



# **South Africa's Management and Investments in SADC: A Strategy for the Implementation of its National Development**

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## DECLARATION

I, **Andrew Osehi Enaifoghe** with (Student Number: **201604510**) do hereby declare that:

- (i) The research reported in this thesis, except where otherwise indicated, and is my original work.
- (ii) This thesis has not been submitted for any degree or examination at any other university.
- (iii) The thesis does not contain other person's data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
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Andrew Osehi Enaifoghe

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Date

## DEDICATION

This dissertation is dedicated to my heavenly father God: the Son and the Holy Spirit; my parents; Elder (Mr) **Enaifoghe Sunday Salami**, and **Mrs. R. A Salami** and to my first unborn child, I hope this work will be a source of inspiration to you in the future. Also I dedicate this work to **LeRoy Asuelime**.

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## **ABBREVIATIONS**

|          |   |
|----------|---|
| ADB      | African Development Bank  |
| AEC      | African Economic Community  |
| AGOA     | African Growth and Opportunity Act                                |
| ANC      | Africa national congress  |
| APEC     | Asia-Pacific Economic Cooperation                                 |
| ATPC     | African Trade Policy Centre                                       |
| AU       | African Union   |
| BIT      | Bilateral investment treaties                                     |
| BLNS     | Botswana; Lesotho; Namibia & Swaziland                            |
| BRICS    | Brazil, Russia, India, China and South Africa                     |
| CARICOM  | Caribbean Community   |
| CEPPWAWU | Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union |
| CM       | Common market   |
| CMA      | Common market Agreement   |
| COMESA   | Common Market for Eastern and Southern Africa                     |
| COSATU   | Congress of South African Trade Unions                            |
| CU       | Currency Union  |
| DRC      | Democratic Republic of Congo                                      |
| DTI      | Department of Trade and Industry                                  |
| EAC      | East African Community  |
| EC       | European Community  |
| ECA      | Economic Commission for Africa (UN)                               |

|        |  |
|--------|--|
| ECOWAS | Economic Community of West African States                  |
| ECSC   | European Coal and Steel Community                          |
| EEC    | European Economic Community                                |
| EFT    | Electronic funds transfer                                  |
| EPA    | Economic Partnership Agreement                             |
| EU     | Economic Union   |
| FDI    | Foreign Direct Investment                                  |
| FIFA   | Federation of International Football Association           |
| FIP    | Protocol on Finance and Investment                         |
| FTA    | Free Trade Agreement                                       |
| GCI    | Global Competitiveness Index                               |
| GDP    | Gross domestic product                                     |
| IDC    | Industrial Development Corporation                         |
| IMF    | International Monetary Fund                                |
| IPAP   | Industrial Policy Action Plans                             |
| ITED   | International Trade and Economic Development               |
| LCD    | Least Developed Country                                    |
| MBITT  | Model Bilateral Investment Treaty Template                 |
| MDC    | Movement for Democratic Change                             |
| MPRDA  | Mineral and Petroleum Resources Development Amendment Bill |
| MTBPS  | Medium Term Budget Policy Statement                        |
| MTSF   | Medium-term Strategic Framework                            |
| NAFTA  | North America Free Trade Area                              |

|        |   |
|--------|---|
| NCA    | National Credit Act                                     |
| NDP    | National Development Plan                               |
| NEDLAC | National Economic Development and Labour Council        |
| NEPAD  | New Partnership for Africa's Development                |
| NGP    | New Growth Path   |
| NTBs   | Non-Tariff Barriers                                     |
| NUMSA  | National Union of Metalworkers of South Africa          |
| OAU    | Organization of African Unity                           |
| OCA    | Optimum currency area                                   |
| OECD   | Organisation of Economic and Community Development      |
| PAP    | Pan-African Parliament                                  |
| PSIRAA | Private Security Industry Regulation Act Amendment Bill |
| PTA    | Preferential Trading Arrangements or Area               |
| RBZ    | Reserve Bank of Zimbabwe                                |
| REC    | Regional Economic Community                             |
| REC    | Regional Economic Cooperation                           |
| REI    | Regional Economic Integration                           |
| RIA    | Regional Integration Agreement                          |
| RISDP  | Regional Indicative Strategic Development Plan          |
| SA     | South Africa  |
| SAA    | South Africa Airways                                    |
| SAB    | South African Breweries                                 |
| SACU   | Southern African Customs Union                          |

|        |  |
|--------|--|
| SADC   | Southern African Development Community                 |
| SADCC  | Southern African Development Co-operation Council      |
| SAIIA  | South African Institute of International Affairs       |
| SARB   | South Africa Reserve Bank                              |
| SASBO  | The Finance Union is a trade union in South Africa.    |
| SATAWU | South African Transport and Allied Workers Union       |
| SIRESS | SADC Integrated Regional Electronic Settlement System  |
| SMART  | Specific, Measurable, Attainable, Realistic and Timely |
| T&T    | Tourism and Travels                                    |
| TDCA   | Trade and Development Cooperation Act                  |
| TFTA   | Tripartite Free Trade Area                             |
| TMSA   | TradeMark Southern Africa                              |
| TNC    | Trans-National Corporation                             |
| UEMOA  | West African Economic and Monetary Union               |
| UMA    | Arab Maghreb Union                                     |
| UN     | United Nations   |
| UNCTAD | United Nations Conference on Trade and Development     |
| UNTAG  | United Nations Transitional Assistance Group           |
| US     | United States  |
| USA    | United States of America                               |
| WAEMU  | West African Economic and Monetary Union               |
| WEF    | World Economic Forum,                                  |
| WTO    | World Tourism Organization                             |



|         |   |
|---------|---|
| WTTC    | World Travel & Tourism Council                    |
| WWI     | World War I                                       |
| ZANU-PF | Zimbabwe African National Union – Patriotic Front |

## **ABSTRACT**

Since South Africa's acceptance to Southern African Development Community (SADC) membership in 1994 after the end of apartheid regime and becoming a more inclusive democratic state, it is observed that there has been a renewed interest in South Africa to create strong regional economic integration (REI) mechanisms, which promotes socio-economic growth. Regional integration became a necessity for southern Africa due to the imperatives of economic regional development. South Africa's economy since 1994 has achieved both social and economic development within the last two decades of becoming a democratic state significantly. Nevertheless, South Africa is perceived to likely benefit more than neighbouring states in the Southern Africa integration. This study accesses South Africa's management of regional integration objectives with its economic investment and political position in the sub-region fostered by the SADC factor. South Africa economic performances since 1994 are inextricably linked to its political and economic "tele guided" management of SADC through its various multinational companies. Through that use of neo-functionalism theory, the study takes a cursory look at how South Africa's support and foreign policy for regional integration has seen transformation over the years with its benefits. The study argues that the dynamics of South Africa's management and investment in SADC regional cooperation has considerable import for the country's national development.

The study recommends that fundamentals restraining the execution of infrastructural projects should be given adequate attention, keeping in mind the end goal to ensure that sanctioning of local infrastructural projects is enhanced. It is also recommended that the SADC through the instrumentality of South African influence, should build realistic program of the deeds that would support issues and initiatives with pertinent import for structure of the Southern Africa integration and Africa as a continent, the African Unions' Abuja Treaty remains the perfect structure for the unification of economies of the continent.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1. BACKGROUND**

Although integration is held high on Africa's agenda, little consideration is paid to it and it is diminished significantly. As a result, regional integration in Africa encounters a number of shortcomings and is characterised by the problem of weak implementation. The quest for regional integration was reintroduced later in the agenda as other region. For example, the European Union prevailed with regards to incorporating their economies. Aside from economic factors,

“Political factors always play a significant role with regard to the success or failure of regional integration, as African countries had to experience to their own detriment. Southern Africa is one of the few regions in the world where regional integration has always been perceived equally as an economic and political venture. Starting with SACU at the beginning of the last century and tentatively ending with SADC, political considerations stood at the beginning of several regional integration schemes” (UNECA/AU, 2008).

