

Developing Less Developed Countries: The Prospect for Regional Integration in Southern Africa *

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Since the end of the cold war and in the shade of an intensifying globalisation a new wave of regionalism has emerged in several parts of the world. A variety of competitive political, economic or combined approaches tried to explain regionalism from different viewpoints but runs short as their focus is mainly on developed countries and 'success-stories' like the well dissected European Union. According to international political economy approaches, regional integration projects are initiated and driven by economic and political factors of demand and supply. These are *inter alia* economics of scale and comparative cost advantages respectively common institutions and benevolent policy entrepreneurs. With regard to Southern Africa, the majority of states – beside the Republic of South Africa (R.S.A.) – lack classic economic demand factors as economies are undiversified and intraregional trade is low. The potential for economic payoffs and welfare gains is thus very limited. Therefore it seems to be rather unlikely that those less developed states are eager to promote regional integration. However, despite these conflicting theoretical assumptions, regional cooperation and integration in Southern Africa does take place and manifests since 1992 in the Southern African Development Community (SADC). Since then, the organisation shows certain dynamics and has detailed plans regarding socioeconomic development and security matters. This leads to the hypothesis that additional factors of demand and supply might initiate and foster regional integration among less developed countries. This article will develop a theoretical framework to capture the demand for and supply of regional integration in less developed countries, as well as illustrate it at the example of Southern Africa. In case of SADC and its member countries, demand for cooperation and regionalism particularly roots in its capacity as promising development strategy and guarantor of security. Such an economically and politically integrated region can better attract foreign direct investment and donors' funds by providing an enlarged market and – at least the façade of – a credible institutional framework. This 'friendly environment' is especially important regarding the strong economic and political relations between the organisation and the EU. The latter is SADC's major trading partner, donor and source of foreign direct investment. The establishment of a Free Trade Area between the R.S.A. – together with some SADC countries – and the EU is in progress. Regarding the supply side, the fairly industrialised R.S.A. with her stronger economic demands and interests plays a key role in fostering further integration due to her capacity as the region's unchallenged hegemon.

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1. Introduction

Since the end of Cold War a new wave of regionalism has emerged in several parts of the world. A variety of competitive political, economic or combined approaches tried to explain regional cooperation and integration from different viewpoints but concentrated mainly on 'success-stories' among developed nations and especially on Europe. Most mainstream theories could not be falsified due to the special European context and the wide range of factors which favoured political and economic cooperation and integration. In accordance with neo-functionalism¹, supranational institutions and strong sub-national actors had significant influence on regional integration in Europe while highly interdependent states and their governments had in accordance with liberal intergovernmentalism². Social and constructivist approaches³ derived European integration from common occidental culture and political economists⁴ stressed the importance of economic factors, markets and globalisation. As result each approach was somehow true and had its own explanatory power. However, they are not necessarily valid in all parts of the globe where local situation and prerequisites are perhaps significantly different.

The so-called 'new regionalism'⁵ of the late 1980s gives a good opportunity to look beyond Europe and its rather euro-centric integration theories. The emergence of several more or less successful regional cooperation projects all around the world raises the question why initiatives for regional integration often take place even among rather undeveloped countries affected by certainly less favourable starting situations compared to Western Europe. Globalisation and economic pressures together with development strategies constitute probably some very high-ranking motives. Going beyond economic aspects and their aim to eradicate poverty, another impetus for regional integration relates to political stability and security. Cooperation in this vital sector does not only lead to mutual understanding and trust but definitely constitutes the necessary base for integration and prosperity in general. The road leaning to further development might need to be paved with 'stepping-stones' of economic and security matters.

¹ Haas, 1958, 1967, 1971.

² Moravcsik, 1997, 1999.

³ Huntington, 2006; Spindler, 2005.

⁴ Mattli, 1999; Mansfield & Millner, 1999; Schirm 2002.

⁵ The notion is often referred to the phenomenon of the appearance of several new integration arrangements since the late 1980s although some researchers regard it as a whole new theoretical approach (Söderbaum & Shaw, 2003).

The paper's aim is to track down and identify potential incentives, factors and actors demanding and supplying regional integration in less and least developed countries which go beyond pure classic approaches. In this paper particularly the role of foreign direct investment (FDI), donors' funds and foreign aid will be highlighted and analysed in respect to its influence regarding the initiation and promotion of regional integration and as part of a promising development strategy. Regarding the supply side of regional integration, the role and influence of a potential economic and political hegemon will be discussed as supranational institutional frameworks in those regional arrangements of less developed countries are often in a stage of infancy and/or weak.

The 'Southern African Development Community' (SADC) serves well as empirical example as it counts to the so-called 'new regionalism' beside its earlier roots. The community has reached a considerable degree of cooperation, shows dynamics in its integration process and consists – beside the Republic of South Africa (R.S.A.) – of rather underdeveloped countries. From a restricted viewpoint of classic political economy, regional cooperation and integration are rather unlikely in Southern Africa due to comparably less favourable preconditions. However, it does happen and has happened. Why and how?

2. Integration in Less Developed Regions: Prerequisites and Prospects

Going beyond classic integration theories of economic or political origin, W. Mattli assumes a combination of demand and supply factors as crucial for successful regional integration. Belonging to the political-economy school-of-thought, his approach emphasises the importance of economically motivated incentives for regional integration (Mattli, 1999).

