

Chapter 7

POSITIONING SOUTH AFRICA IN THE WORLD

“We are Africans.

We are an African country.

We are part of our multi-national region.

We are an essential part of our continent.

*Being Africans, we are acutely aware of the wider world,
deeply implicated in our past and present.”*

Introduction

Over the past three decades, the world has become increasingly interconnected. Global trade in goods and services has expanded, knowledge has been more widely disseminated and technology transfer has increased. Activities that were previously considered to be national or domestic in character have become functionally integrated.

This integration has included the harmonisation of national policies; standardisation of banking, financial and legal activities; adoption of common customs and tariffs procedures; and the arrangement of global and regional supply chains within a worldwide production structure. Because of this process of integration, countries have become increasingly interdependent and more exposed to financial, economic or social crises of a global character. Under these conditions, it has become very difficult for any one country, or group of countries, to manage crises or develop policies in isolation.

In light of these developments, public policy-making and the provision of public goods has taken on a more global aspect. Recurrent upheavals in the world economy, especially the current crisis, have forced a need to reconsider national, regional and global policies. According to the World Economic Forum, the financial crisis that began in 2008 may be at least as bad as the depression of the 1930s. The crisis has exposed “the full extent of the world economy’s systemic weaknesses and cooperative deficits”, underlining how existing regional and international institutions and arrangements have become out of step with global realities.¹

The World Economic Forum argues that events over the past decade have exposed “a popular and diplomatic consensus on the need to make fundamental changes” to the

¹ World Economic Forum (2010). *Everybody’s Business: Strengthening International Cooperation in a More Interdependent World*. Geneva: World Economic Forum.

way in which the world is governed, as well as a marked shift in the balance of power, and a rapidly closing capability gap between developed and emerging countries.

As a result a greater proportion of global production, trade and investment will continue shifting towards Asia, Latin America and Africa. While the European Union (EU) and the United States are still likely to account for more than a quarter of world output by 2020, emerging economies, especially India and China, will experience the most growth. Africa will remain a relatively small but growing contributor, supported by commodity demand and improved policies. The continent will, however, remain vulnerable and reliant on continued growth in China and India.

Opportunities for South Africa

The shift of global power towards developing countries provides South Africa with an opportunity to maximise its regional and international influence over the next 20 to 30 years. Policy-making should be driven by the objectives set out at the inaugural meeting of the National Planning Commission in May 2011: to grow the economy, reduce poverty and improve the quality of life of all South Africans. In other words, government's global and regional policy-making stance should be South Africa-centric. Policy-making should improve the country's functional integration in the region, on the continent, among developing countries – especially with key states like Brazil, India and China – and in the world, with measurable outcomes.

In the context of recurrent crises and global realignment, South Africa will have to reconsider all existing alignments and affiliations, and establish strategic relationships among individual partners based on strategic political and economic priorities. Policy-making should be guided by the following principles and objectives:

- Focus on what is practically achievable, without over-committing to possibilities of regional and continental integration. Foreign policy should be regularly evaluated “to ensure that ... national interests are maximised”.²
- Remain an influential member of the international community, at the forefront of political and economic developments as they influence the politics of the continent and beyond.
- Deepen³ cooperation with Brazil, Russia, India and China as part of the BRICS group, while promoting regional and global integration. This requires a thorough review of the country's current and future regional and international commitments.
- Stabilise the regional political economy through increased integration and cooperation. This requires communicating the benefits of deeper regional and global integration to the South African and southern African public.

² Department of International Relations and Cooperation (2011). Building a Better World: The Diplomacy of Ubuntu. White Paper on South Africa's Foreign Policy. Department of International Relations and Cooperation.

³ The reference to “deepen” is an acknowledgement that existing agreements on trade in goods and services are at different stages of development.

- Achieve measurable outcomes related to food, water, energy, education, health, transport and communication infrastructure, national defence, adjustment to climate change and economic growth to benefit all South Africans.

To achieve maximum benefits for the people of South Africa, government needs to remain cognisant of the differences between political ambitions, notions of solidarity and domestic realities. Deepening South Africa's integration should proceed on three fronts:

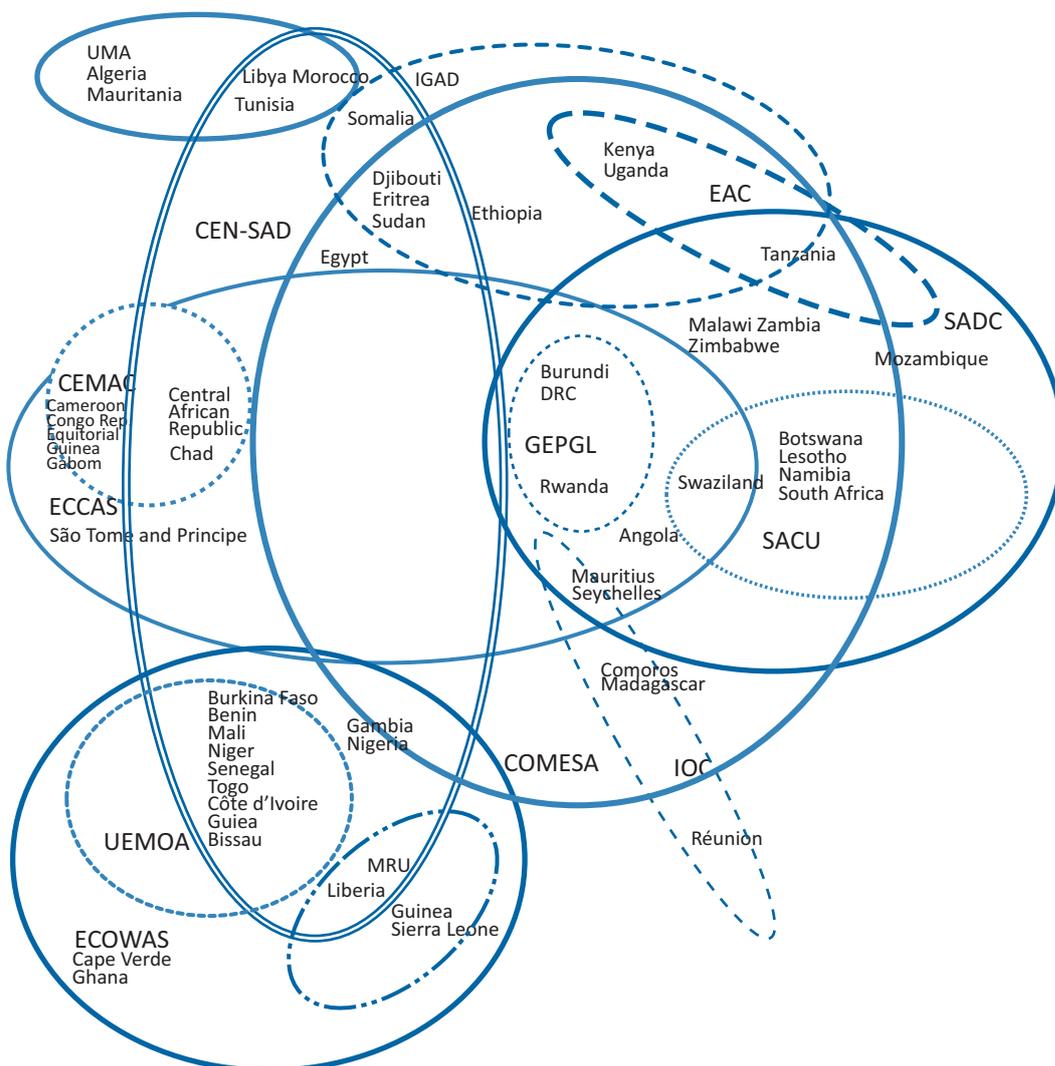
- Regionally, in sub-Saharan Africa.
- Continentally, in the context of Africa's progression towards political and/or economic union.
- Globally, strengthening relations with BRICS and ensuring that Africa remains an important part of global production and value chains – and preventing a re-marginalisation of the continent.

Deepening South Africa's role in the region starts with an honest appraisal of the continent and the world. Policy-makers also need to be clear about the political, economic and intellectual leadership role that South Africa can play in Africa. In this respect, government may have to review some of the original Abuja Treaty proposals, especially the stages of integration envisaged in the agreement.

Sub-Saharan Africa and the global political economy

South Africa's international relations are guided by the promotion of wellbeing, development and upliftment of its people, protecting the planet for future generations and ensuring the prosperity of the country, the region and Africa. To achieve these objectives requires a critical and pragmatic evaluation of existing international relations, and untangling the "spaghetti bowl" of overlapping regional affiliations and commitments.

The “spaghetti bowl” of regional formations in Africa



Source: Economic Commission for Africa

Assessing these entanglements should help government to better manage the dynamics of national interests and global realities in a fast-changing international environment. Policy-makers would then have a clearer sense of the country’s international affiliations and commitments, enabling them to better identify areas of responsibility and accountability, and to adjust the country’s diplomatic footprint accordingly.

Regional integration is a process that involves both governments and civil society. Although organisations such as the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) have structures to engage business, labour and other civil society representatives, these are not always fully engaged in negotiating processes. Since both the major beneficiaries and the major opponents of economic integration are often located outside of government, particularly in business and labour, their engagement, while it can slow down reaching an accord, can speed up implementation. In this sense, regional integration is politically

and technically complex, and requires considerable support from a range of interested parties.