Through supranational institutional structures or through intergovernmental decision-making process (or a mixture of both), regional integration has been organised over the past years (Kiljunen, 2004). There seem to be many benefits for sub-regional economies to integrate. These benefits include the fact that it can give a system to planning arrangements and controls reciprocally. It could likewise tackle clashes by fortifying economic ties between nations. It is also true that regional economic activities can cultivate an assortment of non-economic targets, that is, the advancement of territorial security and political contact among individuals/countries (Carbaugh, 2004).

Apparently, many nations are currently accommodating regional economic collaboration as a development strategy in this globalisation era. In any case, the talk of intent does not match the reality as evidenced in Africa's inability to bring to fruition, her ambition of REI. In

Africa, REI is plagued by a number of challenges including overlapping of memberships of regional integrations and unrealistic goal setting (Draper et al. 2007, Dinka and Kennes 2007, UNECA 2006 and 2008).

Regional integration became a necessity for Southern Africa due to its colonial inheritance. The promotion of regional economic development was also a rationale for regional integration in Southern Africa. The establishment of the Southern Africa Development Community (SADC) was a necessary step towards the promotion of economic development within the region. South Africa continue to champion the objectives of the Southern African integration agenda with SADC in line with its foreign policy for her economic development. The SADC which was established in 1992 can be regarded as the anticipation of political changes in the sub-region as well as of the economic opportunities opening up. The SADC became possible because of the end of the apartheid regime in South Africa (SA) and thus the cessation of South Africa's economic destabilisation policy in the sub-region. The 'Windhoek Treaty' agrees on five – mainly political – principles which provided the framework for a long list of mostly economic and development-oriented objectives. At inception in 1992, the SADC had ten members with a loosely decentralised organisation form. However, reforms over the years has transformed it into a body with a more centralised governing system as it abandoned its former decentralised country-based approach of cooperation. The new structure and approach have taken into consideration the fact that the new SADC aims at a trade-based integration approach (Peters-Berries, 2010).

The main objectives of the SADC are to achieve economic development, peace and security, alleviate poverty, enhance the standard and quality of life of the peoples of Southern Africa, and support the socially disadvantaged through regional integration.

Africa today has the oldest type of regional integration or cooperation in the world, looking at its monetary and trade integration plans which are the most ancient around the emerging economies (UNECA/AU, 2008), a development that gained momentum after the end of the Cold War and the advent of development of deep trading deals, it can be surmised that regional economic integration (REI) has re-energized enthusiasm for Africa particularly South Africa in the Southern Africa sub-region. The growing interest in REI has translated into solid REI systems keeping in mind the promotion of economic growth and development.

South Africa is said to have more benefits from her membership in and management of the SADC particularly in the area of trade, for example - South Africa and Zimbabwe are both individuals from SADC sub-regional integration with SADC Free Trade Area (Jennings, 2012). They likewise have a bilateral exchange agreement since 1964. South Africa stays a standout amongst the most essential exchanging accomplices for Zimbabwe; with Zimbabwe bringing in an extremely expansive scope of merchandise from South Africa, including powers or fuel, capital equipment, engine vehicles and numerous other consumer items (Tshuma, 2016). In this regard, South Africa in the SADC enhances its National development by diverting European Union (EU) exports to South Africa via the Southern African Customs Union (SACU) (the world's oldest customs union) and thus avoids the current tariffs specified in the Trade Development and Cooperation Agreement (TDCA). This is a real possibility as the SADC Economic Partnership Agreement (EPA) and the TDCA represent two different tariff regimes (ECDPM, 2014). Nevertheless, the SADC member countries agreed to liberalise all their imports from the EU barring exceptions for processed and unprocessed agricultural goods and textiles. In other words, both the SACU and the TDCA actually represent two different tariff regimes. However, Trade diversion to SA from the EU and the US cannot occur via an increase in imports originating in the BLNS (Botswana; Lesotho; Namibia & Swaziland) countries. Since South Africa is a part of the SACU customs union and all these countries have the same tariff rate on imports from the rest of the world. De facto, these tariffs would be those specified in the TDCA agreement. Regional cooperation and integration is an economic process, which largely reflects the greater interaction between neighbouring states or countries. Such also has been the case with the Southern African Customs Union (SACU) which was succeeded by the SADC.

It is observed that the policy of South Africa, however, incorporates some elements that appeal to both business and labour, and thus represents not the political dominance of one faction, but the pluralism of the post-apartheid South African polity (Hentz (2005). Report shows that South Africa is but the dominant regional economy in the SADC. The neighbours of South Africa are dependent on South Africa's transport infrastructure for their own exports. In addition, South Africa accounts for over 90% of the electricity generated in Southern Africa, World Nuclear Association (2016) reported that most power stations in South Africa are possessed and worked by Eskom, and these plants represent 95% of all the power delivered in South Africa and 45% of all power created on the continent of African (World Nuclear Association, 2016). According to Richard (2011), in the 1990s, South Africa

had an estimated 900 TNCs (Trans-National Corporation) - a figure that had swelled to 2044 by the year 2002 (and has surely continued to grow since then). Most of these companies and their subsidiaries have/had a Sub-Saharan outlook (Richard, 2011). Therefore, the future of the region would invariably depend on the choices made in South Africa. It will not be wrong to state here that South Africa holds the key to the success/failure of SADC both at economic and political levels. In addition, South Africa has assumed a basic part regarding being a take-off platform for FDIs into whatever remains in the continent thus its acceptance into BRICS (Brazil, Russia, India, China and South Africa group).

Broadly viewed, African regional cooperation has been revitalised in some ways due to two main developments at the beginning of the 1990s that include the abolition of the apartheid regime in South Africa, and the eventual stabilisation of political and economic relationships in the Southern Africa sub-region. This helped deepen the already existing regional integration in the Southern Africa States. Cheru (2002) noted that since the end of the Cold War, and with the emergence of powerful trading blocs, there has been a renewed interest in South Africa regarding the need to create strong REI mechanisms to promote economic growth for the region and by implication foster South Africa's National Development trajectory. The SADC appears to be among the best integrated sub-region in Africa aided largely by South Africa's material, commodity and political investment. The extent to which these investments aid South Africa's national development remains to be fully studied.

The study of regional economic integration between states has re-emerged following the developments in the global economy and the geo-political environment. These developments are the underlying dynamics of globalisation which include co-operations, markets, and human capital with the move towards a closer international cooperation through the establishment of trade blocs and national policies and coordination. In order to upgrade cooperation through a common institution thereby promoting development is regarded as integration. The agreement objectives could, however, vary from political economic, or environmental according to issues of concerns. Though typically integration has appeared as a political or economic activity and whereby commercial benefits are therefore the concentration for realising bigger socio-political or security goals, as considered by state governments (Sadek, 2013).



The South African political economy, as an emerging economy, has also been influenced by the turmoil in other rising economies around the world including Asia, and as of late in Russia. The confidence of investors in these said countries are negatively affected by the fact that South Africa could weather its economic storm (such as including a slowdown on South Africa's currency) so effectively, which gives a picture of the inalienable quality of South Africa's economy. This further clearly shows the strength of South Africa's economic and financial policies as well as its political stability. One of the universally recognised core accomplishments in South Africa in the 20th Century is South Africa's peaceful transition to democracy in 1994. The transition ended the many years of the oppressive apartheid regime. It was not just an inconsequential transient achievement; rather the present economic and political stability in South Africa makes this inexplicable change credible or possible by ensuring a future stability and security of the entire nation. The political strength of a nation is a key to guaranteeing investor's confidence. In this way, it is essential to investigate those constituents which ensure a sustained political stability in South Africa today (Jacobs, n.d).