Firstly, demand factors are important regarding the launch and implementation of regional integration processes. Secondly, supply needs to be provided in order to satisfy the upcoming demand. Without fulfilment of supply conditions, regional integration is unlikely to happen (Mattli, 1999: 42).

2.1. Demand for Regional Integration in Less Developed Countries

Classic economic and growth-related theories being part of political economy school-of-thought are the customs union theory and approaches taking economies

of scale, comparative cost advantages and the importance of growing international trade into consideration.

According to Viner, the creation of a customs union implies an elimination of internal trade-barriers among member countries and the establishment of common external tariffs on imports from third countries respectively 'outsiders' (Viner, 1950). Customs unions and the removal of internal trade-barriers are often regarded as preliminary stage to a common market and monetary union. Therefore they are one important stepping-stone to economic and eventual political regional integration (Balassa, 1961: 1 f). Beside an increase and diversion of trade among member states, the assumed benefiting impact of a customs union is related to positive effects of an alleged exploitation of higher economies of scale and comparative cost advantages. Demand for customs unions and regional economic integration derives generally from private economic actors and thus from the 'bottom', as they are assumed to be non-state actors (Viner, 1950; Balassa, 1961).

According to the theory, commodity producers using advanced methods of (mass-) production can benefit from positive effects of rising economies of scale as higher outputs will lead to lower production-costs per unit and thus foster corporate efficiency, competitiveness and profit. Common external tariffs discriminating imports from third countries will add to benefiting effects for 'insiders' (Ravenhill in: Ravenhill, 2005: 125). This leads to the assumption that an increase of economics of scale and/or the total number of economic actors profiting from it will significantly strengthen demand for regional integration within a specific area.

Demand for regional integration arises furthermore from the existence of potential comparative cost advantages within an area. According to theory, different countries with diversified and specialised economies can mutually benefit from economic regional integration by concentrating on the production/trade of those commodities or resources they can most efficiently provide. If no one else is cheaper or better in providing those specific goods, an economic actor can exploit relative comparative cost advantages and increase profit in case discriminating trade barriers are non-existent (Ricardo, 1977; Ravenhill in: Ravenhill, 2005: 21 f). A reasonable hypothesis may suggest that the more specialised and diversified economies are, the higher will be the demand for regional integration from economic actors as their chance for exploiting comparative cost advantages and economic gains is propelling.

In case of Western Europe as an industrialised and developed area, demand for regional integration rooting in the chance to exploit increased economies of scale within a common economic framework was probably already in the 1950s an important factor as major countries had quite industrialised economies with corporations using machines and mass-production. Regarding economies of scale only, a common interest and fairly high demand among European economic actors to create an enlarged European Market and to remove internal trade-barriers can be certainly assumed. Looking at comparative cost advantages a similar high demand for regional integration was likely. The economies of Western European countries were generally diversified and often specialised in the production/trade in particular or a special variety of commodities and resources – sometimes since ages. Due to these advantageous conditions, economic actors in most parts of Europe shared a common demand for regional integration and trade liberalisation (Mattli, 1999: 72 f). An example is the European Round Table and its lobbying ahead of the negotiations of the Single European Act. Furthermore regional integration was propelled by supranational institutions as the European Court of Justice thus creating a pincer-movement in favour for a common economic and political framework (Mattli, 1999: 77 ff; Mansfield & Millner, 1999: 604).

The European experience with its rather unique preconditions regarding economically motivated demand for regional integration does certainly not apply for less developed areas. Countries with negligible industrial production capacity equally lack potential to exploit economies of scale and related benefiting effects. Thus demand for regional integration deriving from this single demand factor is implausible in countries with mainly subsistence economies. Chances to exploit and benefit from comparative cost advantages are equally unlikely as least developed countries often depend on a few commodities or rather similar (natural/mineral) resources. With significantly less diversified economies, potential demand for regional integration deriving from economic actors hoping to realise gains of comparative cost advantages will therefore be rather non-existent, too (Axeline in: Axeline, 1994: 183 f; Mattli, 1999: 64).

These outcomes lead to the assumption that other (economic) demand factors are decisive in areas where regional integration among mainly less developed countries is actually happening.

Although benefiting effects from economies of scale and comparative advantages are small in such regions, the liberalisation of trade and widening of markets in least

developed countries can lead to an increase in FDI. An enlarged market – e.g. a customs union – provides significantly more incentives for FDI compared to the member states' small national markets: due to more limited consumption-potential probably only more small-scaled compared to highly developed areas. In combination with credible commitment institutions that monitor common economic policies and ensure political stability, regional arrangements will *ceteris paribus* attract more FDI than bordering 'outsiders'. Same effects are likely if a regional (economic) hegemon is part of the cooperation project. In such cases direct investment from the hegemon is expected to pour more likely into the economies of member states than in 'outsiders' which makes membership attractive for the latter (Mattli, 1999: 58 ff, Oosthuizen, 2006: 250).

The effects of different types of FDI to less developed countries are discussed in controversy although the overall positive effects do outweigh alleged negative impacts. The main assumption behind is that those investments will bring fresh capital, lead to industrialisation, economic growth, creation of jobs, transfer of technologies and know-how, competitiveness and finally to an overall improvement of social welfare (Todaro & Smith, 2003: 635 ff). Thus the strive to attract FDI is an important demand factor for regional integration amongst less developed countries and a reasonable development strategy (Goldstein, 2004: 7 f; African Development Bank, 2002: 48; Schirm, 2002: 21).