South Africa needs to be clear about the types of formations that are necessary for achieving specific national, regional and global objectives. Five types of regional formations stand out:

Political union – The full political and economic integration of two or more states, effectively creating a single entity or country. Germany, reunified after the collapse of the Berlin Wall, is an example of political union.

Economic union – The full integration of the economies of two or more countries. In addition to eliminating internal trade barriers, adopting common external trade policies, and abolishing restrictions on the mobility of factors of production among member countries, an economic union requires its members to coordinate their economic policies.

Customs union – The elimination of internal trade barriers among member states and the adoption of common external trade policies toward non-members.

Common market – Member states eliminate internal trade barriers among themselves and adopt a common external trade policy toward non-members. A common market goes a step further than a customs union by eliminating barriers that inhibit the movement of factors of production among its members, especially labour, capital and technology.

Free trade areas and regional trade agreements – The elimination of trade barriers (tariffs, quotas, and non-tariff barriers) among member states. Free trade areas are widespread, with 489 regional pacts in place according to the World Trade Organisation. When the objectives of regional integration are clearly defined, and the process is managed strategically, significant benefits can be achieved through regional trade agreements.

While the creation of such agreements has generally been the main inception point for regional integration, Africa's attempts in this area have had mixed success. A linear path to regional integration, such as the one depicted in the accompanying image, may not be appropriate or workable.

A linear path to regional integration



To take full advantage of the realignment of global politics and trade, South Africa may need to redefine its existing agreements, starting with the Southern African Customs Union (SACU) and SADC partners. These agreements should be tested for their validity and coherence and, for global bilateral and multilateral partners, affiliations and commitments. This may entail hard bargaining and potential trade-offs involving short-term realignments, gains and losses.

At a summit of SADC heads of government in Windhoek in March 2001, there was emphasis on improving the efficiency and effectiveness of SADC policies. The summit also prepared a regional strategic development plan, with proposals to monitor progress towards targets. A critical review of the progress on these commitments is needed. Such a review would inform a discussion of how South Africa sees developments in the region over the next 20 to 30 years.

For South Africa, the SADC remains an important grouping. Current efforts are focusing on the wider COMESA-East African Community-SADC grouping, which promises to bring together 26 countries that account for 58 percent of Africa's GDP and 57 percent of its population.

Trade creation and diversion are key drivers of African integration, and South Africa's continental partners benefit significantly from the country's bilateral trade agreement with global partners, especially with the EU. In general, however, African regional blocs are constrained by several factors, including variation in initial conditions, compensation (who should benefit from what), lack of political commitment, overlapping memberships, lack of harmonisation, and poor private sector and civil society participation.

It is difficult to separate South Africa's role in the global political economy from the country's role on the continent.

The benefits of globalisation and regional trade agreements

Cross-border trade in goods and services tends to enable trading partners to benefit from their own and their neighbours' comparative advantages. Regional trade is best facilitated by a framework that includes physical transportation networks and standardised cross-border procedures. A good road will not help trade that is blocked by

cumbersome or malicious disruption at customs. Functional integration would include the creation of adequate warehousing and logistic facilities; efficient procedures at customs and border posts; and the standardisation of government policies and regulations to avoid duplicated processes and delays. All these factors also contribute significantly to the creation and management of efficient supply chains.

Efforts to strengthen regional trade can draw on international best practice. In the Asia-Pacific Economic Cooperation region, the Australian Treasury created a standard business report programme to reduce regulatory burdens in member countries by eliminating duplicated data entry and maximising the use and reuse of information across government agencies. South Africa, drawing on international and regional experience, should encourage further cross-border integration and cooperation, the harmonisation and standardisation of policies and regulations, and cooperative arrangements between customs administrations and other state agencies.

Trade facilitation frameworks

The Maputo Corridor, a trade route connecting north-eastern South Africa, Swaziland and south-western Mozambique with the port of Maputo, is an example of relatively successful integration and coordination that has involved the public and private sectors. Its direct benefits have included:

- Stimulated trade through adequate infrastructure, and reliable and transparent practices and procedures.
- The opening up of South African markets to Mozambican producers and access to global markets through significant improvements in the Maputo Port.
- Job creation through increased economic activity in Maputo and along the corridor, with the ability to shift to higher value-added industry sectors.
- Increased access to international tourism.
- Improved income generation through the encouragement of private investment.
- Public-sector savings through the use of private investment in infrastructure development.

Such practical transnational cooperation has become a defining feature of globalisation. The Maputo Corridor confirms that the ability to compete in the world economy depends not only on transport systems, but just as much on trade facilitation frameworks. Such frameworks need to:

- Ensure the physical capacity to support trade and its underlying supply chains.
- Provide appropriate regulations, including customs procedures that ensure that trade flows abide by the rules and regulations of different jurisdictions.
- Enable accounts to be settled and mitigate risks through a network of banking, finance, legal and insurance arrangements.