## **1.2. PROBLEM STATEMENT**

Regional integration is increasingly being accepted as essential in facilitating both economic and political development in Africa. However, there is evidence that regional integration in the SADC is not complementary with economic and social policies of member countries. Economic nationalism and the monocultural production of raw materials militate against regional integration and this explains why, in Southern Africa, there has been much inertial but little progress.

This study assumes that fewer states benefit more in integration at a sub-regional level. In the case of the SADC, South Africa tends to benefit more by using her economic policies to promote SADC objectives of integration for her national development especially areas of trade and economic exchange which enhances her national socio-economic development. South Africa's membership in the SADC becomes one of great interest in the benefits and the opportunities associated with the SADC sub-regional cooperation and the integration of the Southern African region. This study seeks to assess the gap in the socio-economic development through cooperation and integration with to South African foreign relation in to the SADC region and beyond.

It is argued that the SADC is seen to be lagging behind the Economic Community of West Africa States (ECOWAS) and the Common Market for East and Southern Africa (COMESA) particularly in both social and economic development of their members. The question, therefore, is why South Africa continues to invest in the management of the SADC despite the odds. This warrants the need to establish whether these investments affects South Africa's national development.

### **1.3. SIGNIFICANCE OF STUDY**

This study fills a gap in the literature as it is aimed at evaluating the economic expectations and submission on regional economic cooperation and integration in the Southern African region. The study examines South Africa's management and investment in the SADC with a particular reference to its contribution to South Africa's national development. Through the use of the economic activities of the various departments and her foreign policies within the SADC region, this study reflects on the position of South Africa in determining the direction and actualisation of the SADC objectives. The reflection is juxtaposed with scholars' view that the place of South Africa in the SADC integration tend to benefit it more and is being used as the roadmap towards her continued socio-economic development (Molefi, 2003).

### **1.4. RESEARCH AIMS AND OBJECTIVES**

The aim of this study is to explore the dynamics of South Africa's management and investment in SADC regional cooperation and economic integration and its import for the country's national development. Other objectives are:

- To identify the synergy between institutions responsible for the management of South Africa integration and cooperation in Southern.
- To determine whether South Africa management of integration and co-operation in Southern Africa is its strategy for national development.

### **1.5 RESEARCH QUESTIONS**

This current research aimed to address the following questions:

- How does regional cooperation and economic integration in the Southern African sub-region can be a strategy for national development for South Africa?

- How do the various institutions responsible for the management of South Africa integration and cooperation synergized to achieve outcomes?
- Does South Africa's investments in the SADC contributed to the actualization of the country's National Development Plan?

## **1.6 RESEARCH METHODOLOGY**

In addressing the above-mentioned objectives and questions, this study is based on a qualitative design and uses both primary and secondary source for data collection. As primary sources of data, analysis was carried out on selected newspaper articles, World bank archives, World Bank Development reports (various issues), and official institutional reports such as those of the South Africa Reserve Bank (SARB), the SAD annual reports concerning South Africa's management of and investments in the SADC and the implications of these for South Africa's National Development Plan. Data that will be consulted for secondary sources will include books, academic journals, and published research reports. This is important as such sources allow researchers to study and make sense of written documents which exist either in the public or private domain (Payne & Payne, 2004).

## **1.7 ORGANISATION OF THE STUDY**

### **Chapter 1: Introduction**

This chapter sets the scene of the study outlining clearly how the whole work as undertaken. It concisely presents the background and past evidence leading to the establishment of the SADC (a point is further elaborated upon later in the thesis. In nutshell, the chapter presents the following; Problem statement, Aims of the study, and the Research questions. More importantly, the chapter addresses the methodological part of the study in terms of how the data were collected and implemented as well as the question.

### **Chapter 2: A Review of the Literature**

After carefully mapping out the way forward from the foregoing part, this chapter turn to the existing literature on Regional economic integration. It takes an anti pyramid outlook by first reviewing literature on Regional economic integration from the global perspective, then continental and then to sub regional being the SADC in this case. The study also reviews literature on the relevance of SADC to South Africa.

### **Chapter 3: Theoretical Framework**

The third chapter is devoted to analysing the theoretical underpinnings of the study. It begins with a conceptual clarification of key terms used in the study by defining the concepts and then providing an analysis of the various theories on regional economic integration. It further highlights the elements of original theories on economic integration, in order to show how they have evolved with time. Primarily, the study explores the theories of neo-functionalism, realism and organisational effectiveness, and then establishes their relevance to understanding regional economic integration in Southern Africa.

### **Chapter 4: Regional Cooperation and Economic Integration in SADC: A strategy for SA National Development?**

This chapter studies progress made by regional economic communities (RECs) sub-regional and continental sectoral programmes and institutional progress particularly in the SADC. This is done by examining the progress made thus far by SADC and according its institutional policy. The chapter also devotes adequate space to analyse South Africa's managerial investments in the SADC and this is helping to foster its national development plan.

### **Chapter 5: Conclusion**

This is the last chapter of the study and therefore gives a conclusion of the research work and suggestions are offered for future research. Specifically, it reports on the findings and draws conclusion based on what has been discussed in the preceding chapters of the thesis.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. INTRODUCTION**

Most African nations are increasingly perceiving synergistic or cooperative activities and territorial approaches as basic to accomplishing their development objectives. Some of the advantages of seeking territorial integration include harvesting economies of scale or different efficiencies by acting by and large in the quest for basic targets to build neighbourhood supply limit, enhance access to business areas, fused or fit treatment of trans-limit issues, for instance, trade, administrative systems and approaches or policies, regional infrastructure and other cross-border issues, and in conclusion administration of shared natural assets. Countries enter into some form of understanding with side awareness on informing participation via institutional organisations which are guided by rules thereby promoting national development through economic integration. The agreed objectives of the understanding could include financial, political and natural. Regional cooperation and economic integration, can be said to be the formulation of policies that could promote development, (economic, political and decision-making aspects of governance) within a certain region (UNECA/AU, 2008).

According to the report of UNECA/AU, (2008), Africa's REI could be the only key for African countries to stimulate expansive and comprehensive development for economic growth. The continents' territorial integration remains a strategic politico-economic yearning since the independence of the 1960s. According to the African Development Report (AFDB 2014), "It [REI] has become an imperative buttress for the work of the African Development Bank (ADB), which is applauding its 50th Anniversary as Africa's head advancement finance institution in 2014" (Clearly, peripheral markets sectors are the fundamental transporters of Africa's monetary ascent. All things considered, regional markets are additionally starting to lift currency exchange in Africa. Following quite a while of virtual unproductivity, the estimation of official intra-African trade has extended practically five-folds compared to the period between 2001 and 2012. Specifically, intra-African Greenfield Foreign Direct Investment Arrangements, as a rate of Greenfield flows to the continent, nearly tripled between 2003 to 2013 from just 7% in 2003 moving upwards to 21% in 2013. This pattern is influenced by an uninterrupted ascent in South African FDI to SADC the region. However,

its relative share has stayed steady at around 12% (AFDB/UNCTA D, 2016), and stands lower compared to that of other sub-regions.