A nearly equally important demand factor is connected to foreign aid and donors' funds. Since development policies of the World Bank, International Monetary Fund, the US and EU (Kösler, 2007) have changed to preferably support regional integration arrangements by concentrating to fund regional development projects and sector cooperation, the dependent and receiving least developed countries have surely seen additional good reasons to participate or enhance in this field. Slightly comparable to the benefiting effects of FDI, the impact of foreign aid will probably materialise even faster in case resources do not trickle away. Consequently, regional integration – and implied good governance of participating states – has probably become a strategy to attract attention of foreign donors and external funding by providing a well functioning regional framework with credible commitment institutions. At least the outside façade of it... External donors may even (in-)directly influence governments or leaders of least developed countries towards more market-liberalising and integration-friendly policies by either providing

or – in case of defection – cutting down payments (Durth, Körner, & Michaelowa, 2002: 200; Kennes in: Bach, 1999: 38 f; Mattli, 1999: 60).

Summing up the arguments, it seems that regional arrangements are particularly interesting for less developed countries considering the higher potential to attract FDI and donors' support. Thus regional integration can become a development strategy as long as foreign investors, donors and international institutions equally support this strategy. The beneficial effects of plain customs unions and related economic approaches are rather irrelevant to less developed nations as incentives and profits deriving from increased interregional trade are rather small.

2.2. Supply for Regional Integration in Less Developed Countries

Regional integration and its whole effects can be understood as a collective or club good whose benefit and quality depends on the degree of its demand and supply. According to Mattli, the success of regional integration projects is highly related to prevalent supply conditions and especially to the willingness of political leaders to satisfy upcoming demands with required supply (Mattli, 1999: 51).

However, political willingness and economic difficulties are not sufficient supply conditions to guarantee the success of regional integration initiatives, especially if collective-action problems between participating states need to be overcome. Thus the existence of (a) policy-entrepreneur(s) as main source and guarantor(s) of supply of regional integration is crucial and has a favourable effect. Countries seeking economic and regional integration are advised to create (supranational) commitment institutions which monitor and guarantee the enforcement of common rules and prevent negative effects of prisoner's dilemma situations through e.g. sanctions. In their absence, an undisputed leader like a regional hegemon is essential for the success of integration initiatives as he can help to overcome prevalent coordination difficulties. A (benevolent) hegemon can thus suit as adequate political entrepreneur by proposing and coordinating common rules and policies, distributing gains through side-payments and therefore acting as a 'paymaster' and regional driving force (Mattli, 1999: 54 f).

The better the prospects for economic payoffs respectively the more potential for increased economies of scale and comparative cost advantages within a region, the more likely is the willingness of political actors to provide supply for existing demands by participating in regional integration arrangements. Furthermore, the

integration process becomes likelier and easier with the degree of institutionalisation of the relevant policy-entrepreneurs respectively a (benevolent) regional hegemon. Of additional advantage would be a small number of participants and convergence of common interest within the group (Olson, 1965).

Looking at less and least developed countries, supply conditions are generally disadvantageous or even nearly missing due to insufficient or lack of classic economic demand factors. Regional integration among undeveloped nations is therefore comparably more difficult to achieve as incentives for each potential constituent are rather indistinctive if one excludes the prospect for increased FDI, donors' funds and foreign aid. Thus the motivation to become a regional policy-entrepreneur is equally low. As the gradual emergence of supranational institutions as materialised common interest of the constituting member states is rather unlikely, an important source of supply appears to be unproductive and a pincer-movement towards integration deficient.

However, this does not make regional integration impossible as it is still likely that supply is provided by willing political leaders and/or a regional hegemon who realises significant positive effects of such arrangements for his own national interests. A potential increase in FDI, an attraction of donors' aid and international development-funds are surely part of them and may fuel integration initiatives (Mansfield & Millner, 1999: S. 609 f). In the latter case the importance of the club good called regional integration and its benefiting effects can be so significant that the most affected political actor will strive for it even at a relative expense compared to other – most likely also profiting – participants. Intergovernmental negotiations are then the mainspring of supply, especially when promoted and enforced by a hegemon taking the lead. A situation like this is not confined to industrialised and developed regions but also applies to less developed countries with one rather developed hegemon within. The success of such a regional integration project will then depend on the hegemon's engagement in fuelling integration, his degree of benevolence and particularly the associated gain-related distributional activities. Then even smaller and not directly affected members have the chance to get their share of the common profit and their demand to keep on belonging to the regional arrangement perpetuates (Mattli, 1999: 51, 56, 64).

Beside those intrinsic motivations to provide supply for regional integration, particularly a less developed regional hegemon may face various pressures from external/global actors he himself may be dependent on. Through directly or

indirectly exerted external influence, a previously benevolent regional hegemon might then be lured or forced to adjust supply policies of regional integration which can eventually corrupt his own and his partners' intentions and aims (Durth, Körner, & Michaelowa, 2002: 200 f; Axeline in: Axeline, 1994: 190, 212).

Summarising the paragraph, developing countries with poor supply conditions face serious difficulties to realise successful regional integration. Nevertheless the existence of a developed and benevolent hegemon can diminish this situation by taking the role of a 'motor' for integration.

