

## The Role of Southern African Development Community in Economic Integration of The SADC Region

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### Introduction

Economic unification (integration) is a contract between two or more countries, they are collective desire for removal of tariff and or non-tariff barricades to the free duty flow of goods and services. In economic term integration is an arrangement of ratified countries coordinate their business (trade) monetary and fiscal policies are belong us. "Inclusion as an outcome - integration as something static", combination achieved when specific criteria fulfilled, Integration as a dynamic process, represented by phases of integration going form FTA to political integration.



Fig. 1 The process of Economic Integration,  
Source: <https://www.investopedia.com>

### Theory of Economic Integration

Economic integration points to trade unification between different states by partially or fully abolishing customs tariffs on trade. Economic integration regarded as one of the policy options available to developing countries pursuing their strategies for economic development. Notable in this regard is that the SADC region is developing plans to have the region ultimately established as a single market. Integration regarded as an economic and social process that destroys barriers (social and economic) between the participants in economic activities. Balassa (1961, 5) argues:

Economic integration as a process, then, represents various measures leading to the suppression of discrimination between commercial units of national states, and the resulting forms of economic

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integration characterized by the absence of discrimination in different areas. The meaning of this concept is not restricted to total integration but encompasses multiple types of integration, such as a free-trade area, a customs union, a common market, an economic union, and complete economic integration. (Balassa,1961).

#### **The Objective of Economic Integration**

Primary targets of economic collaboration are increasing of financial welfare of union. Its grow in trade flow and investments and increase the rate of GDP of associated member countries.

#### **Level of Economic Integration**

Six level of economic integration are classified

- Preferential Trade Agreement
- Free trade area
- Customs union
- Single market
- Economic and monetary union
- Complete and whole integration is called a political union.

#### **Preferential Trade Agreement**

A preferential trade agreement is a trading bloc where members reduce or remove tariffs on certain goods imported and exported throughout their region. FTA is done by lowering taxes but not by abolishing them entirely. A PTA formed through a trade accord. It is the first level of economic integration. With the current reproduction of bilateral PTAs and the emergence of Mega-PTAs, a global business system mainly managed within the structure of the WTO now seems unrealistic, and the interactions between trade systems have considered. Example of PTA:

PTA between EU and ACP (Africa, the Caribbean, and the Pacific- 71 countries. EU gets a supply of raw material from the ACP.

#### **Free Trade Area (FTA)**

A free trade area established when at least two nations partially or completely abolish customs duties on their inter-border. FTA is a type of trade blocs and a designated group of countries that have agreed to eliminate taxes, quotas on most (if not all) goods traded between them. "There is a rule of the certificate of origin for the products originates from the territory of a member nation of an FTA".

Several associated countries are not having obligatory standard external tariff policies, so these issues break the positive role of FTA. The most of associated members are used general norms for trade, so many of important products are face fiscal debt related issues because no one policy for special treatments for these products. Some important examples of FTA are mentioned below:

- Central European free trade agreement (CEFTA)
- North American free trade agreement (NAFTA)
- South Asia free trade association (SAFTA)
- New Zealand (NZ) has FTA with China, Australia, and Malaysia
- NZ has FTA with India and Korea

#### **Customs Union**

A customs union is introducing as an FTA plus trade bloc, unified duties, and tariff for transnational

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border of the association. "A customs union is a kind of trade bloc in which is composed of a free trade area with the standard outer fare". In the unification of economic system associated countries are arrange a common and shared foreign trade policies and joined a comprehensive market for socio- economic welfare and collective gains. Some examples of custom union are:

- East African community,
- EU customs union.

### **Common Market**

A common market includes, custom union, and trade union. Its collective or universal regulation and policy and free or complete flow of good and capital in the associate region. Significant goals of common market are a smooth flow of goods, and easy access of money, and Energy and technologies among associated countries.

Single markets are creating or develop health competitive atmosphere and remove the monopolies of a dominant firm, so this market give more choices for choose of products. "Still, productive firms can benefit from economies of order, strengthened competitiveness and lower costs, as well as expect profitability to be a result".