Multinational companies in these nations (Nigeria, South Africa, and Kenya) represented about 60% of project surges into Africa between 2003 and 2013 (AFDB/FDI, 2016). In addition, these projects hope to help regional markets in its full capacity (i.e. working as 'platform assets') which are repositioned for confident administrations for solidifying and overseeing investments portfolios and financial plans. In the period of 2003 and 2013, more than 33% of intra-African FDI business showed that local markets stayed served by Greenfield projects (African Development Report, 2014).

Be that as it may, in the early years of regional integration, critics kept on raising worry on how the term 'integration' ought to be utilised appropriately amidst the absence of clarity. Although there are diverse paths of regional integration and cooperation, they are mostly characterised by political, social and economic forms of integration. The acclaimed courses in which region set out on their integration is as a rule through regional coordination plans. Notwithstanding, there are contrasts in which regional cooperation and integration plans have been actualised everywhere throughout the world. Such integrations have produced varied outcomes including those witnessed in the Southern Africa region.

## **2.2. DEFINITION**

**Regional cooperation and integration** is the process by which states within the same geographical region enter into a partnership or have an agreement with the aim to promote development through common institutions and guided by certain rules. This a process whereby two or more states across borders go into a pact to promote collaboration between themselves by combined institutions and allowed to be guided by rules to promote development. This is, however, regarded as regional integration or international cooperation. The targets of the understanding could fluctuate from financial or economic, political or natural according to the issue of interest. Regional cooperation and economic integration is the formulation of policies that foster relationships and promote development within a certain region or sub-region including economic, political and decision-making aspects of governance. However, there are cases whereby member states of an economically integrated organisation can be based outside the geographical region. A good example of this is the instance of the Democratic Republic of Congo (from the Central Africa sub-region)

integrating economically in the Southern Africa sub-region with the SADC (Madyo, 2008). This type of integration will depend on how willing members are to give up an assured equivalent of their independence.

Van Langenhove and Ginkel (2003) argue that, irrespective of this commitment, regional integration programmes must satisfy certain characteristics. These including the need to: 'reduce social elision and create a more comprehensive civil society; Strengthen regional trade integration; Create an efficient environment for the development of the private sector; Establishment of development programmes which will encourage growth and integration; Advance the creation of effective public sector organizations and promote good governance; Boost the region's interaction with the rest of the world and contribute to the political and economic stability of the region' (Langenhove and Ginkel, 2003. p.1-9).

The European Union (EU) (2005) view economic integration as a term which is often used to refer to the abolishment of the different constraints to trade between countries. Such integration takes different institutional forms including FTA (Free Trade Area), CM (Common Market), CU (Currency Union) and EU (Economic Union). The first form starts off with a Preferential Trade Agreement – also known to be the weakest level of economic integration – and later evolves into an FTA (Ibid. p.25). The Free Trade Area is an understanding between states to lessen limitations on exchange and annul duties between member states whilst at the same time, allowing these member states to set tariffs against the imports from third-party countries individually.

In addition, free trade within an economically integrated region does not only refer to goods and service, but also includes the unlimited movement of capital, labour, and the harmonisation of macroeconomic policies, institutions, and civil and constitutional laws (DeRosa and Gilbert, 2004). Just like the FTA, customs union does not only promote the abolition of tariffs between member states but by extension, enables these member states to set up a common customs tariff against non-member states. Examples of such institutions include the likes of the SACU and the Caribbean Community and Common Market (CARICOM). Nevertheless, these customs union institutions on their own will not necessarily result in a significant economic growth without the implementation of efficient infrastructures and markets. Their main purpose is to enable countries to enjoy the benefits of economies of scale (Ibid.)

The Common Market is considered a more advanced form of integration which often refers to custom union markets whereby trade tariffs are virtually removed (Business dictionary, *n.d*). In addition, it allows unlimited movement the factors of production within the economically integrated region or sub-region such as the Southern Africa in Africa, also as seen with the case of the EU. Compared to the SADC, the EU is a much more advanced form of integration and it is considered the highest stage where complete economic integration has to occur. This is because it refers to the complete integration or harmonisation of a supra-national organisation with an efficiently coordinated common market, unified monetary system, fiscal, and other socio-economic policies. REI is, therefore, formed when two or more states agreed to open their national economies to each other through the removal of trade barriers and every factor that hinder trading transaction between them. This can be done under a specific integration agreement commonly called *preferential trading agreements* (PTAs). The agreement will then represent various levels of economic integration by eliminating trade barriers between member states and applying a common tariff structure to trade with other non-member state. However, this preferential trade agreement (PTA) could take a series of procedures which depend on their purpose, scope and objective.

The objective and purpose for regional integration has ordinarily appeared as a political economy activities, where business interests are the concentration for accomplishing bigger socio-political and security goals, as characterised by national governments (Sadek, 2013). Furthermore, the key elements of economic combination and regional cooperation, as showed by different hypotheses, incorporate principally the removal of levy and non-tariff hindrances among members. Having basic external exchange arrangements or policies which permit a typical external trade confinement against non-member states in the agreement permits free passage of products and exchange of services. In addition, free passage or the movement of mechanisms of production over national boundaries, harmonisation of arrangements and strategies, unification of national monetary programmes or policies, and acknowledge a characteristic of common currency.

However, Viner's trade theory in which he linked exchange creation with a welfare gain and exchange redirection with a welfare misfortune. Regardless of whether an exchange alliance is welfare expanding relies on the relative extents of exchange creation and exchange redirection. A trade creation is the substitution of local production by lower cost imports from members, while exchange redirection is the substitution of lower cost less expensive imports



from the world market by more costly imports from an accomplice. He stresses that exchange creation is useful, since it doesn't influence whatever remains of the world, while exchange redirection is unsafe. It is accordingly the relative quality of these two impacts that figures out if or not an exchange coalition is welfare upgrading or not (Viner 1950).

In terms of accumulation, it is contended that an extension of the business sectors through financial joining or integration causes more attraction to these markets and an opportunity for industries to, therefore, specialise. This will further lead to a reduction in the production costs, higher efficiency and an accumulation of the factors of production, increased investments, productivity, human resources, knowledge, and technology. Therefore, given the fact that market competition is largely based on higher efficiency and increased accumulation, the establishment of more regionally integrated bodies will serve as a springboard for advancing economy such as the Southern Africa's economy (UNCTAD, 2009). This chapter will further carefully survey the theory of regional cooperation and economic Integration in general.

### **2.3. The Early Stage of Regional Cooperation and Economic Integration Development**

The key interest or motivation for all regional integration schemes is said to be the prospect to enhance economic growth what's more, advancement. Concerning the welfare effect of provincial financial coordination, there are two contending hypothesis. The first is the static effects of economic integration which argues that as far as it is advantageous to productivity and enhance consumer welfare, the element impacts of financial integration will only apply to members' extensive-term degrees of progress. On the other hand Biswaro (2003) contended that the most apt hypothetical effort on regional economic integration was gotten from the hypothesis of relative desired perspective in international trade, then the benefits of free market analysts in advancing the subsiding of tax and non-tariffs hindrances to trade. The core considerations of economic integration and regional cooperation, as showed by hypothesis, incorporate the ejection of obligation with non-tariff preventions between members. Participating in a common external trade arrangement, which starts a common trade restrictions to non-members, is the starting of free movement of trade and activities, and also the free movement of elements of production through national boundaries, the harmonisation of strategies, unification of national economic policies, the acknowledgement

and recognition of a corporate currency. I shall briefly discuss the various stages of regional cooperation and economic process in a more functional society.