3. Regional Integration in Southern Africa: The Case of SADC

SADC is probably one of the most constant, realistic and promising regional cooperation projects in Africa (Brandt, Gsänger etc., 2000: 167). Founded in 1992, the community emerged from its modified predecessor 'Southern African Development Coordination Conference' (SADCC) and historically even roots back to the 'frontline states'⁶ (FLS) alliance. At present time SADC consists of 15 member states⁷ and covers an area of nearly 10 million Km² with a population of about 230 million. The community's headquarters is in Gaborone, Botswana. Up until to date SADC goes through an institutional overhaul and deep reform process. Hence the organisation is still somehow in a state of flux. However, it becomes clearly visible that institutional reforms are aimed to increase the organisation's effectiveness, cohesion and capabilities (Oosthuizen, 2006: 39 f, 53 f; Mair & Peters-Berries, 2001: 297 ff, 323; Vogt, 2007: 89 f).

3.1. Demand for Regional Integration in Southern Africa

Most SADC member states are classified as least or less developed countries with low income and poor economic performance. According to the World Bank only Botswana, Mauritius, the Seychelles and the R.S.A. are classified as fairly developed countries with upper-middle-income economies.⁸ The latter remains the

⁶ To the rather loosely organised FLS belonged Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe. After its foundation in 1974/75 virtually all newly independent Southern African black-majority ruled states became members of the FLS (Khadiagala, 1994).

⁷ These are Angola, Botswana, Democratic Republic of the Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

⁸ World Bank: <http://siteresources.worldbank.org/DATASTATISTICS/Resources/CLASS.XLS> (06/20/07).

only moderately industrialised nation on the continent showing significant economic potential and performance in a global perspective. Particularly since Zimbabwe – previously to some extent a regional competitor with rudiment industrial potential – has perished into political chaos and economic collapse (Mair & Peters-Berries, 2001: 330; Vogt, 2007: 90).

Regarding classic economic approaches, regional integration is rather unlikely or at least difficult to achieve in the SADC region due to an alleged lack of necessary demand. Beside the R.S.A., whose industrial sector is well developed (30 % contribution to total GDP⁹) and outclasses other member states' outputs by far in absolute figures (Oosthuizen, 2006: 262; Kalaba, Wilcox etc., 2006: 65 ff), virtually all other countries have subsistence economies and lack worth mentioning industrial capacity. In accordance to economic theory, modern industries with mass-production can benefit most from deeper regional integration by realising better economies of scale. However, this crucial field of economically motivated demand for regionalisation with a potential of great influence on politics – as the European case has proved – does not flourish well in the SADC area as its industrial basement is not bold enough. Instead, in eight member countries the sectoral origin of GDP highly refers to small scale agriculture with percentage shares in 2003 counting in most cases significantly above 15 %, as e.g. 58.7 % (DRC), 45 % (Tanzania), 38.4 % (Malawi) and 29.2 % (Madagascar) (Oosthuizen, 2006: 258 ff, 262). These circumstances make it unlikely to increase economies of scale and realise related beneficial effects as in those cases agricultural products are mainly produced in small amounts for consumption on local level. Exceptional is the small number of commercial farmers with enormous properties, mostly still to be found in former white-settler colonies (Brandt, Gsänger, etc, 2000: 92 ff).

Furthermore, most SADC countries have undiversified economies with only few commodity products and (natural/mineral) resources suitable for export – in most cases even only to overseas. Some states are extremely dependent on a single export-good with percentage shares above 70 % of total exports, such as Angola with 99 % (crude oil and diamonds), Botswana 96 % (diamonds), the DRC 89 % (diamonds), Lesotho 99 % (clothing) and Malawi with 76 % (food) in 2003. Generally, minerals, (processed) food, clothing and basic manufactures are the main (commodity) products of SADC members with the R.S.A. being the only exception (Oosthuizen, 2006: 258). As primary exports of many countries in the

⁹ Gross Domestic Product.

region are very similar, a lack of complementarities makes markets highly competitive thus leading to erosion of prices and worsening of terms of trade (Buthelezi, 2006: 65 f, 164; Lee, 2003: 269 f). Consequently an increase in comparative cost advantages together with its intended positive (welfare) effects (Ricardo, 1977) is very unlikely unless national economies within SADC do not diversify and specialise in different commodities or resources.

Keeping these observations in mind, it is not surprising that intra-regional trade within SADC is relatively little. In 2003 it amounted to an estimated 25 % of total (formal) trade (Adelmann, 2003: 52), which is only slightly more compared to about 20 % in 1997 (Lee, 2003: 102). Without the share of the R.S.A. and members of the Southern African Customs Union (SACU)¹⁰, the rate would probably drop to less than 10 % (Lee, 2003: 102). Regarding these numbers, high demand for market liberalisation and deeper regional integration would generally not be expectable. Nevertheless, recent studies show that there is unexploited potential for trade creation within the region as e.g. South Africa could substitute imports from overseas in several fields with complementarities from SADC member states (Adelmann, 2003: 52; Draper, Alves & Kalaba, 2006: 73 ff; Vogt, 2007: 283 f).