Above all, a trade facilitation framework has to be durable, building traders' trust in its long-term stability and viability.

South Africa needs to take into account the social and historical patterns of conflict, rupture and continuity on the continent. Africa is home to many landlocked countries with small populations, many of which have fragile governing structures. Policy-making should be less concerned by notions of ideological or political solidarity, and concentrate instead on specific gains to reduce poverty and inequality in South Africa. At the same time, South Africa will work to promote greater regionalisation, create supportive institutions and strengthen cooperation, which will promote the growth and development of all economies in the region.

Regional trade agreements are typically driven by three basic objectives to:

- Promote market integration
- Develop regional infrastructure
- Strengthen stability, predictability and transparency in regional governance.

While COMESA and the Economic Community of West African States (ECOWAS) have made significant advances in this area, similar progress has yet to be made across Africa. Policy-making needs to begin with what actually exists, and proceed with a clear understanding of the types of regional formations that South Africa would like to create or be part of. If the ultimate objective is to accelerate continental integration as a step towards a united Africa, then discussions about continental diversity are needed – particularly the differences between South Africa and frail, weak or collapsed states. Such a discussion would raise important questions about leadership.

Challenges for intra-African trade

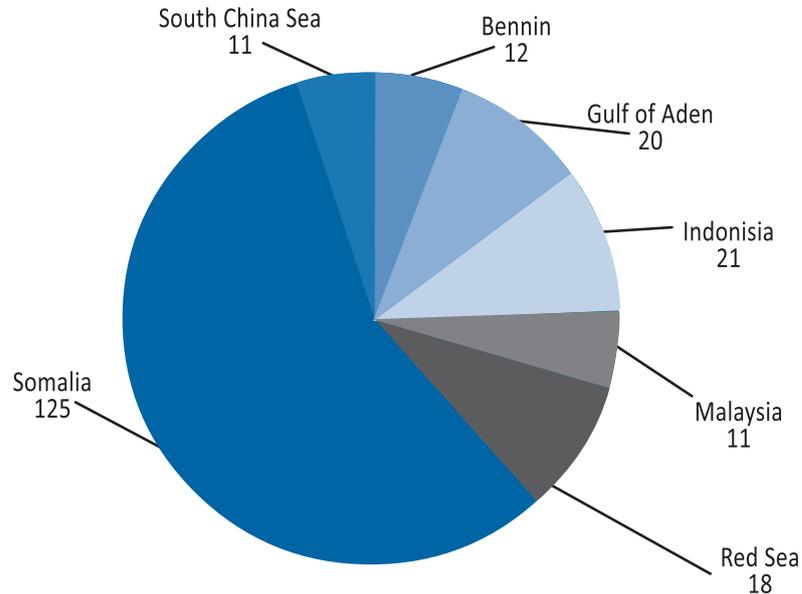
Despite the existence of several free trade areas, customs unions and common markets, the level of intra-African trade remains among the lowest in the world. Only about 10 percent of African trade is within the continent, compared to about 40 percent in North America and about 60 percent in Western Europe.⁴ There is widespread acceptance that Africa needs to become more competitive in global markets, and that intra-African trade must grow for there to be a measurable decline in poverty rates and narrowing of inequality. More trade among African countries will lead to more African trade with the rest of the world.

Free trade requires reliable delivery of goods and services, intact and on time. While there is an urgent need to establish durable and trustworthy infrastructure links across Africa, the continent's coasts and ports are coming under increased pressure from maritime piracy. According to the International Maritime Bureau of the International Chamber of Commerce, African coasts are the most vulnerable to piracy. The seven

⁴ Ezekwesili O (2010). Can Africa trade with Africa? Meetings Centre. World Bank Blogs. 9 October 2010. Available at <http://blogs.worldbank.org/meetings/can-africa-trade-with-africa>. Accessed 31 October 2011.

locations shown in the chart below account for 82 percent of the 266 incidents of maritime piracy reported between January and June 2011 – and more than half of these were off the coast of Somalia.⁵

Reported acts of international piracy



Source: International Maritime Bureau, 2011

Given the urgency of the matter, policy-making should address formal legal institutional arrangements, such as the United Nations Convention on the Law of the Sea and the Suppression of Unlawful Acts against the Safety of Maritime Navigation Convention. South Africa should also insist that its trading partners harmonise domestic legislation in accordance with the principles of the latter convention. While significant attention has been focused on the coast of Somalia, there is increased concern over the spread of piracy along the coast of West Africa and specific threats to South African waters. This problem is especially acute in the context of increased port congestion. Africa's shipping volumes have been rising more rapidly than the global average, with increasing direct costs (port congestion penalties or surcharges) and indirect costs (inventory, idle ships, and trucks).

