discriminates positively in favour of the poorer states.

In contrast, both SADC and the EAC are attempting to address the issue of some states doing better than others by adopting an 'asymmetrical approach' to trade liberalisation, whereby South Africa (SACU) and Kenya provide better market access over a shorter time period than other SADC/EAC signatories to the FTA.

The redistributive mechanism adopted by SADC and the EAC is market-led and based on the assumption that weaker states and their industries will be able to exploit the benefits offered by a short-term preferential tariff regime. It is, however, unlikely that this asymmetrical approach to trade liberalisation will be enough to prevent the South Africa–SADC and Kenya–EAC trade imbalances growing wider as a result of FTAs.

---

[34] See, for example, Tsie, B. (1996) 'States and markets in the Southern African Development Community: Beyond the neo-liberal paradigm', *Journal of Common Market Studies*, vol. 22, pp. 75–98; and Weeks, J. (1996) 'Regional co-operation and southern African development', *Journal of Common Market Studies*, vol. 22, pp. 99–117.

Both the SADC and EAC asymmetric policies are supported by a commitment to develop trade and industrial strategies designed to promote economic growth throughout the region. The 1996 Maseru Trade Protocol and the EAC Treaty call for free trade to be accompanied by improvements in transport and communications, and the co-ordination of trade financing and banking systems in order to help promote the least-developed countries (LDCs).

This is in sharp contrast to COMESA, which has no plans to adopt any redistributive mechanism to support regional integration. It argues that 'there is ample evidence from the experience of other successful free trade areas that the net effect will be the expansion of industry in all member states.'[35]

Clearly, there is no consensus over the best approach to adopt in order to reduce regional inequalities, with SACU promoting an interventionist strategy, SADC and the EAC promoting a form of market redistribution and COMESA rejecting the need for any form of redistributive mechanism.

Future Rationalisation Strategies

A variable-geometry or muti-speed approach?

There is now widespread acceptance that action is needed immediately to rationalise the multiplicity of regional organisations.

- **President Thabo Mbeki of South Africa (2004):** 'We need to strengthen RECs including the *rationalisation* of RECs and the involvement of the private sector and civil society …. We have to improve regional trade by, among others, eliminating barriers to intra-regional trade.'[36]

- **NEPAD (2003):** 'In some instances, duplication and overlapping of activities exist between individual RECs, e.g. between SADC and COMESA. This is further complicated by the practice of multiple memberships by African countries to many intergovernmental organisations and RECs. Such a trend makes the task of horizontal co-operation difficult …. NEPAD will give priority to capacity building in order to enhance the effectiveness of existing regional structures and the *rationalisation* of existing regional organisations.'[37]

- **SADC (2005):** '… as SADC moves into higher levels of integration, such as a customs union, the issue of multiple membership of SADC countries in a number of other regional bodies and the conflicting obligations arising thereof should be addressed urgently.'[38]

Almost every study examining the future shape of eastern and southern African regionalism concludes that a 'multi-speed' or 'variable-geometry' configuration should be adopted.[39] However, these two methods of integration result in very different outcomes.

---

[35] CUTS–ARC (2003).
[36] Mbeki, T. (2004) 'Statement of the President of South Africa, Thabo Mbeki', at the opening of the NEPAD Stakeholders Dialogue, Sandton Convention Centre, Johannesburg.
[37] DFA (Department of Foreign Affairs) (2003) *The Role of the Regional Economic Communities (RECs) as the Building Blocks of the African Union*. Pretoria: DFA.
[38] SADC (2005).
[39] See, for example, Jakobeit, Hartzenberg and Charalambides (2005) and Meyn (2005).

With a 'multi-speed' or 'two-speed' approach, all states agree to a *common* integrative goal, be that a customs union or common market, and commit themselves to achieving that common goal over different time periods. Importantly, all member states accept the same integrative strategy and end state, but progress at different speeds. This multi-speed approach has, *de facto*, been adopted through the AEC, committing all RECs to an African economic union by 2025.

On the other hand, a variable-geometry approach results in a group of states pursuing different integrative strategies on a permanent basis (for example an FTA) to those adopted by other regional groupings (which may adopt a common market, for example). This is the case in Europe, where the EU represents a deeper level of integration than the European Free Trade Area.