A regional exception is the fairly developed R.S.A.. Her share of total SADC–GDP amounts to about 70 % (2005). Slightly smaller figures can be observed considering SADC's total imports and exports. However, the R.S.A.'s exports to and imports from SADC account only for about 9 % respectively 2.5 % of her total figures which proves the importance of markets in overseas and simultaneously leaves room for speculation about undeveloped trade potential on regional level. Beside her economic power regarding quantity and value, South Africa's economy and its array of exports (basic manufactures, minerals, precious metals, transport equipment, chemicals, machinery etc.) is quite diversified¹¹ (Draper, Alves & Kalaba, 2006; Oosthuizen, 2006: 255 ff, TIPS, 2005: 131 ff).

For these reasons South Africa's economic actors have certainly demand and potential to increase economies of scale – and realise benefiting effects through regional economic integration and widening markets – as powerful competitors in other countries do not really exist. In accordance, the chance to flood SADC

¹⁰ Founded in 1910, SACU is the oldest operating customs union in the world and was originally created by the Union of South Africa to bind and absorb her smaller neighbours. Its members today are the R.S.A., Botswana, Lesotho, Namibia and Swaziland (Meyn, 2006: 67 f, 89 ff).

¹¹ This peculiarity roots probably not least in autarky policies of the formerly isolated apartheid regime which had to establish local production sites for advanced manufactured goods due to international trade sanctions and embargos.

member states' markets even more with commodities being *Proudly South African*¹² can be seen as important demand factor for local export-orientated producers (Odén in: Schulz, Söderbaum & Öjendal, 2001: 91; Lee, 2003: 142) who often cannot compete on global markets yet (Odén in: Hettne, Inotai & Sunkl, 2000: 247). Considering comparative cost advantages the situation is similar. Although the R.S.A.'s economy is quite diversified, other neighbouring economies lack this characteristic which thus limits potential for related benefits and economic gains. Comparative cost advantages regarding the interaction between the R.S.A. and the rest of SADC are most likely in sectors such as labour force (Bauer, 2004: 17), natural resources and certain foodstuffs (Odén in: Schulz, Söderbaum & Öjendal, 2001: 90 f). Looking closer, there additionally exists yet unexploited potential for South Africa to substitute imports from overseas in the fields of medicine, precious stones and metals, vehicles, furniture and machinery, printed materials and fossil energy sources with equivalent imports from SADC members (Draper, Alves & Kalaba, 2006: 73 ff).

However, beside the exceptional situation of the R.S.A., the total demand for regional integration deriving from comparative cost advantages is according to the overall evidence rather limited and probably not very decisive among Southern African countries. Demand factors mentioned above are certainly not satisfying to explain the organisation's recent dynamics and the willingness of countries to participate in it. With focus on the majority of small and less developed member states, other sources of demand fuelling regional integration are likely existent and of probably much greater importance:

The attraction of FDI as a development strategy¹³ and measure to boost local economy is certainly the major demand factor for regional integration within SADC considering economically based motivation (Lee, 2003: 144). With volatile and even stagnating foreign investment in SADC on the verge of the millennium (Lee, 2003: 164 f; Meyn, 2006: 78, 136), additional pressures from major economic and political actors¹⁴ to foster regional integration and trade liberalisation took effect and are very likely to continue and intensify in the nearer future (Taylor, 2007: 154 ff).

¹² Details regarding the campaign: <http://www.proudlysa.co.za> (06/22/07).

¹³ Of most considerable importance are implied spill-over effects of FDI (Goldstein, 2004: 11).

¹⁴ The R.S.A., for instance, is home of a variety of influential business associations, investment agencies and companies in the rank of regional or even global players. They are often engaged in Joint-Ventures with enterprises in neighbouring SADC countries. In the R.S.A., relations between business and government have been close and rather friendly since apartheid times. Thus business interests are still likely to influence national policymakers (Taylor, 2007: 154, 159, 184; Tleane, 2006; Vogt, 2007: 91).

Regarding the R.S.A., demand roots especially in the necessity to provide global investors an attractive and investment-friendly business-environment with an enlarged market, removed trade-barriers, good infrastructure, political stability and high consumer potential. In short: with membership in SADC, the R.S.A. tries to provide this investment-friendly atmosphere beyond her own territory by opening up and including her 'hinterland' respectively SACU and other (economically) weaker SADC member states. Through this attractiveness, investor's demand could be satisfied better, even under global perspective (Lee, 2003, 148 f, 164 f; Odén in: Hettne, Inotai & Sunkl, 2000: 260).

Focussing on smaller and less developed states of Southern Africa, the demand for regional integration has similar roots. The attraction of FDI and its implicated benefiting effects is probably even more crucial for their development compared to the R.S.A.. As their own small markets do not meet the preconditions and incentives to attract considerable FDI (especially from overseas), membership of SADC together with its investment-friendly effects is an advisable strategy to get at least some crumbs of the 'FDI-cake' (Buthelezi, 2006: 179; Draper, Alves & Kalaba, 2006: 21 f). However, they focus especially on the attraction of investors from the R.S.A. who traditionally provides the major share of the region's total FDI.¹⁵ Between 1994 and 2003 about 95 % of South Africa's FDI for the whole African continent was addressed to SADC countries. For seven SADC members the R.S.A. is the top foreign investor providing a share of more than 70 % (DRC, Swaziland) or 80 % (Lesotho, Malawi) of total foreign investment (Page & te Velde, 2004: 22).