With about 95 percent of South Africa's trade volume seaborne (about 80 percent by value), the country depends on the efficiency of its seven commercial ports. South African ports handle an estimated 200 million tonnes of freight a year. This is equivalent to about 3.5 percent of world sea trade volumes – or 6 percent of global tonne-miles (an industry measure reflecting the weight of a shipment and the distance it is hauled), placing South Africa among the top 15 international maritime trading nations.⁶

⁵ Chart and data drawn from International Maritime Bureau (2011). *Piracy and Armed Robbery against Ships*. Report for 1 January – 30 June 2011.

⁶ Jones T (2004). *The South African Maritime Industry: An Overview*. Howard College: University of KwaZulu-Natal. Institut für Schiffahrtswirtschaft and Logistik (2002). *Shipping Statistics Yearbook 2002*. Bremen: Institut für Schiffahrtswirtschaft and Logistik.

The First African Union Conference of Ministers Responsible for Maritime Transport, held at Abuja in February 2007, expressed a wide range of concerns about the low level of cooperation among African administrators in the area of maritime safety, security and environmental management. The meeting also highlighted delays in updating maritime legislation, underdeveloped ports and lack of infrastructure investment.

The Abuja Treaty of 1991 prioritised effective economic integration as a major precursor to political union. Regional integration in Africa would benefit from following the precedent set by the Association of Southeast Asian Nations, where economic integration preceded politics – and money followed opportunity. In much of Africa, finance is a major challenge because demand outstrips supply. Financial integration (creating a common currency for the continent) has long been a pillar of African unity and remains a target set by the Association of African Central Bank Governors for 2021. It is probably more feasible to build on monetary union in existing regional economic communities. As the Asian experience has demonstrated, economic integration through regional economic communities, as a first-order priority, will attract finance.

Trade within the SADC is relatively low. Most countries trade more with South Africa than they do with the other member states. South Africa supplies products ranging from agriculture to domestically manufactured or assembled products, and also imports significant volumes of goods from the region. South African firms have a major presence, in the form of foreign direct investment, in most SADC countries. A trade arrangement also exists between South Africa and SACU, whose members are Botswana, Lesotho, Namibia and Swaziland. Of the latter, all but Botswana are also members of the Common Monetary Area, and the rand is legal tender in these countries. Given its relatively advanced infrastructure, roads, ports, and communication networks, South Africa is a convenient link for the land-locked countries in southern Africa with the rest of the world, and an important hub for trade in the region.

If managed strategically, South Africa and its partners in the region can continue to gain significantly from regional economic integration through streamlined trade agreements (following the unravelling of the spaghetti bowl of affiliations and alliances).

Moving from the general to the specific, policy-makers should focus on four key areas to advance the objectives of regional and global integration: macroeconomic coordination, the movement of people, management of natural resources and knowledge-sharing.

Macroeconomic coordination: policy-making and infrastructure development

South Africa's economy is significantly stronger and more diverse than that of its immediate neighbours. South Africa is the epicentre of economic activity in the region. In 2004, South African GDP reached US\$150.7 billion – more than half the

US\$219.3 billion recorded⁷ by all the SADC member states. Consequently, South Africa's economic vibrancy is in the interests of the region as a whole. It is also in South Africa's interests that political and economic relations are deepened with countries in southern Africa by strengthening trade pacts, and expanding or creating infrastructure links.

Policy-making should identify opportunities for cooperative projects in transport, telecommunications, water, energy and other mutually beneficial areas. In many cases, these projects will achieve common goals more effectively through cooperation than they could by relying solely on national interventions. Examples of such cooperation include the Lesotho Highlands Water Project Phase 2 and the further development of the Orange-Senqu River to meet Namibia's water needs. Initiatives such as the African Renaissance Fund, as well as the establishment of more formal arrangements and institutions for South Africa to provide support to neighbouring countries, will contribute to this process.

There is significant scope for greater cooperation in agriculture. Neighbouring states typically specialise in similar crops and share similar climates; good harvests usually result in oversupply, while drier years result in under-supply. There are often opportunities for deficits in one region to be met by surpluses in others, but this requires complementary and cooperative policy approaches. Such steps can promote broader economic integration, including steps toward a common currency.

Current experience in Europe has demonstrated how difficult currency integration can be, but South Africa should also be aware of the potential benefits. Over the past three decades, several states in Africa and in the Eastern Caribbean have used forms of outsourcing (to regional organisations) as a way to reduce cost, and increase the quality of public service and the provision of public goods. In sub-Saharan Africa, the *Banques des Etats d'Afrique Centrale* and the *Banque Centrale des Etats de l'Afrique de l'Ouest* have pioneered multi-country central banking. The *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* in Central and West Africa has harmonised business law among member countries.