### **2.3.1. The Stages of Regional Cooperation and Economic Integration**

Apparently, all regional cooperation and other forms of economic integration are believed to inflame some level of concern because they encourage and at the same time limit trade. In a region that is integrated economically, the exchange is opened, at any rate modestly, among sharing nations involved in the collaboration treaty, this was precise with third world nations, as there are distinctive checks between the combined group and the world (Collier, 2006). Nevertheless, the analysis of economic integration is not only elusive but also very intricate and hypothetical in its form. In this way, a customs union is the sort of integration which has gotten the most thought in research and it is the most considered branch of the neo-classical hypothesis. It has been observed that most territorial groups use this model for regional economic integration and it has been compelling. The European Union (EU) is viewed as one successful case of regional economic integration in the world today, and their ideal is in accordance with its hypothesis.

However, critics continue to express that SADC's integration objectives are too much longing and may not meet the set time despite the fact that they have made some striking progress. What is more prior to the dawn of 1960s, this economic integration objective only focused on custom union. Be that as it may, from that point forward, there has been a development of studies demonstrating the uniqueness of each of these economic integration structures. The different phases of regional economic integration will likewise be discussed in this review starting with preferential trade plans.

#### **2.3.1 .i. Preferential Trading Arrangements (PTA)**

Preferential Trading Arrangements or Area (PTA) is a trade alliance that gives particular access to specific items from the partaking nations. PTA is viewed as the lowest type of regional economic integration and cooperation. It entails a reduction in duties among member states. "These duty inclinations have made different departures from the standard trade relations rule, specifically that World Trade Organization (WTO) members ought to apply a similar levy to imports from other WTO members" (CRS Report, 2005). Financial experts and economists proposed that the initial phase in incorporating economic aspects is through special exchanging arrangement which is also known as a preferential trading agreement

(PTA). This will be extraordinary for Southern Africa as it will smoothen the integration of the sub-region into the worldwide trading framework and upgrade development over the sub-district. It will also extend the market openings and end the twisting of motivating forces inside Southern African states. Be that as it may, there could likewise be short-term costs. However, these costs can be overcome through various measures if applied correctly. Such approach may incorporate consideration: To ensure that existing preferences work effectively; it would provide a temporary boost to access. That is, when merged up with other measures to raise and increase trade capacity, this access could help not only South Africa for instance but also other southern Africa members to expand its competitiveness and be set to compete more effectively in the global market as well with reduced tariff preferences. Secondly, such approach will need to be merged with assistance in addressing the adjustment challenges arising from preference erosion, as well as support in order to move away from reliance on preferences (ATPC, 2004).

### **2.3.1 .ii. Free Trade Area (FTA)**

A region whereby a group of nations consent to dispense with taxes and other import limitations on each other's products while each participating nation applies its own particular free timetable of assessments to imports from countries that are not part of the Free trade area. An instance of the unhindered business area is NAFTA (North American Free Trade Area) between Canada, the United States and Mexico and the Common Market for Eastern and Southern Africa's (COMESA). The SADC Protocol on Trade (2005), as revised, visualizes the foundation of a Free Trade Area in the SADC Region by 2008 and its destinations are to advance change intra-commonplace trade stock and ventures; ensure effective creation; contribute towards the change of the atmosphere for local, cross-fringe and outside investment; and improve monetary improvement, expansion and industrialisation of the sub-region.

Free Trade Agreement is the concealment of segregation in the movements of item with respect to exchange among states. The agreement is frequently reached gradually in all trade confinements. The development of a free trade zone happens as a result of neo-liberal expectedness going for transfer of limits to trade and capital streams the world over (Nieman, 2000). Duty and other exchange confinements between nations and outsiders stay unaffected in an FTA and licenses member states to force whatever phase of duties imposed on non-

members states. This is accepted to be a decent tax income, especially for South Africa, since its intra-industry levels are not all that low as of right now and will generally not influence an expansion in her trade revenue that much. There is an outright opportunity or freedom to FTA members to settle on their own duty approaches, even as they keep intra-bloc taxes at zero level. Schiff and Winters (2003) called attention to the fact that collaborations between states may lessen external duties for three reasons. For example, if taxes on individuals are obliged to zero, the ideal level of firmly aggressive products from different nations will be moderately low, so this is one of the measures to lessen exchange preoccupation. Another reason is, if there is exchange avoidance, that is, the redirection of imports from different countries, through the FTA member with the most diminished external charge, particular countries with high charges will therefore lose tax income. In any case, in the event that they lessen their taxes too, simply beneath the level of their member states, they can recoup the revenue without affecting expenses or resource parcels. In this way, such stride will prompt to the possible lower level of external taxes.

Nevertheless, there are other elements that might further give rise to the level of protection in each member states including the rules of origin. This policy seeks to protect against a non-member country imports by companies as a consequence of ferocious struggle in Free Trading Area. Since taxes for member states are set at zero level, much more resources are therefore spent while lobbying against a third-party country. In such regards, it becomes imperative for countries to be very much enlightened that upholding these rules has regulatory costs besides other arranging expenses connected with heading out to meet as countries. This process can take a longer time to conclude especially in Africa whereby nations from a similar sub-regions create comparative goods. The implementation of rules of origin is required by an FTA which will constantly get to be instruments of insurance if honed. There is likewise a roundabout type of trade avoidance or deflection (also known as the shifting effect) which cannot be pre-empted by standards rules of origin. The implication of rules of origin is that it can lead to the prevention of a member whose tariff rate are low from importing products and as well as sending them duty-free to another member within the same sub-regional entity in the FTA. Abreu (2013), stated that as the level of separation among comparable products from various nations or exchanging bunches builds, principles of origin turn out to be more vital and more controversial, in light of the fact that the advantage of being resolved to be from a specific nation or exchanging group vis-B-vis others

increments. It is called indirect exchange redirection, and its results for productivity rely upon the limit of the low-tariff nation to supply all needs of its partner.

A low-tariff country could meet its own particular necessities for an item from the rest of the world and after that exchanging its very own production to its partners. Some scholars such as Brooke James believe that members of the Free Trade Area can try and avoid some of the trade diversion costs if they could reduce their external tariffs in an FTA (Brooke James, 1994). Nevertheless, it can lead to loss of autonomy in a customs union. Southern African states may have to be a little cautious when taking part in a trade policy externally unconventionally. The basic way of free trade region in the Southern Africa sub-region is that, to begin with, states perceive the significance of the improvement and reinforcing of exchange through the disposal of intra-regional hindrances, as a method for quickening economic development in member states. Nevertheless, general desire of an organised and FTA is that it will expand the stream of exchange between its member states. Although may have recorded some level of achievement in the developed nations, it is not persuasive enough to hold for Southern African nations. Taking after the way that exchange hypothesis is chiefly in view of specific presumptions, which incorporates: Firstly, the integration of the economies of the sub-region that is a vast and separated regional market will develop. Secondary, the states may have differentiated generation designs in which industrial goods prevail, so rivalry and specialization endeavours will be more grounded. Thirdly, besides, countries must have had a long history of concentrated trade and capital streams, and a gainful foundation, before common exchange arrangement can be started (Inotai 1991).

Regional integration can affect the liberalisation progress of multilateral trade in so many aspects such as altering of internal motivations for the liberalisation of trade. This will further affect the pattern in which members from a regional groups communicate, and in this way adjust associations between regional groups and non-individuals in the groupings and the world at large. It is certain that the conduct of the significant coalitions will influence multilateral frameworks in ways that are essentially exogenous for groups like the European Union (EU), NAFTA and APEC. The emerging countries may have to seek ways to influence this conduct as well to protect their interests. However, instituting free trade treaties in Southern Africa and other sub-regions is an issue for discussion.