A key issue affecting the structure of regionalism is the level of diversity among the states of sub-Saharan Africa, including the existence of many weak and, in certain cases, dysfunctional states. Because regional integration is a process that is essentially state-led, weak states serve to undermine the cause of regionalism. Both SADC and COMESA are, to a certain extent, undermined by the existence of such weak states. In the case of SADC, the DRC, Angola and Zimbabwe serve to undermine the cause of regionalism. In the case of COMESA, the list of weak/dysfunctional states is even longer: Angola, Burundi, the DRC, Rwanda, Sudan, Ethiopia and Zimbabwe.

This diversity is even more pronounced when macroeconomic convergence criteria are examined. For example, in 2003 inflation ranged from 420% and 95% in Zimbabwe and Angola, respectively, to 5% in Malawi and Mauritius. The current account deficit as a percentage of GDP ranged from 28% in Mozambique to 3.5% in Botswana and external debt as a percentage of GDP ranged from 170% in Malawi to 2% in Namibia.[40]

The policy of adopting various aspects of both the variable-geometry and multi-speed approaches to regional integration in eastern and southern Africa has many attractions, particularly as it helps adapt the political infrastructure of integration to the geo-economic and political diversities of the region's states.

This report therefore promotes a policy of adopting a variable-geometry approach (in the short-to-medium term) to reconfiguring the regional institutions of eastern and southern Africa, while recognising that the ultimate goal of all RECs is an economic union. Given the economic and political diversity of member states within the region, variable geometry recognises that there are some countries able to achieve a higher degree of integration than others. Most importantly, it avoids the problems associated with integration proceeding at the pace of the slowest, most reluctant member state.

However, the policy of promoting a variable-geometry approach to integration involves much more than just recognising that some countries will advance faster than others. There are dangers associated with this approach. Poorly structured, it could lead to a loss of cohesion and overcomplex administrative procedures, promoting fragmentation. It is imperative to develop a recognised and formal working and trading relationship among the various RECs in order to develop a coherent regional strategy that covers the whole of eastern and southern Africa.

In light of the discussion thus far, the following sections of this report propose a framework to restructure the RECs of eastern and southern Africa. This has to be read as a suggestion and not a definitive solution. In general, the proposals are not

[40] ADB (2004), p. 7.

country-specific. It is for each country to assess its own individual circumstances and best interests. However, as observed by a recent study, 'economic analysis based on the different proposed tariff structures under COMESA and SADC and investment do not offer a definitive indication of "best" strategy.'[41] The rationalisation of eastern and southern African RECs is as much political as it is economic.

The proposals outlined below are ambitious and challenging, both economically and politically. But the challenges facing all the states of eastern and southern Africa in their efforts to reconfigure the RECs of the region are enormous.

The challenge rests with member state governments and not REC secretariats. Various intra-REC task forces have already been established to promote co-ordination, but, as Pearson observes, this has 'been at the implementation level and not at the political level.'[42]

An eastern and southern African FTA?

One possible solution to the economic costs and political problems associated with abandoning one REC in order to focus attention on another is to establish an intra-REC FTA, creating an eastern and southern Africa FTA (EASA FTA). The idea of an intra-REC FTA is supported by the following factors.

- SACU, SADC, COMESA and the EAC having established, or are in the process of implementing, FTAs. All RECs support the idea of FTAs promoting intra-regional trade.
- Although both COMESA and SADC have agreed to implement FTAs, there are major differences in timetables, rules of origin and coverage. An EASA FTA would help co-ordinate and harmonise these different approaches. For business, this would remove the need to conform to different tariff schedules, rules of origin and other requirements.
- Five SADC (FTA) member states (see Figure 1) already belong to the COMESA FTA (representing nearly half of its membership).
- Intra-regional trade is comparatively low and, with 80% of trade being extra-regional, an FTA would affect just 20% of trade.
- Informal trade throughout eastern and southern Africa is considerable and the pressure on customs to effectively police intra-regional trade would be relaxed.
- The EAC has already announced its intention, with a deadline of two years after the EAC customs union entered into force, to negotiate free trade agreements with COMESA and SADC.
- By establishing a free trade agreement between SADC and COMESA, an FTA covering the whole of eastern and southern Africa would be established.
- The CETs imposed by future customs unions would be applicable only on extra-regional trade.

---
[41] Jakobeit, Hartzenberg and Charalambides (2005), p. 143.
[42] Pearson, M. (2004a), p. 4.

- It would be extremely perverse if, through EPAs, the states of eastern and southern Africa established FTAs with the EU before establishing an FTA among themselves!