Selective expansion of existing regional monetary unions could serve as useful building blocks towards a continental common currency. However, given the widespread lack of fiscal discipline and stable macroeconomic policies that would advance such a course, no such steps are likely in the immediate future. South Africa's financial system is highly developed, especially when compared with its regional neighbours. This disparity and unevenly developed financial systems in general would produce winners and losers in a common currency system, as suggested by the accompanying table.⁸

⁷ Ezekwesili, 2010.

⁸ Masson P and Pattilo C (2004). Single Currency for Africa? Finance and Development. International Monetary Fund. Available at <http://www.imf.org/external/pubs/ft/fandd/2004/12/pdf/masson.pdf>. Accessed 1 November 2011.

Weighing individual gains against costs

Some economics would gain and others would lose from the proposed African regional and subregional monetary unions. Full monetary union among either West African Monetary Zone or Economic Community for West African States' members would be undesirable for most members.

	Gainers	Significant losers
Common Market for Eastern and Southern Africa	Angola, Ethiopia, Malawi, Seychelles, Sudan, Zambia, Zimbabwe	Egypt, Khenya, Madagascar, Mauritius, Namibia, Swaziland, Uganda
East African Community	Kenya	
Economic Community of West African States	The Gambia, Ghana, Nigeria, Sierra Leone	Benin, Burkina Faso, Cote d'Ivoire, Mali, Niger, Senegal, Togo
Southern African Development Community	Angola, Botswana, Democratic Republic of Congo, Malawi, Mozambique, Seychelles, Tanzania, Zambia, Zimbabwe	Lesotho, Namibia, South Africa, Swaziland
West African Monetary Zone	Nigeria	The Gambia, Ghana, Guinea, Sierra Leone

In other areas, there is significant cooperation in the provision of regional public goods. The African Union and ECOWAS have become important providers of security; and the West Africa Telecommunications Regulatory Agreement has promoted harmonisation and integration of telecommunications in West Africa.

The SACU agreement is under review. While the weight of South Africa's economy has effectively reduced potential risks in the customs union, its current structure is not necessarily the best option for South Africa or its neighbours. An immediate priority is the development of more effective financial transaction mechanisms to facilitate physical trade. Bank letters of credit do not operate well between African countries, requiring most trade transactions to pass through a third, non-continental currency. This type of intervention should be led by the private sector and only limited state or interstate action would be needed.

Migration and the movement of people

The relatively unrestricted movement of labour across the region and the continent can contribute significantly to more inclusive economic growth. Migrants have played an important role in South Africa's economic development and regional integration since the late 19th century and it is likely that this trend will continue. While exact figures on immigration flows are elusive, and unemployment on the continent is much higher than commonly assumed, South Africa's relatively stable economy makes the country highly attractive for immigrants.

Immigration is controversial in South Africa and some other countries in the region. A systematic promotion of regional economic growth would result in lower levels of migration driven by desperate economic circumstances.