One other issue identified with this is the foundation of facilitated commerce agreement amongst Africa and different nations. The proposed establishment of organized commerce concurrences or FTA with the EU under the EPAs is one great instance. This speaks to a colossal test to African nations, and a review on the effect of EPAs on the welfare of Africans is at present being directed by the Economic Commission for Africa (ECA), nevertheless many hold the view that it could represent an enormous challenge to African countries instead. In that regards, Southern African countries should loosen their trade between them and the EU to carry out a variety of official and supervisory improvements.

Furthermore, it is important to note here one of the benefit of having EPAs is that it enables African countries to join in a transformational agenda to make their economies more sound internationally (ECA 2004b). As dictated by the EU, the division of Africa into five regions raises a concern, as to which is not dynamic, if the continent is to be integrated into one institutional body. There seems to be another challenge hereabout the effect of EPAs on government incomes. Schiff and Winters (2003) contend that regional Integration Agreements (RIAs) may probably influence the conduct in the developing nations, changing their possess inclinations for non-unjustifiable movement, and their preparedness to reinforce and secure the multilateral system. However, regional integration influences both the procedure of multilateralism, and may further influence the results of this process. In this specific situation, most of the regional trade coalitions target is to expand the arranging force of their individual states and to further impact the results of multilateral trade arrangements. An example is the customs union, that is, the extension for upgrading arranging power by organising the positions of a few nations is self-evident. Harmonisation in trade transactions or dialogues is then exposed to any arrangement of nations. However, what makes it easier and more credible is having a formal regional trade bloc

### **2.3.1. iii. Customs Union (CU)**

Basically, a customs union (CU) pools both the features of a FTA alongside with the strategies of fortification since it offers for not only lack of restrictions on movement of goods (Business Dictionary, *n. d*). The exchange of service between members states help to protect the market within the union from rivalry from other nations who are non-members. The free-trade area is the region or sub-region including a trade bloc of which member states have signed a free trade agreement (FTA). An example is that of the Southern Africa sub-region. Free trade agreements include participation between no less than two nations that will

lessen trade hindrances – import portions and taxes – and to build an exchange of products and enterprises with each other (Markussen et al, 1995). Free trade area is expected to naturally evolve into a customs union finally over time as confirmed by Mutharika (1972). This is therefore viewed as a robust form of co-operation.

The Customs Union is further depicted as co-operation that wipes out all exchange boundaries among members of the union and forces a common tariff duty against non-member nations. A customs union is ordinarily anticipated to forgo presenting a new taxes obligations between themselves that should have the impact of expanding obligations to the stages in effect from the time of the assention among the parties involved (Madyo, 2008). The reason for proceeding with a current customs union should not stay alluring to few members. In any case, at this stage, custom union requires that nations make firm duties to rather lessen levies step by step over a timeframe by which there will be a comprehensive opportunity for the movement of products starting from the partner's states at the close of the day.

We should not neglect to comprehend that African nations are at various levels of advancement. According to economists, a yearly rate of decrease in levies that is worthy to all is a sensible purpose behind beginning courses of action concerning the full cancellation of conventions commitments. In this way, it is prudent to develop a scale of products with various strata of customs duties keeping in mind the end goal to ensure the success of weaker members. This is particularly important when weaker industries will be presented to more grounded businesses and when there will be lost income (Marian, 2006). Here in this phase, favourable treatment and rates in Least Developed Countries (LDCs) are accorded more to those deserving industries, and it is important for Africa, as a large number of LDCs in the world are in Africa (Madyo, 2008). Custom Union could be viewed as essential for Southern Africa states as many of LDCs in the world are mostly from this sub-region. Be that as it may, a few theoreticians had a suspicious state of mind concerning economic estimation of customs union arrangement until the middle of the 1970s. However, C.U is likewise thought to be the second best arrangement from an economic perspective with respect to neoclassical trade scholars (Tovias 1992). It is therefore believed by theorists that distortions don't ensure a change in improving the general monetary welfare, so long as other economic mutilations stay unaltered. As per the static hypothesis of agreements on regional integration, the

hypothesis of customs unions infers that lessening duties on a bigoted premise under a regional cooperation agreement do not ensure a change in the wellbeing of different nations (Viner, 1950). Sharing of the world income with member states through a modification of the terms reached by trade with the global world is another good reason of having a customs union.

Regardless, the neo-classical point of view of independently draw to bits assesses on a non-biased introduce don't improve the places of trade, or incite to a disintegrating of terms of trade. It is often expected that customs unions in practices or in a general economic integration might be difficult to converge, because of complexities running from national interests and asset conveyance to contrasts in levels of advancement of members (Tovias 1992). This infers a generous loss of power over exchange arrangement or policy and income sources. This is additionally the case the extent that FTAs are concerned, as they likewise require an underlying compromise of interests, effected through the nature and limitation of the rule of origin embraced. In any case, once this is settled, just moderately light institutional arrangements are embraced

## **2.4. CONCLUSION**

Regional integration has been defined in this chapter. The concept is centred on three main features: it is voluntary in nature, collectively undertaken, and geologically characterised. Regional cooperation or economic integration has related qualities with the exception of the element that it does not necessarily need to be geographically defined in the case of D.R. Congo in the Southern Africa Integration with SADC organisation. It is said that economic integration has attested to contribute also to enhance economic growth and development in each member states. Therefore, it is worthy for development discourse. It is also said that a new analysis of regional integration has recently focused on integration in the developing countries essentially as they are turning to regional integration as a mechanism for economic development. The preferential trade agreement is also an additional form of regional integration which is however limited in scope.

In this chapter, it was explained that most economists continue to adopt the same concept to explain and analyse both a free trade area and customs union even when there is a clear dissimilarity between these two phases of economic integration. The differences reflect in terms of their major economic consequences. To clarify this, a free trade area is associated



with or involves the implementation of rules of origin. However, scholars tend to view rules of origin as a form of protection in this regards. A customs union involves a joint decision-making on trade policy, but in a Free Trade Area, this not required. Nevertheless, many theoreticians have a perception of Free Trade Areas to be more liberal as a form of integration than tariff averaging customs unions. This is perhaps more welfare cumulative as well. Moreover, with the case Free Trade Area, the reduced tariff state is never compelled to advance its tariff. Furthermore, it can pre-empt exchange decimation while local costs in the high tax nation may take a dive.

The common market theory is not yet well developed compared to FTA and CU. However, a common market is said to be chiefly established so as to liberalise the movement and exchange of goods and services between states. The last phase or stage of a regional economic integration is the complete economic integration. It is whereby economic policies or rules which include monetary, fiscal, social and security policies are integrated or incorporated into a common market. This also results in the establishment of a supranational authority whose resolutions are active and obligatory for member states. The proceeding chapter is set to discuss the theoretical framework and further explain the various theories used in this study to situate the just concluded literature review further.

## **CHAPTER THREE**

### **THEORETICAL FRAMEWORK**

#### **3.1. INTRODUCTION**

In understanding the pattern of regional integration in the Southern Africa sub-region, this study employs the use of neo-functionalism, realism and the organisational effectiveness theories as its theoretical frameworks. Both theories are particularly relevant to this present study as it provides an empirical analysis.

#### **3.2. NEO-FUNCTIONALISM**

In quest to find an explanation to the process of political integration, neo-functionalists primarily focus on shifts in the 'loyalties, expectations and political activities' of various national political actors keeping in mind the end goal to highlight the improvement of 'another "political" centre, whose foundations have or request locale over the previous national states' (Eilstrup-Sangiovanni, 2005. p. 97). That is both functionalist and neo-functionalist hypotheses accentuation on the liberal development of combination and subsequently, stretch the part of "overflow" impacts. The neo-functionalist accentuates on the significance of early standardisation of restricted collaboration and expect its later extension.