Finally, I this market have potential for innovate ideas and production for commodities with a supplementary profit for customer. Some of common markets examples are mentioned below:

- European Union (EU),
- Caribbean Community Single Market and Economy (CSME-THE CARICOM),
- South American trade bloc (MERCOSUR),

### **Economic and Monetary Union**

A monetary and financial union is a type of trade blocs, which is composed of a single market with a common currency and standard monetary policy and prevailing exchange rate. Examples of complete economic and Monetary Union is:

- European Union,
- Eurozone (UK, Sweden, SPAIN)

### **Absolute and Full Economic Integration**

Complete economic integration is the last stage of economic integration. After total economic integration, the integrated units have no or negligible control of economic management, including full monetary union and complete or near-complete financial policy harmonization. Example:

- US and UK.

### **Advantages of Economic Integration**

- Higher production for successful exporters, thus increased GDP.
- Increased competitions due to imports lead to greater efficiency.
- More choices and lower prices of consumers are available.
- More investment or FDI due to large market size.
- The integration provided Possible of more excellent political stability and cooperation in the region.

**Disadvantages of Economic Integration**

- Universal commerce legislation (LAW) requires giving up a degree of the self- rule.
- To some degree tax(duty) and laws changed.
- Temptations for a brain drain. How about cross border purchases?
- Social policies will be "coordinated."
- Tax income for government might decrease.

**Role of SADC in Economic Integration of SADC Region****FTA in the SADC Region**

The Protocols arranged for trade in 2005 is revised and conceives of the creation of an FTA in the SADC Region by 2008 and its objects are to liberalize intra-regional trade in goods and services further; assure adequate production, contribute towards the betterment of the conditions for domestic, cross-border and foreign investment; and enhance economic development, heterogeneity, and industrialisation of the local region.

The SADC FTA is Free and hurdles trade in the region will create a comprehensive market, releasing the potential for business, explore the economy, and employment formation. SADC FTA is such collective gains:

- Higher regional imports and exports
- Greater trade and empowerment opportunities
- Enlarged domestic production
- Admittance to economical inputs and consumer goods
- Formation of local value chains

**Outcome of FTA**

SADC's FTA programme is initially started in 2001 and complete in 2008. Targets of FTA is set an 85% of intra - regional business amongst the associate's member is achieve zero duty. in 2012 FTA achieved targets and become effective. While tariff liberation process was attained its maximum tariff. However, Mozambique work on tariff liberation and custom duty reduction achieved by 2015.

Now, FTA established or ratified in thirteen out of sixteen member countries of SADC, except Angola and Democratic Republic Congo. However, efforts of SADC showing positive results to bring Angola and DRC to integrate them into FTA arrangements.

Malawi drops behind with phase down of tariff promises and increase production since 2004. In 2010 Malawi initiated a tariff reform action plan to align its tariff policy, since this interference. SADC secretariat is determined to bring Malawi's tariff policy under the SADC trade pact.

Zimbabwe experienced problem in executing its tariff promise on sensitive products, but duty (tariff) liberations provided cooling period between 2010 to 2012, however, yearly reduction will be resumed in 2012 for achievement in 2014 are in line with SADC tariff liberation targets.

Although Tanzania takes safeguard measures to secure interest of its regional market in sugar and paper commodities and impose 25% safeguard duty until 2015, in line of balancing RISDP 2005 - 2020 was coming enforcements.

**Impact of FTA**

Since 2000, when the fulfilment of the SADC trade protocol started, the intra- SADC trade has double

with intra- SADC industry showing a growth of 155% from US\$ 13.2 billion in 2000 to about US\$ 34 billion in 2009. As a proportion of total SADC business, the intra SADC trade showing an increase from 15.7% to 18.5% at the same time (2005-2020). SADC has eminence potential in tariff liberation in textile, clothing, and leather productions as tariff elimination on sensitive products shows incredible growth in their intra-SADC trade.

#### **SADC Custom Union**

SADC 's milestone in achieving an interested economic custom union on lines of European union. To establish free movement of labour, trade in commodities and integrated fiscal framework. A Custom union is epitome of FTA in which integrated of common external tariffs and norms of foreign trade policy. Union is including free movement of people, goods, and service at zero duty custom tariff and trade with integrated boarder check post support mechanisms. Guided by the trade and economic development in region, the milestone focusses on integration of business and financial establishment. A competitive and diversified industrial growth enhance infrastructure and increases investment. All these elements are pave the way to unite SADC on strategic development plan and common policy framework to strengthen human development.

#### **Results of SCU**

Due to capacity presence within the SADC secretariat the implementation of regional indicative strategy development plan delayed and resulted in delayed milestone targets. As SADC custom union envisaged by 2013 are not yet on track to complete FTA agreements. These delay in fulfilments of SADC custom union postponed the integration of monetary union and common market.