A significant growth in direct investment from the R.S.A. to neighbouring SADC countries has been noticed since the end of apartheid in 1994 (Odén in: Schulz, Söderbaum & Öjendal, 2001: 90; Goldstein, 2004: 51 f). Therefore demand to become an 'insider' of the community has probably also increased as costs of being an 'outsider'¹⁶ are significant. The case of Madagascar, the latest member state of SADC that joined in 2005, is an example where particularly the above mentioned demand factors were decisive and strong enough to push traditionally sceptical national leaders forward to join the community (SAIIA, 2005: 2 ff).

¹⁵ South African investment and business engagement does not lack criticism. Some smaller countries and enterprises fear an economic re-colonisation or second 'Scramble for Africa' by an alleged sub-imperialist regional hegemon (Tleane, 2006; Daniel & Lutchman in: Buhlungu, Daniel etc., 2006: 484 ff).

¹⁶ Details concerning the costs and benefits of being 'insider' and 'outsider' of regional arrangements are explained by Mattli, 1999: 60 f.

According to theoretical considerations, further demand for regional integration among Southern African countries derives from the need to attract donors' funds and/or foreign aid (Oosthuizen, 2006: 324). As international, European and even several national aid and development policies have changed and focus nowadays explicitly on strengthening and supporting regional integration projects (Kennes in: Bach, 1999: 38; Hofmeier, 2004: 202), SADC became a magnet and membership the key to access or participate from these funds.¹⁷ As an example, the European Union provides at present time roughly € 105 million¹⁸ for a variety of ongoing SADC projects with focus on infrastructure, promotion of intra-regional trade/investment and institutional capacity building. Not least about 80 % of the costs of total internal SADC projects were financed by external actors/donors between the years 1992 and 2002 (Odén in: Hettne, Inotai & Sunkl, 2000: 261; Lee, 2003: 53; Vogt, 2007: 101 f). Especially appealing seems the chance to enhance local infrastructure through these funds via SADC membership as it is a major prerequisite for increased (intra-regional) trade, agglomeration of industries and thus development (Hecht & Weis, 2001, 64 f). However, although donors' funding promotes development in the SADC region, the high reliance on this aid may cause dependencies and become a problem if inflows should run dry. A future loophole for SADC, e.g. in negotiations with the EU, could be a policy of 'Aid for Trade' which connects the first's further regional integration and opening of markets with aid payments of the latter that could be regarded as necessary compensations. Similar policies have been noticeable between the BLNS¹⁹ and the R.S.A. (Cureau in: Kauffman, 2004: 108 ff; van der Staak, 2007: 4 f).

Apart from the economic demand factors mentioned above, a growing need to prepare the whole region for globalisation regarding economic competitiveness and political bargaining power should be insinuated. Further demand for regional integration among Southern African states rises from the prospect to enhance political stability and (human) security within a rather unstable environment (Cawthra in: Kaunda, 2007: 88 ff). Without basic peace and reliable political systems and governments all efforts to gain global attractiveness and prospects for sustainable socioeconomic development would become meaningless. A partially

¹⁷ SADC may still have a nimbus for being popular for donors' support due to SADCC's high reputation (Odén in: Hettne, Inotai & Sunkl, 2000: 255).

¹⁸ Figure in accordance to the European Commission's Delegation to Botswana.

¹⁹ These are Botswana, Namibia, Lesotho and Swaziland.

common historical²⁰ and cultural²¹ background of some southern SADC countries may additionally strengthen pure politically or economically motivated demand (Odén in: Hettne, Inotai & Sunkl, 2000: 261; Vogt, 2007: 96 f, 166 f, 250 f).

As private economic actors and civil society are generally weak and unorganised in most SADC countries – again the R.S.A. is rather exceptional (Bauer & Taylor, 2005: 264 ff) – demand derives probably mainly from political entrepreneurs on state level. However, since recently the importance of the private sector has been recognised by SADC and led *inter alia* to the establishment of the ‘SADC Business Forum’ (SBF) by non-state actors. An emergence of similar trade negotiation forums on national level can be observed in several SADC countries additionally (Bertelsmann-Scott, 2007: 10). Their sophisticated engagement may eventually even contribute to further regional integration (Taylor, 2007: 13 f; Tjønneland, Isaksen, & le Pere, 2005: 9 f; Vogt, 2007: 269 f, 274 f).

Summarising economically motivated demand for regional integration in Southern Africa, the centre of gravity lies surely within the R.S.A. as economic giant and major beneficiary with significant and influential ‘big business’. Demand in smaller countries is less obvious but likely if the chance for economic gains and socioeconomic development exists. Of crucial importance is the attraction of FDI and donors’ aid through assumed good governance within the SADC regional integration arrangement which should ideally guarantee political stability, security and thus a promising business environment. Hence (human) security and defence cooperation should be considered as important part of SADC’s overall developmental strategy.

3.2. Supply for Regional Integration in SADC

As pure economically motivated demand for regional integration is rather limited in Southern Africa, one could assume that supply conditions are likewise unfortunate. SACU was forced to existence by colonial masters and therefore its evolution should not be taken into analytical consideration. With regard to SADCC, the willingness of political leaders to join the first volunteer regional arrangement was surely given because of common aims, policies and coordination necessities

²⁰ The common history of being white settler-colonies with minority-ruled apartheid regimes encompasses the R.S.A., Namibia, Zimbabwe – and to lesser degree – Zambia and eventually Botswana. Additionally, in these states English is the/an official language.