An EASA FTA would prevent the fragmentation of the region, which represents one of the biggest threats of rationalisation. In addition, it would integrate and co-ordinate the existing RECs without preventing a smaller collection of those states from creating a customs union. A recent study into the private sector's perspective on RECs commented on 'confusion due to the lack of co-ordination amongst different regional integration initiatives.'[43] An EASA FTA would help address and ease this confusion.

The combined total GDP of an EASA FTA would be around US$300 billion (2002), approximately the same as the US budget deficit at the start of 2003/04.[44] An integrated EASA FTA would remain a small and marginal player in the world economy.

The first recommendation is thus for SACU, SADC, COMESA and the EAC to create an EASA FTA.

Flexible and expanding customs unions?

Within eastern and southern Africa, SACU and the EAC should form the core of any variable-geometry integrative strategy. SACU is the most effectively functioning regional institution in the region and represents a deeper level of integration than either SADC or COMESA. There are several issues that distinguish SACU from the other regional groups.

- SACU has an impressive record of longevity. Established in 1910, it is the oldest customs union in the world and has a record of maintaining an effectively functioning customs union that incorporates all member states.

- SACU has a redistributive mechanism that is sophisticated, self-financing and interventionist. The RDF discriminates positively in favour of the poorest states, a process that helps maintain regional solidarity.

- The new 2004 SACU Agreement established an institutional structure with joint decision making and a dispute settlement body, known as the Tribunal. This represents a fairly deep form of regional integration, with elements of supranational power being vested in regional institutions. The new 2004 agreement lays the foundations for a rules-based regime of regional regulation.[45]

- There are only five member states in SACU and there is a high degree of economic interdependence and macroeconomic convergence among them. All SACU states, with the exception of Lesotho, are classified as developing, whereas all non-SACU SADC states, with the exception of Mauritius, are LDCs.

- The new RDF adopted in 2004 enables SACU to expand its membership without detrimentally affecting the existing member states. In reality, SACU already forms

---

[43] Charalambides, N. (2005) *The Private Sector's Perspective, Priorities and Role in Regional Integration and Implications for Regional Trade Agreements*. ecdpm Discussion Paper, no. 66, September, p. 5.
[44] BBC (2005) 'US budget deficit shrinks in 2004', *BBC World News*, 14 October.
[45] Erasmus, G. (2004) *New SACU Institutions: Prospects for Regional Integration*. Trade Law Centre for Southern Africa, Working Paper, Stellenbosch.

a core to the architectural infrastructure of eastern and southern African regionalism. Furthermore, because all SACU member states belong to SADC, there is already a form of variable-geometry regionalism within eastern and southern Africa. For example, the SADC FTA involves the whole of SACU, and not just South Africa, opening up its markets on an asymmetrical basis to non-SACU SADC members.

Under a SACU core, both SADC and SACU would have to change. Firstly, other SADC countries could/should be encouraged, when conditions are appropriate, to join the SACU customs union (with Mozambique as a likely first candidate). Secondly, while SACU member states would commit themselves to an FTA within SADC (and COMESA via the EASA FTA), they would no longer be part of the proposed SADC customs union. SACU states would leave the proposed SADC customs union and, legally, be differentiated from SADC states committed to a customs union through SADC.

Hess and Hess suggest that if SADC develops into a customs union, SACU and SADC must either separate membership or merge.[46] However, under a variable-geometry structure, SACU member states could remain SADC members if they withdraw from the SADC customs union (but remained SADC FTA members). The politically challenging issue of SACU states leaving SADC would then not materialise. Non-SACU SADC states would than have the option, while being secure members of an EASA FTA, of either joining a SACU customs union or developing a SADC customs union (minus SACU members).

This same rationale and strategy would apply to the EAC, which could become the 'fast-track' customs union of COMESA. The EAC could expand its membership, to include Burundi and Rwanda in the first instance, while leaving the COMESA customs union, but not the FTA. However, Tanzania would have to rejoin COMESA and leave the SADC customs union, which, if the EAC customs union takes place, is inevitable anyway.[47]

The second recommendation is to allow groups of states, focused on SACU and the EAC, to promote deeper integration and enlargement.

COMESA and SADC

Thus far, the overlapping memberships of SADC and COMESA have not presented insurmountable problems. This is, in part, because both institutions are pretty weak, with a poor record of delivery. Clearly, there has to be some rationalisation in the membership and integrative strategies of SADC and COMESA. The eight countries with double membership of COMESA and SADC have to decide which customs union they want to belong to and which CET to apply. Economically, this decision would be made easier by the existence of an EASA FTA. Politically, it will be an extremely difficult decision for many countries.