#### **Impacts of SCU**

Even still the SADC custom union has not realised, and its potential benefits of economic and strategic integration are derived. SADC's protocol on separate individual interest in sugar, textiles, and leather products. SADC supports for southern African sugar producers appears in formed up of Botswana, Lesotho, Namibia, South Africa, Swaziland. The SADC member states with a sugar surplus are allowed duty free export of their surplus sugar to SACU member in proportion of their surplus member countries.

#### **Challenges**

The suggested development of SADC FTA to SADC custom union faces significant hindrance at their individual surplus agriculture production and agricultural development economy. common tariff reduction targets. Political institutions are at nascent stage and intra-regional disparities lower down the policy on integration.

#### **SADC Common Markets**

A common market is a Contract to establish standard tariff and non-tariff barriers for importers and exporters to allow free moment of capital, labour, good and service, and human in region among contradict countries. SADC common market is one of the prime goals in a way to achieve the milestone of SADC custom Union by 2015. SADC common market enhance trade, economic liberalisation, and development in infrastructure projects. common market helps in capital investment and foreign direct investment from international institutions such as IMF, BRICS, WORLD BANK and establish stock market in long term.

#### **Monetary Union**

Monetary union is institutional framework to support liberalise capital and current accounts, macro -

economics convergence, harmonize interchange and exchange rates, and a market-oriented method to conduct monetary schemes. monetary union is liberalised political boundaries and bring a single market and movement of currency without government interferences. The regional inductive strategic development plan (RISDP) implementation framework identified 2016 as targets to establishment of single market with monetary union but initially hiccups in FTA and custom union so suspended monetary union in present context. However, plan to established monetary Union in SADC is cooperated by the SADC committee of Central Bank governance, which is beginning of collaboration between that Central Bank and SADC countries.

#### **Results and Impacts**

While the formation of the SADC Monetary Union can't anticipate until 2016 at the earliest but operationalization payment clearing and settlement mechanism, for example, the real time gross settlement system has been developed and ratified by 12 SADC member Nations. RTGS system help in E-Banking services and doorstep delivery of Banking services. some significant movies in bringing best banking practices in practice by 12 SADC member benefitted in credit enhancement of citizens and brings financial inclusion. In 2009, the SADC ministers of finance develop a model for Central Bank law harmonize structure for Centre or exchange plans, Bank procedures, and architecture.

#### **Challenges**

ICT infrastructure and last mile access banking services are significant drag to frame a monetary Union. human resources constraints playing vital role in delay of integration plan.

#### **SADC Single Currency Union**

The regional inductive strategic development plan (RISDP) implementation free number target 2018, as fulfilment the goal of single currency Union which will stablish the zone as an economic Union.

#### **Result and Impacts**

the single currency union system is way ahead, but SADC payment system steering committee test a model system a common monetary area with South African Rand as a common currency. for example, South Africa, Kingdom of Lesotho, Namibia, and Swaziland. And if successful will be available to be rolled out for rest of the SADC countries as the region promote its synthesis development.

#### **Challenges**

currently the single biggest problem is to establish common minimum Framework for access use and acceptance of currency in different fields and inter and intra-regional integration of currencies. to achieve integration with different custom union is went milestone to achieve single currency union.

#### **The Regional Inductive Strategy Development Plan (RISDP 2005- 2020)**

Regional inductive strategic Development Plan is a comprehensive framework for 15 years to integrate SADC in economic, political, and social prospective with strategic and super-visioned integration agenda. It tries to implement goals in signed in SADC declaration of 1992. it promises to provide clear strategy direction concerning SADC schemes, projects and increase in line with SADC common agenda and strategic preferences.

The ultimate objective of the proposal is to deepen integration in the region to accelerate poverty elimination and human resources development to achieve SDGs rulebooks and principles. regional inductive strategy development plan was developed in March 2001 and effective from 2003, set five-year agenda of 2005-10 and future subdivision of it into yearly implementation plan to achieve effective and efficient implementation.

priority international intervention areas such as, in 2007, the SADC Council identified and acknowledged twelve priority sectors to attain the overarching goals of regional integration, poverty elimination, health and human resource development.

SADC framework for integration, this episode analyses the Southern African development community plans for integration, including the vision or mission. It provides an overview for rational establishment and formation of regional inductive structural plan for SADC region.