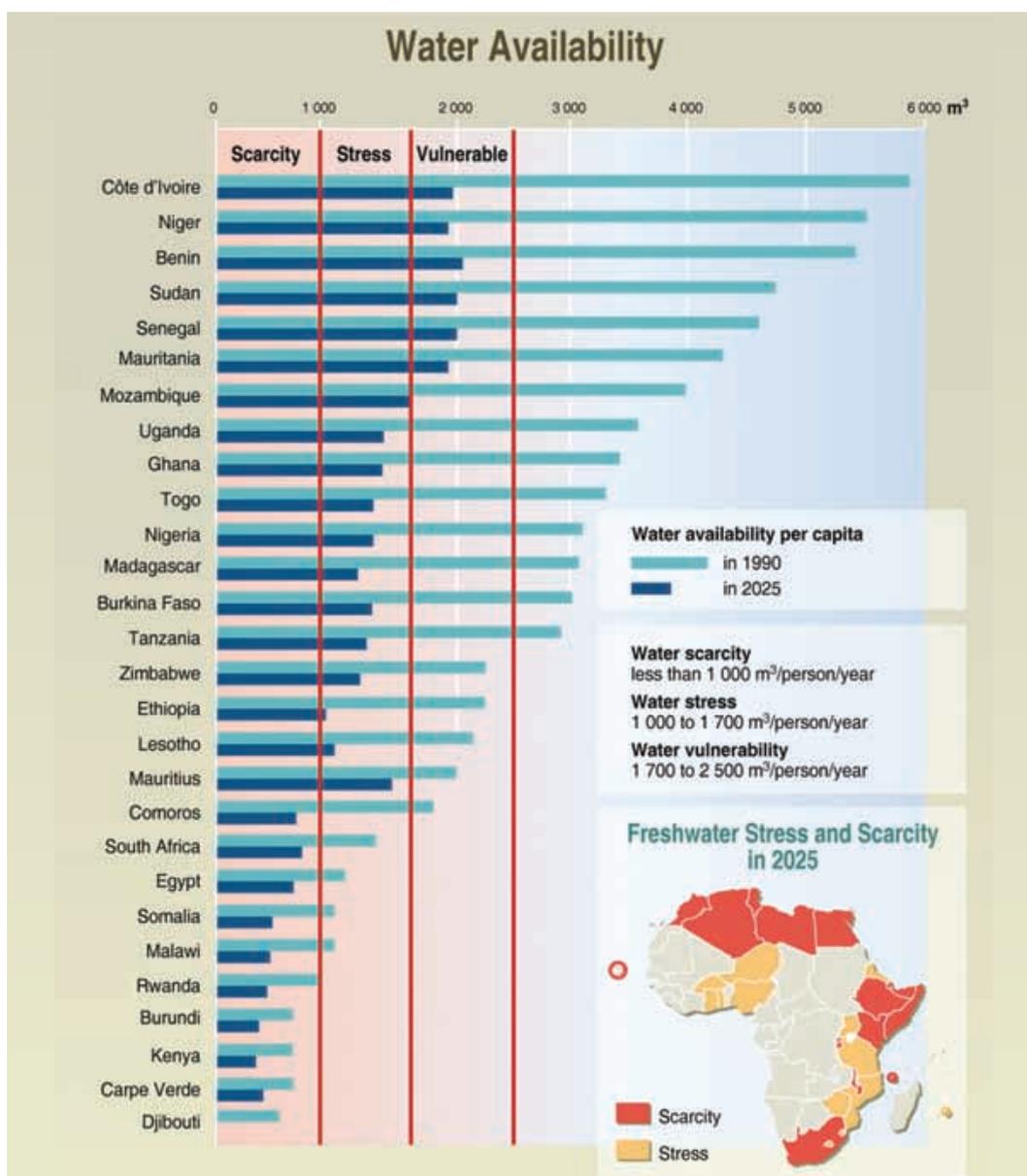
The UN High Commission for Refugees estimates that there are 12 million internally displaced people in Africa as a result of conflict and/or different levels of state failure. In addition, there are many “environmental refugees” who have been forced to leave their homes because of environmental disruption (natural and human) that jeopardises their existence. It has been estimated that by 2020, there will be 50 million environmental refugees, the vast majority of these in the developing world, especially in Africa.⁹

Natural resource management

Africa is richly endowed with natural resources. This endowment is, however, unevenly distributed. There are vast tracts of underutilised land; in many places, resources – especially water – are barely used or are underused. In some places, local natural resources are unable to sustain growing populations and suffer degradation as a result, as shown in the accompanying figure. Over the past several decades, North African migrants have fled to Europe, owing in part to the desertification of the Sahel. Given the weaker economy in Europe and moves to tighten EU immigration controls, some of these migrants may now move south.

⁹ Agence France-Presse (2011). *50 Million “Environmental Refugees” by 2020, experts say.* 22 February 2011. Available at <http://www.physorg.com/news/2011-02-million-environmental-refugees-experts.html>. Accessed 13 October 2011.

Projected population growth and water stress in Africa, 1990 – 2025



Source: United Nations Economic Commission for Africa, 1999¹⁰

Much of Africa’s natural resource scarcity is economic rather than physical. While most of sub-Saharan Africa uses only a small proportion of its available water, it suffers regularly from droughts, because people have no way to capture and store water for use in dry periods. Economic water scarcity refers to the ways in which human, institutional and financial capital limit access to water to meet human needs. Africa has water, but it will not be used effectively without the appropriate investments in infrastructure. Similarly, while there are extensive areas of unused arable land, this land is unlikely to be developed without capable institutions, financial resources and the infrastructure needed to transport produce to markets.

¹⁰ United Nations Economic Commission for Africa (1999). *Global Environmental Outlook 2000*. London: United Nations Environmental Programme, Earthscan.

A focus on regional integration would address economic scarcity through targeted policy interventions and public investment, as is already occurring under the Comprehensive Africa Agriculture Development Programme of the New Partnership for Africa's Development. An emerging challenge is the extensive interest shown by external investors in acquiring large tracts of land for commercial agriculture. While such investment may reduce economic barriers to the effective use of natural resources and create new market opportunities, capital-intensive agriculture may not address poverty and could result in displacement of poor people, adding to migration pressures. This highlights the need for greater regional coordination and the sharing of information.

Knowledge-sharing

Regional integration and the provision of public goods across national boundaries can be improved significantly by sharing knowledge and information. This is true in areas such as health, climate, natural resource management, research and development, and innovation more generally.

