

THE SADC BLOC, TAKE TWO



Regional economic integration has not fared well. But will the next phase under Jacob Zuma and Rob Davies do any better, asks DARLENE MILLER.

Regional economic integration in post-apartheid southern Africa has not fared as well as the region's governments have hoped. As the minister of trade and industry, Dr Rob Davies, puts it, 'show me how to do regional integration and I will do it'.

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Although the idea of regional cooperation remains an objective of the Southern African Development Community (SADC), it faces many challenges – mainly the institutional shortcomings of the SADC, bilateral trade arrangements by SADC members with the global North (EU and US) and the business cultures of foreign investors.

While combined regional action through the SADC remains the objective, the organisation's members have undertaken separate endeavours for economic security – and South Africa has not been immune to this.

Yet regional integration is not simply a nice idea. Supra-national regions are an important instrument for global leverage in today's shifting global hierarchies. US hegemony has faltered in various ways, including the failure of key financial institutions. Alongside the shifting global power blocs, middle regions such as

India, Brazil and Russia, and the newly termed Next-11 states, present new and potentially alternative power blocs through which South and southern Africa may find important political and economic alliances.

South Africa has a middle-income economy with a highly developed infrastructure, industry, managerial expertise and valuable mineral resources and is playing a regional global role.

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BUTTERFLY STRATEGY

The formation of the IBSA grouping (India, Brazil and South Africa) and the support by the South African government is one example of the butterfly strategy of the department of trade and industry (dti), where it simultaneously implemented a number of key strategies for South Africa's regional and global expansion. South Africa's recent acceptance into the BRICbloc (Brazil, Russia, India and China) affirms some level of success in South Africa's global strategies.

Not only are the new regional powers affecting the architecture of global geopolitics, they have also become key new investors. In addition to its global political expansion, the South African government has

to ensure that it holds its own on the continent in the face of investment competition from China and India.

One strategy of the dti is the Spatial Development Initiatives (SDIs) developed under former president Thabo Mbeki. The SDI programme was conceived in 1995 to improve the functioning of government in areas where the greatest potential for growth existed.

For the first phase, eleven SDIs were planned for South Africa. They were the Maputo Development Corridor, the Phalaborwa SDI, the Platinum SDI, the West Coast Investment Initiative, the Fish River SDI, the Wild Coast SDI, the Richards Bay SDI, the Durban and Pietermaritzburg nodes, the Lubombo SDI and the Gauteng Special Economic Zones. Targeted interventions were meant to tap unrealised economic potential.

Although the SDI programme lost momentum in the latter days of the Mbeki administration, the initiative has been resuscitated as part of the Industrial Policy Action Plan (IPAP) envisaged for the next phase of South and southern African growth and development. Resources have been carried over from the previous phase through the Development Bank of Southern Africa (DBSA).

While the premise of the SDIs is investment, the strategy emphasises the importance of economic governance and local development that is cognisant of its environmental and socioeconomic consequences. The need for checks and balances, and the need to support local economic development by assisting local



suppliers and small, medium and micro enterprises (SMMEs) when industrial clusters are established, are recurrent themes.

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FUNDING ANCHOR PROJECTS

Collaborative investment strategies through public-private partnerships are the principal source for funding anchor projects and development corridors. Central to the success of the SDIs is the implementation of measures that identify growth hubs, marshal the financial and industrial capacity of parastatals and target potential public-private investor combinations.

These measures are aimed at supporting infrastructure. Anchor projects, such as Mozal in the Maputo Development Corridor, are the principal source of revenue. Infrastructure development is a pivotal element in the first phase of SDI development. Infrastructure bottlenecks have been highlighted as among the top three impediments to investors.

A key dynamic in post-apartheid regional development has been South African investment in southern Africa, and ensuring that foreign and South

African investment embeds successfully remains an essential component. Extending the reach of South African capital in Africa is also an important goal for the Zuma regime.

That has been evidenced by the size and frequency of the combined state-business delegations led by President Zuma, but it is not clear how these delegations are informed by the SDI methodology, or to what extent the minister's vision is integrated with these forages into resource-rich countries of the region.

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Consultations have been held over the past two years with Angola, the Democratic Republic of Congo (DRC), Mozambique, Namibia and Tanzania and a revised Regional Spatial Development Initiative Programme (RSDIP) has been planned. The RSDIP sees its primary role as reconfiguring infrastructure investments in transport, power, communications, ICT and water. The participants in the initial phase are Mozambique, Tanzania, the DRC, South Africa and

non-SADC members Rwanda and Burundi. The intention is that the programme will extend to Zimbabwe, Malawi, Zambia, Angola and Namibia.

TECHNICAL CAPACITY A PROBLEM

Shifting institutional dynamics in the post-apartheid skills environment have, however, created a new set of operational challenges. Technical capacity has been destabilised as experienced apartheid-era experts have exited without training a new generation of technicians, especially in the parastatals. Know-how deficiencies plague technical capacity and lead to institutional costs in government.

Alongside infrastructure bottlenecks, land has also emerged as an area of contestation.

Challenges facing SDI focal points also relate to how the community of beneficiaries is determined. In past SDI programmes, a desire to fast-track programmes often led to inadequate or patchy consultation and difficulty in identifying representative leadership.

If the objective is again to fast-track SDIs, the question is whether this will lead to similar challenges. There is evidence that working-class communities are likely to obstruct development if they feel they are not deriving sufficient benefit.

The RSDIP may well be more feasible with binational and tri-national intra-regional relationships between countries in southern Africa than with an over-arching regionalist objective. Cross-border industrial clusters have greater potential for success where there are strong political and economic relationships. But what kind of regionalism is invoked by these internal power clusters where the potential exists for blocs of countries to undermine and compete within the region? Regional ambitions towards greater global leverage could well be undermined by intra-regional arrangements.

Business cultures become one important variable in determining the potential for strategic alliances. The potential of an SDI can be negated or enhanced by the kinds of organisational structures and strategies of South African business in the region.

In early post-apartheid South Africa, capital flowed into other parts of Africa within the context of regional developmental objectives that placed equitable regional development as an important objective, but the subsidies that flowed to capital through the first SDI programme deepened regional inequality and failed to produce corresponding multipliers for local economic development.

It remains to be seen, therefore, whether the new phase of SDI development will depart from that trend and help to level uneven regional development in southern Africa.

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