What's more, neo-functionalism is the viewpoint that all integration is the eventual outcome of past compromise. The term may moreover be used to really depict a social hypothesis that is "post" customary basic functionalism. Neofunctionalism is a theory of regional reconciliation or integration, expanding on the work of Ernst B. Haas, a German-conceived American political scientist, and also Leon Lindberg, an American political scientist. The neofunctionalism use the European experience of integration to produce theories for testing in other contexts as its main purpose – in this case, the SADC (Rosamond, 2005. p.237-254). Haas (2004) later declared the theory of neofunctionalism obsolete (a statement which was revoked in his final book). The theory was updated and further specified by Wayne Sandholtz and Alec Stone Sweet (1997). Neofunctionalism describes and explains the process of regional integration with reference to how three causal factors interact:

- Growing economic interdependence between nations

- Organisational capacity to resolve disputes and build international legal regimes
- Supranational market rules that replace national regulatory regimes (Haas, 1961)

The neofunctionalism, as later adjusted and restructured, assisted in rejuvenating the study of integration from the European case study in two important books. The first is titled “European Integration and Supranational Governance” (Sandholtz & Stone, 1998) while the second book is titled “The Europe’s Institutionalisation” (Sandholtz & Stone 2001). In these books, Wayne Sandholtz and Alec Stone Sweet depict and evaluate the advancement of Neofunctionalist hypothesis as well as the exact research in their 2009 paper titled “Neo-functionalism and Supranational Governance” (Sandholtz & Stone, 2009). Nevertheless, neofunctionalism theory has also been portrayed as the unification of David Mitrany's hypothetical "functionalism" with the simple way to deal with administration taken by Jean Monnet, the principal leader of the European Coal and Steel Community (ECSC) (Schmitter, 2005), and also an imperative establishing father, Monnet looked to acknowledge substantial additions for ECSC members while at the same time making the conditions for further augmentations through the change of the European Economic Community (EEC), by this it is viewed as a focal character in the story of the European Union.

In 2011, Mansour contended that neo-functionalism is extensively considered as a deficient record of European coordination. However, that particular attempts (to some degree) to re-establish the advancement have been very much recognised by reconciliation scholars, for the most part in their subsequent examination of supranational foundations. Different researchers contended that the intercontinental European focus is as the consequence of incremental and unpremeditated acts motivated by advantages as opposed to the decided efforts of particular players at the European level. In this respects, it shows in a continuous and uncontainable exchange of force that appears to be essential to monetary and political conditions at the national level. In this way, strategy creators including the Southern Africa, seek Europe, for example, as they attempt to reduce the unpremeditated national estimations of monetary and utilitarian European coordination. These unpremeditated outcomes, or 'floods', are the products of methodologies that go for the unification of a restricted arrangement between national relations which too make the requirement and urge that game plans to be coordinated.

Mansour (2011) argued again that the analysis of integration by neo-functionalist fails to take into record global non-European members which may affect regional agreement. As per Haas' speculations, regional joining do not consider the connections between the countries of the EEC and these different elements (Haas, 1976). Since they fail to consider all of the relevant variables, it is clear therefore to conclude that their theory expressly relies upon assumptions about integration. Moravcsik (1993) pointed out that,

“Neo-functionalism seems to lack a clear theoretical core and therefore offers an insufficient analytic framework for European integration. Although starting variations of the hypothesis appeared to anticipate that reconciliation would prompt to a government structure, revisions of the thesis which attempt to account for ‘spill-back’ and the slowing in pace of combination have created a hypothesis so uncertain and complex that the presumptions and results can no longer be empirically tested... an aftereffect of neo-functionalists' anticipating the course the EC will take without giving more specific theories that identify the decisive determinants of politicians' choices among competing alternatives.”

In addition to that, the neo-functionalist model clearly provides no specific theory on how governments actually make choices and decisions

### **3.3. REALISM**

The realists primarily give emphasis to the limitations imposed on politics by human nature in whom they consider egoistic in the absence of international government. One could possibly think how the activities of states would constantly effect the lives of billions of individuals on the world stage. Therefore, it is critical for us to first comprehend what international relations are about. Subsequently, in this study, we will quickly examine the hypothesis that endeavours to clarify international relations which are called authenticity or political authenticity. Political realism argues that it will automatically prompt to self-improvement framework whereby the continued existence of the units (i.e. states) rest on firstly on their own conduct with the existence of international anarchy. Any trust in requesting force of universal foundations is totally misjudged and may even irritate struggle in the event that it produces unlikely desires. The above approaches, therefore, create the excesses on a continuum. Although another approach has confidence in the relevance of

organisations and endorses their establishment, another does not recognise their authority and therefore warns against trusting on them. The above theories are created on the premise that circumstances repeatedly allow commonly favourable coordinated effort even of selfish actors as opposed to being zero-whole (Behr, 2010).

Realists can be considered as the cynics of international relations. Just as not everyone can be a star athlete, not all nations have the normal ability to wind up sufficiently intense to go only it in worldwide relations. At the prudent discourse in Sparta, depicted in Book I of Thucydides' History, the Athenians guarantee the need of self-energy or interest over moral quality. They say that examinations of good and terrible have "never turned individuals beside the chances of magnification offered by prevalent quality" (Thucydides, chap.1 standard. 76). Hans (1978. pp. 4-15) summarised the realism theory into six basic principles:

"Political realism tends to believe that politics, like society in general, is administered by target laws that have their foundations in human instinct. So as to enhance society it is first necessary to understand the laws by which society lives. The operation of these laws being impenetrable to our inclinations, men will move them just at the danger of disappointment. Realism, believing as it does in the objectivity of the laws of politics, must also believe in the likelihood of building up a balanced hypothesis that reflects, however defectively and one-sidedly, these objective laws. It also believes, then, in the possibility of distinguishing in politics amongst truth and conclusion between what is genuine equitably and objectively, bolstered by proof and illuminated by reason, and what is only a subjective judgment, divorced from the facts as they are and informed by prejudice and wishful thinking."

Although realism or authenticity expects that its key idea of intrigue categorised as power is an object classification which is considerable. Attention and interest are undoubtedly of the pith of governmental concerns and is sincere by the conditions of period and place. Thucydides' proclamation, perceived with encounters of antiquated Greece, that "personality of interests is the surest of bonds whether between states or people" occupied the 19<sup>th</sup> century with Lord Salisbury's remarks that "the main obligation of the union that perseveres" amongst states are "the nonattendance of every single conflicting interest" (Hans, 1978. pp. 4-15). This had elevated into a universal element of government by George Washington:

"A little information of human instinct will persuades us, by far best of some portion of humankind, intrigue is the administering standard; and that practically every man is pretty much, under its impact. Thought processes of open ideals may for a period, or specifically

cases, incite men to the recognition of a lead absolutely impartial, however they are not of themselves satisfactory to make sturdy on change in accordance with the refined coordinates and duties of social commitment. Couple of men are prepared for making a steady surrender of all points of view of private interest, or great position, to the regale of everybody. It is sad to yell against the misuse of human intuition on this record; the reality of the situation is along these lines, the experience of each age and nation has exhibited it and we ought to in a remarkable measure, change the constitution of man, before we can make it for the most part or general. No foundation, not in view of the conceivable truth of these maxims can succeed.'