In health, for example, knowledge-sharing can help poor countries that lack medical, technological and financial resources to respond to outbreaks of disease. One of the most important causes of the spread of HIV/AIDS in Africa (and elsewhere, for that matter) is a lack of access to information and knowledge. In general, poor countries lack the resources to prevent the spread of communicable diseases through surveillance, research and treatment. Policy-makers can look at global best practice to find ways of creating early-warning systems. Institutions such as the United States Centres for Disease Control, the United Kingdom's Royal Society for Hygiene and Tropical Medicine, and the French *Instituts Pasteur* play important roles in the sharing of research, knowledge and information. They also help to create transnational early-warning systems.

Policy-making and public debate

The success of regional integration policy hinges on several key factors at each level of engagement.

Domestically, government needs to take the pulse of public opinion concerning greater openness to the region – especially the freedom of movement. The idea of “African citizenship” was raised at the Continental Conference on Accelerating Africa's Integration and Development in the 21st Century in June 2007, which suggested a move towards removing all visa requirements for African citizens. Policy-making has to consider the implications of opening South Africa's border to the rest of Africa given the country's own economic and social development problems.

Among the key questions that need to be addressed through public debate and government policy are:

- What will be South Africa's core areas of advantage within a more integrated region, and what sacrifices will have to be made to support integration?
- How appropriate (and relevant) are South Africa's current regional affiliations, and to what extent do they further the country's national interest?
- What would be a more appropriate relationship between SACU and the SADC? How do the two overlap? How would integrating the two benefit South Africa and its neighbours?
- Although greater regional integration is a policy goal, is there sufficient support in South Africa (or in the other countries of the region) for regional integration, as implemented through SADC and similar organisations?
- What is the most appropriate sequence to follow in the programming of trade, sectoral cooperation, macroeconomic and currency integration?

South Africa may have to make strategic trade-offs to give effect to regional cooperation and integration. For example, it may be necessary to cede certain national opportunities for regional benefit on the assumption that regional growth will benefit the South African economy. But regional growth may benefit only limited sections of the domestic economy, especially in financial and professional services, and possibly at the expense of labour-intensive lower-wage segments. Similarly, freer trade within the region may benefit South African business at the expense of its neighbours. To what extent is South Africa willing to make concessions to protect the interests of its weaker neighbours? Should regional integration place South African interests first?

The role of the National Planning Commission

Regional integration is a long-term objective. Full economic convergence cannot realistically be achieved within 20 years. It is also not clear that more limited macroeconomic policy, monetary and fiscal convergence can be achieved by 2030 – and indeed, whether it would be desirable. However, relatively free trade and movement of people is achievable and should, if properly implemented, bring net benefits. These issues are the subject of ongoing negotiations between countries. South Africa might also want to examine existing commitments, as illustrated by the “spaghetti bowl” analogy, to re-evaluate the depth of the country's commitments to particular national or regional engagements.

The details of international bargaining are outside the mandate of the planning commission. Consequently, the commission will focus on:

- Finding areas of comparative advantage for South Africa in a more integrated region.
- Identifying projects and programmes in sectors where practical opportunities provide incentives for cooperation (such as energy investments and agricultural development).

- Identifying areas, such as the development of effective financial transaction mechanisms, where the private sector may have to take the lead.
- Addressing questions such as:
 - What type(s) of leadership should South Africa provide in the region and in Africa?
 - What implications would such leadership have on notions of sovereignty?
 - What are the sources of power that lend South Africa the authority to lead efforts to promote regional integration and deepen South Africa's presence in the world?

Following this, the commission should:

- Engage with planning authorities with similar mandates in the region to identify areas of commonality and review effectiveness of current regional planning approaches.
- Support existing programmes of regional infrastructure development.
- Restart the “grand debate” of 2007, at least within the commission, on the feasibility of regional economic communities and/or a United States of Africa approach.
- Investigate whether China's ascendancy will result in Africa's further marginalisation.
- Conduct research into intra-Africa trade and what trade-offs may be forced for greater continental good.
- Promote public discussion to improve South Africa's understanding of the benefits and challenges of greater regional integration, and of the appropriate sequencing of integration.

Conclusion

Regional integration is a complex process that requires thoughtful consideration and planning. In deepening South Africa's commitments to the region, to Africa and to engagement in the global political economy, policy-makers need to address the core objectives of growing the domestic economy, reducing poverty and improving the quality of life of all the country's citizens. To ensure that national interests are maximised requires strategic thinking about existing relations with the world around us. It also requires pragmatism concerning macroeconomic coordination and integration, infrastructure development, the voluntary and involuntary movement of people, and effective management of natural resources.

The way forward requires a significant amount of consultation and deliberation at all levels.