Countries unwilling or unable to participate in the SACU and EAC customs unions would remain members of SADC and COMESA. Both these institutions would focus on implementing effectively functioning FTAs in the immediate future. Both SADC and COMESA would be free to pursue customs unions that excluded SACU and EAC members, respectively. In addition, SADC/COMESA members could join the SACU/EAC customs unions at a future date.

[46] Hess, R. and S. Hess (2004) 'A pending crisis of overlap', *eAfrica*, vol. 2, October, pp. 10–12.
[47] Charalambides (2005) cites strong private sector preference for Tanzania to rejoin COMESA, p. 6.

Conclusion

Regional integration has gained considerable momentum throughout eastern and southern Africa. Both COMESA and SADC have recently experienced considerable growth in intra-regional trade and are committed to deeper integration among member states. In addition, the SACU Agreement has been renegotiated successfully and the EAC Customs Union came into effect on 1 January 2005.

However, although growing, intra-regional trade remains limited and asymmetrical. In addition, the RECs have not been as effective as they could have been in removing barriers to intra-regional trade. Complicated customs procedures, confusing rules of origin, NTBs, varying standards and corruption are commonplace. A recent study into the private sector's experience of eastern and southern African RECs concludes that 'agreements exist "on paper" only in the sense that their implementation is often poor and their provisions cannot be enforced.'[48] Intra-regional trade is being hampered by implementation and enforcement issues that require greater member state commitment to regional integration.

There are, however, several challenges in promoting deeper and more effective regional integration throughout the sub-continent. The most prominent of these relates to the existing institutional structure of RECs, described as a 'spaghetti bowl' by the World Bank and an 'institutional cacophony' by the AU. As this Discussion Paper has shown, the existing system of multiple RECs, with overlapping memberships and similar integrative ambitions, is not sustainable. There are a great many very sound arguments promoting the cause of rationalisation among the RECs of eastern and southern Africa. There are very few arguments that support preserving the status quo. In the short term, the existing structure is economically damaging, politically divisive and legally incoherent. In the medium term, it is unworkable. The existing structure is just not credible.

In order for RECs to become more effective, member states need to: (1) implement existing agreements more fully; (2) rationalise the pattern of overlapping multiple agreements; and (3) deepen integration.

With almost all the countries of eastern and southern Africa committed to more than one customs union, member state governments will have to decide which customs union REC they want to belong to and which CET to apply. Countries will also have to decide not only which REC will serve their interests best, but also how to restructure and rationalise the institutional architecture supporting regionalism. *The priority for the governments of the region is to develop a recognised and formal working and trading relationship among the different regional institutions.*

Such an integrative strategy, similar to the one proposed in this report, needs to promote cohesion while allowing for diversity and dynamism. Diversity enables a group of states to promote deeper integration and removes the problems associated with integration proceeding at the pace of the slowest member state. Dynamism allows states to change group membership and to promote deeper integration at a later date.

With all the RECs of eastern and southern Africa united in a policy orientation towards market-led strategies of integration, this report proposes the creation of an EASA FTA integrating the SADC and COMESA markets. This would promote cohesion and a

[48] Charalambides (2005), p. 5.

common sense of purpose, and result in custom union tariffs being imposed only on extra-regional trade. It would provide a new foundation upon which to build a more credible framework to support deeper regional integration in eastern and southern Africa. This is an ambitious proposal that would take COMESA and SADC several years to complete. In the meantime, SACU and the EAC should be encouraged to promote and expand their customs unions.

Abbreviations and Acronyms

ADB	African Development Bank
AEC	African Economic Community
AU	African Union
BLNS	Botswana, Lesotho, Namibia and Swaziland
CET	Common external tariff
COMESA	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of Congo
EAC	East African Community
EASA FTA	Eastern and southern Africa free trade area
EPA	Economic Partnership Agreement (EU)
EU	European Union
FTA	Free trade area
GDP	Gross domestic product
IMF	International Monetary Fund
LDC	Least-developed country
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organisation
NTB	Non-tariff barrier
OAU	Organisation of African Unity
PTA	Preferential Trade Area for Eastern and Southern Africa
RDF	Revenue distribution formula
REC	Regional economic community
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Co-ordination Conference