Human, economic, and social trends, this section explain and examine the role of SADC in contemporary period for human, financial development, and aim is based on socio-economic parameters. it focusses on economic integration of SADC and its impact in regional integrity in framework of social and economic agenda of SDGs 2030.

recognise the gaps and current management and strategies, it will analyse the gaps in FTA, regional integration, economic unification, and stability in political system of SADC. current management of SADC differences through regional forum of finance Ministries, Bank governess, state, and non-state player to establish harmonized and integrated political situations to achieve goal of economic integration. These are mentioned below is "new SADC clusters".

- Human and social growth and distinct programmes
- Substructure and services
- Trade, industry, economic and investment
- Food, agriculture, and state properties
- Strategy, development, and resources mobilisation
- Precedence involvement areas-sectoral and cross-sectoral

In the reports of the study of SADC institutions, establishment by SADC head of state in the Windhoek (Namibia), in March 2001. The priority arbitration areas and their fantastic framework presented. These areas classified in two major groups-cross sectoral and specific collaboration areas. Such as

- Deficiency (poverty) elimination
- Cross - sectional involvement parts
- Fighting with HIV/AIDS disease
- Gender justice and progress
- Science and technology
- Information and communication technologies
- Environment and sustainable growth
- Private sector and statistics
- Sectoral collaboration and integration interference zone
- Monetary liberalisation and growth
- Sustainable food safety
- Human and common progress
- Resource mobilisation
- Structure support for territorial unification

Regional strategic development plan and sustainable monetary and human resource framework is achieved economic outgrowth, development, and demands in in vital areas. this focus on financial

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tools to impact policy framework four achievement of underline goals are mentioned such as.

- Community (public) money
- Debt relief
- Indigenous advantages
- FDI and FPI
- Public private partnership
- Local financial and capital marketplaces
- SADC development fund
- Authorized growth support

### **Institutional Framework**

Institutional Framework, this parts present institutional frameworks of SADC to achieve its principle goals of economic integration, financial integration, political unity and downsize their regional differences to implement regional inductive strategic development. significant capacity constructs are deficit in human resources, infrastructure, credit constraints, primary economy, changing strategic importance, deglobalisation etc. institutional Framework in SADC to overcome constraints and enhance cooperation of partners, regular policy mechanism, convergence of resources and efforts, trust, and responsibility building, among intra and inter communities. This provides major guidelines to achieve socio-economic development with a poverty free and inclusive development of SADC.

### **Monitoring and Evaluation Mechanism**

It will Ensure a continuous directive support to frame policies and timely implementation, for achievements of political environment of region. monitoring mechanism provide a judicious and educate reconsideration of problems, constrains to promote SADC custom Union. regional and international level of integration and the role of SADC is timely measurable at cost effective policies, the RISDP will be monitored regulatory regularly at three level.

- Shareholder (investor)
- Functioning and technical
- Political and strategy level

### **Conclusion**

The free trade area scheduled for 2008 has to a large extent been successful. The rate of intra-regional trade has empirically proven that there is a definite increase in the price of an intra-regional business. However, the study has concluded that, even though SADC trade has enhanced in the previous sometimes as a outcomes of trade liberalization, trade disparities have remained high. The trade disparities have revealed that South Africa still maintains trade dominance in the region; hence this has harmed the sustainability of trade in the area. The implementation of a customs union in 2010 has not been feasible considering that the member states have not completed the implementation of the FTA. Some critical factors have been raised to explain why the customs union has not materialized as specified in the RISDP. Amongst other factors, the study has concluded that multiple memberships of states to other regional bodies have negatively influenced the

operationalization of the customs union. A case in point raised is SACU, SACU members are part of SACU and SADC respectively.

Nevertheless, the study sums up that the implementation of the Customs Union is feasible even though SADC will not be able to meet the timelines scheduled in the RISDP. The application of the common market in 2015, a monetary union in 2016 and a single currency in 2018 is progressing slowly. Progress made for the common market through liberalization of human capital and services in the region. The monetary union is feasible considering that the macro convergence indicators have been signalling that states are progressing in the right direction in meeting the convergence targets set. Even though the establishment of a customs union is slow, SADC has already set the groundwork for monetary integration.

The study proposes that for economic integration to be sustainable and beneficial, SADC must pursue a gradual integration process. Currently, the SADC timelines set are not considering that the RISDP objective is to attain full integration by 2018. The EU has progressed over 50 years of institutional building to achieve full integration; on the other hand, SADC wants to make a complete integrated region in a 15 year period. From a realist point of view, SADC must gradually integrate and allow time for monitoring and evaluation of the yardsticks set.

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