²¹ Most African ethnicities in the SADC-region belong to the Bantu-family which has common cultural and language roots.

against the apartheid regime in South Africa together with the prospect of donors' financial support. Regarding the supply side, thus the nucleus for regional integration lies within negotiations of political actors on the intergovernmental level (Meyn, 2006: 45 f).

With the transformation to SADC and the joining of the R.S.A., the whole organisation turned its main aims and strategy to broader economic cooperation and 'regional integration for development' (Mair & Peters-Berries, 2001: 303). Originally, SADC's institutional structure was highly decentralised in order to leave room for member states to specialise in their assigned policy fields, to avoid mechanisms making them accountable to the community and to prevent the emergence of a costly, huge and centralised bureaucratic apparatus. The 'Summit of Heads of State' was the essential organ to negotiate common policies and control the community. Decisions needed to be made unanimously. Thus supply for regional integration could only derive from intergovernmental level (Lee, 2003: 51; Mair & Peters-Berries, 2001: 309 f; Vogt, 2007: 90 f).

With the institutional reforms and amendments to the SADC treaty following the 'Windhoek Declaration' in 2001, the rather inefficient decentralised character of SADC was formally shifted towards more centralisation as the numerous and dispersed 'Sector Coordination Units' (SCU) were bundled into four directorates²² and located at the SADC Headquarters in Gaborone. In those institutional core clusters cooperation is actually handled and planning and coordination of common policies takes place (Oosthuizen, 2006: 200 ff; Vogt, 2007: 141 ff). Nevertheless, the institutional mainspring for supply to regional integration still lies within the 'Summit' as the organisation's supreme decision making organ and decisive intergovernmental policy entrepreneur. An equally important organ is the 'Council of Ministers'²³ (COM) where SADC's decision making *de facto* takes place. Furthermore it supervises the overall functioning of SADC, advises the Summit and develops broad strategies to implement common policies and programs (Vogt, 2007: 131 f; Amended SADC Treaty: Article 11, 2).

The SADC Treaty, several protocols and especially the 'Regional Indicative Strategic Development Plan' (RSIDP) and the 'Strategic Indicative Plan for the Organ' (SIPO) contain aims, policies and steps on the process towards regional

²² These are namely the 'Trade, Industry, Finance and Investment (TIFI), the 'Infrastructure and Service' (IS), the 'Food, Agriculture and Natural Resources (FANR) and the 'Social and Human Development and Special Programmes' (SHDSP) directory (Oosthuizen, 2006: 200 ff).

²³ The COM consists mainly of SADC's member states' Foreign Ministers (Oosthuizen, 2006: 191 ff).

integration and socioeconomic development. However, they do not affect directly national law by means of secondary law. Thus their supply side effect is limited to the plain text which can not generate additional supply dynamics *per se*. Implementation remains a national affair and is often delayed by member states. Hence supply depends initially on the implementation capacities, the timeframe and political commitment of the signatories (Oosthuizen, 2006: 125 ff; Vogt, 2007: 84 f, 96 f, 114 f).

Nevertheless, the institutional reform starting in 2001 opened up small potentiality for supranational supply side mechanisms:

Firstly, the role of the SADC Secretariat as main executing and representative organ was strengthened which can be seen as prove for an ongoing deepening of the regional integration process. Some of its new tasks imply an increase of the institution's status as this supranational body is now commissioned to *inter alia* supervise sovereign member states to a certain degree. The Secretariat's main responsibility is to actively and independently foster the integration process and to coordinate, monitor and evaluate policy implementation and the states' compliance to SADC's regional principles and programs. An attached planning-office is intended to coordinate the work of the four directorates. Altogether, the Secretariat can be compared to the EU-Commission as supranational 'motor' for integration with potential for (small) spill-over. Nevertheless, its power and influence is still very limited and depends on the goodwill of SADC's national leaders as no sovereign rights have been transferred to it yet (Oosthuizen, 2006: 195 f; Amended SADC Treaty; Vogt, 2007: 93, 133 ff, 141).

Secondly, supply for regional integration could derive from the single real supranational body: the SADC-Tribunal. This major institution has *inter alia* exclusive jurisdiction over disputes between member states versus SADC and thus functions as the community's independent dispute settlement body regarding in particular compliance to SADC treaty (Vogt, 2006: 102 f). However, as only member states and the SADC organs can easily institute legal proceedings, the Tribunal's capacity to supply regional integration is probably limited as members are not (yet) eager to go to court against each other due to SADC's tradition of consensus and avoidance of open conflicts. The hurdles for natural and legal persons to initiate a legal case are in practice very high although not impossible to take (Oosthuizen, 2006: 208 ff). As the SADC-Tribunal is only operational since August 2005, it is probably too early to judge its impact and outcomes (Vogt, 2007:

150 f). However, only recently white commercial farmers from Zimbabwe turned to it and started a legal procedure against their government's land confiscation and eviction policies. This case will certainly be a decisive test for the institution. As rulings are binding to member states, the Tribunal's role as a potential supply agent for regional integration is at stake (Peta, B. & Moyo, 2007).

Thirdly, supply for regional integration in general, and regarding security and defence in particular, could derive from the organisation's security and defence cooperation institutions and especially SADC's 'Organ on Politics, Defence and Security' (ODPS) with its subordinated bodies. Although the board of the organ – the Troika²⁴ – is of intergovernmental character and does not have power to autonomously enact sanctions or military action yet, the demand and intention to foster cooperation and deeper integration in this policy segment is considerable and thus emergence of supply likely (Vogt, 2007: 158 f, 189 f). The aims and objectives regarding SADC's political and security cooperation are put down in detail in the 'Protocol on Politics, Defence and Security Co-operation' and the SIPO together with its implementation framework (Oosthuizen, 2006: 127). Officially, common SADC military operations already took place in Lesotho (1998) and the DRC (1998). However, both times *realpolitik* prevailed and rather unilateral action of a single major SADC member state together with smaller partners in a 'coalition of the willing' was prevalent and only afterwards scantily patched up by a 'SADC fig-leaf' consisting of declarations conjuring the communality of these SADC interventions (Bischoff in: Carlsnaes & Nel, 2006: 156 ff; Fisher & Ngoma, 2005; Ngoma, 2005: 166 f).

To avoid similar splits within the community, SADC's institutions of security and defence cooperation were fundamentally reformed in 2001, particularly the OPDS. Additionally, in August 2003, member states went a further step forward to deeper regional cooperation by signing the 'SADC Mutual Defence Pact'. Interdependence in this very sensitive and crucial policy area is thus recognised and cemented: After entering into force, the community will thus represent itself as united block towards potentially aggressive third countries (Ngoma, 2005: 200 ff.; SADC Mutual Defence Pact). Finally, the wishes and need for a common regional military standby-force were recently approved by the Summit in August 2007 and manifest in the current

²⁴ The Troika consist of the incoming, present and outgoing chairperson of the OPDS (Oosthuizen, 2006: 217 f).

creation of the 'SADC Standby Brigade' with an intended strength of 6,000 men (von Soest & Scheller, 2006: 6).

Despite reformed institutions, economic, trade related and defence and security related outcomes, further dynamics of supply in SADC cooperation have materialised in common projects and settlements regarding *inter alia* energy and water (e.g. Southern African Power Pool), tourism (e.g. Transfrontier Conservation Areas), transport (road projects, as e.g. the Walvis Bay–Gauteng Corridor), education (e.g. reduced fees for SADC nationals at universities), standardisation (e.g. SADC driver's licence, harmonised customs forms) and telecommunication (Meyns, 2000: 144; Vogt, 2007: 250 f).

Pooling the insights, significant supply for regional integration deriving from supranational SADC institutions is very limited and spill-over is unlikely yet. A pincer-movement is not yet likely in SADC, as potential private economic actors or civil society actors are generally weak or unorganised. However, the actual case of Zimbabwean farmers going to law indicates dynamics in this area and its outcome might be the nucleus for such a pincer-movement or at least demonstrate the possibility of it. The future role and influence of the Tribunal in fuelling deeper regional integration is therefore just in a vital phase right now. Above all, intergovernmental negotiations remain by far the most important source of supply with the R.S.A. as regional hegemon having surely most bargaining power. Thus the Summit and its consensus based procedure of decision-making is (still) SADC's dominant and decisive organ supplying regional cooperation and integration (Vogt, 2007: 172 f, 269 f, 276 f).

4. Conclusion

Southern Africa is not an easy region to establish a well operating, highly integrated regional cooperation project. Economically motivated demand is generally low and significantly prevalent only in some of the more developed and integrated SACU member countries. Especially the R.S.A. with its very dominant economic and political power regards further regional cooperation beneficial for her own development and preparation to cope globalisation. Beside (human) security matters, the prospect to better gain from inflowing FDI, donors' funds and foreign aid mainly creates the demand in small and weaker Southern African countries to participate in SADC. But this is probably not sufficiently enough to enhance further

integration or maintain the whole organisation out of own motivation. The possibility to increase intra-regional trade seems to be given, but is not yet really practicable due to several obstacles. The establishment of the SADC Free Trade Area in 2008 would certainly be a big step forward but is not yet certain – at least with regard to practical implementation.

As SADC's supranational institutions are fairly powerless yet, supply for ongoing regional integration derives mainly from the most capable, interested and benefiting nation: South Africa. As regional hegemon, the R.S.A. needs to become a benevolent regional leader and policy entrepreneur if further integration is wished to happen.²⁵ However, considering certain animosities between some Southern African political leaders and country specific rivalries, this source of supply fuelling deeper regional integration is not gushing too well at all at the moment.

Unfortunately, clear indicators signalling strong, enduring economic performance for all participants – lead back to SADC membership – are difficult to isolate or do not really exist (yet). This makes further supply even more difficult. Additional obstacles to further integration root in the overlapping memberships of several SADC members in other regional arrangements, the poor political and socioeconomic situation in Zimbabwe and the alleged inefficiency and ineffectiveness of SADC's unsettled institutions and organs (Oosthuizen, 2006: 327).

Nevertheless, regional integration seems to be one promising way for less developed countries to gain and enhance (human) security, political stability and overall socioeconomic development. With regard to the SADC region, it could prepare the R.S.A. and other member countries for globalisation, making them more trustworthy, competitive and attractive for the rest of the world. Getting an adequate share of the globalisation's benefits and thus achieving moderate affluence in a peaceful environment: This is certainly present-day's meta-demand and main incentive for regional integration in Southern Africa.

²⁵ Here comes the 'North American Free Trade Agreement' (NAFTA) into mind where the US as regional hegemon engaged massively in the creation of the regional arrangement due to powerful corporate pressures on national level.

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