Realism was resounded and developed in our century by Max Weber's perception that interests (material and perfect), not thoughts, rule straightforwardly the activities of men. However, the "pictures of the world" made by these thoughts have all the time served as switches deciding the tracks on which the dynamism of interests kept activities moving. The objectives that may be sought after by countries in their remote arrangement can run the entire array of goals any country has ever sought after or may conceivably seek after.

Furthermore, political legitimacy knows about the moral significance of political activity. It is moreover mindful of the ineluctable weight in the midst of the moral request and the essentials of agent political movement. Likewise, it is unwilling to sidestep and destroy that strain and in this way to muddle both the great and the political issue by making it appear like the stark convictions of authoritative issues were morally more satisfying than they truly are and the moral lawless requesting than it truly is.

Finally, realism is more than a static, irreverent hypothesis, and cannot be obliged inside a logical translation of global relations. It is a useful hypothesis that relies upon the real chronicled and political conditions and is at last judged by its moral measures and by its pertinence in settling on judicious political choices (Morgenthau 1962). Authenticity likewise plays out a helpful preventative part as it cautions against progressivism, moralism, legalism, and different introductions that put some distance between the truths of self-intrigue and power. In any case, the neorealist restoration of the 1970s additionally can be translated as a vital remedy to an overoptimistic liberal confidence in worldwide participation and change coming about because of reliance.

### **3.4. ORGANISATIONAL EFFECTIVENESS**

The organisational effectiveness theory is a concept developed to understanding how effective organisations achieve the outcomes of the organisations which they intended to produce. That is, the efficiency with which an organisations or associations are able to achieve its set objectives. The main factors for measuring the effectiveness of an organisation in a functional economic system is for a business to, by and large, be communicated regarding how well its net productivity contrasts its objective gainfulness. The aftereffects of consumer loyalty overviews can be extra measures for growth data (Business dictionary, 2016). Generally, this appears like an immediate and direct undertaking since it looks to ask into adequacy and how well an association is getting along in respect to some arrangement of models. Although this is not wrong, the quest for this straightforward question drives us into some unpredictable and dubious issues in characterising Organisational viability. Scott (1998) contended that authoritative viability can be seen from three expansive viewpoints, which are; the sound, characteristic and open framework points of view. In a discerning framework demonstration, associations are regularly seen as instruments for the accomplishment of objectives. An association along these lines is seen to be compelling on the off chance that it has unmistakably characterised and achievable objectives. The common framework display, then again, sees associations as collectivities that are equipped for accomplishing indicated objectives yet are occupied with different exercises required to keep them up as a public component. An association become esteemed and viable when the fulfilment with the resolve of its members are high. The open framework viewpoint sees associations as being exceedingly reliant on their surroundings and perspectives hierarchical viability as the capacity of an association to endeavour its surroundings in the obtaining of rare and esteemed assets and in addition how best it can adjust to its surroundings.

Cameron (1980) further gave a comparative point of view and accordingly highlights that evaluators of authoritative adequacy have utilised four noteworthy methodologies. The principal approach characterises viability as far as how well an association achieves its objectives. A way to deal with viability is the framework asset approach which judges adequacy on the degree to which an association secures required assets (the greater the amount of the required assets an association can acquire from its outside surroundings, the more successful it is). A third way to deal with adequacy concentrates on the interior procedures and set-ups of the association. Compelling associations are the ones with a nonappearance of inner pressure. The following method is the vital electorates' tactic that

characterises adequacy as the degree that the greater part of the association's vital voting demographics is at any rate negligibly fulfilled.

The examination expressed above make accessible helpful methods for methodically assessing variables that add to an organisation's capacity to accomplish its objectives. It brought up that authoritative viability is a multidimensional exhibition; that is, scholars often view it as no single technique to the evaluation of suitability may adequately clarify organisational sustainability of regional unification organisations such as the SADC. Based on this review, the essential things of all the major hypothetical ways to deal with hierarchical viability as variables that could possibly represent the capacity of local combination establishment to successfully accomplish their destinations is considered or factored in by the researcher.

For the purpose of this study, however, organisational effectiveness refers to the ability of a regional integration institutions like the SADC to be compelling in accomplishing the institutional goals for which it was set up. To this end, the scholars allude to the hierarchical viability of the SADC to just mean surveying how viable the SADC is in accomplishing the goals for which it was formed. The measures of effectiveness or the viability that the scholars will use incorporate whether the SADC has obviously spelt out objectives and destinations as far as their clarity, prioritization and limit with respect to execution is concerned. It also examines whether it has a facilitative authoritative principles, a discerning hierarchical arrangement and progression, can gain required assets to encourage its processes, and has no internal pressure in its tasks. It further examines whether it can fulfil the greater part of its strategic constituencies both inside and outer, can conform and react to element changes and necessities of and in its surroundings, and whether it has transformational initiative fit for directing the establishment towards the accomplishment of its objectives. Into the extent, the SADC is in the transnational establishment, a measure of the foundation's authoritative viability will be the degree to which the governments of its Partnering members have exhibited sufficient political self-control (Mariam, 2008).

A scholar try to address the issue of whether there was an impeccable structure on which to model government establishments in the article titled *the study of Administration*. It was, however believed that “the objective of administrative study is first to identify, what government can properly and successfully do, and secondly, how it can do these appropriate



things with the most extreme conceivable proficiency and the minimum conceivable cost either of money or of energy". The first fear, therefore, is of import to this study (Wilson, 1887). Wilson's worry is around the best means to structure government to have the capacity to accomplish expected results. In a more straightforward term, he was basically worried about the organisational adequacy of legislative establishments (Agarwal, 1996). Evidently, Regional Integration Institutes such as the SADC can, therefore, apply this to their organisation as intergovernmental organisations to profit significantly more from these works.

In spite of the prominent position of organisational effectiveness in modern administrative literature, it has continued to be characterized by misperception and uncertainty by scholars on the subject. The difficulties of consistence of explanation, limitation and criteria identification spate most authors' work. In spite of the vulnerability and misconception encompassing it, the idea of hierarchical viability is essential to the authoritative sciences that cannot be ignored in idea and research purposes. In any case, all written works on hierarchical viability essentially depend on some hypothetical development of the transformations between astonishing (capable) execution and low quality (deficient) execution. Subsequently, viability is, in a general sense, attached to all hypothesis on associations. Thus, it is basic to study how the logic and utilisation of hierarchical viability has progressed after some time with the end goal of this review. An expansive research essential and optional does not offer an all-inclusive depiction of hierarchical adequacy. This is an express that loans certainty to the way that such an unavoidable definition would not be in genuine presence. However, there is a little vagueness that when thinking back on hierarchical adequacy we subtly acknowledge what it meant (Mariam, 2008).

Apparently, we can then recognise or identify organisations that are effective and therefore title them. To clarify the above statement, many magazines including the Fortune, Business Week rates the best and the most exceedingly terrible associations on assorted qualities of criteria not confined to such benchmarks as hierarchical viability. Quick managers perceive that adequacy in an association is a key idea which continues fluctuating without fundamentally adjusting to other authoritative hidden powers or flow. The organisational effectiveness methodologies including the restructuring, training of staff, strategic planning, teambuilding, economising, head-hunting management gurus and many others are all being

considered to keep pace. There are a number of stable models and theories that buttress organisational effectiveness that we will look at consequently in this study.

### **3.4.1 Bureaucratic control-oriented model**

The close sane of association/ bureaucratic control-orchestrated model states that battles that various levelled suitability is achievable by foundations setting specific goals, underwriting the behavioural yearnings of definitive individuals through formalisation of rules and parts and watching conformance to those wishes (Baker and Branch, 2002). Subsequently, this model clarifies why Regional Integration Institution, for example, the SADC are established on the premise of Treaties administered by guidelines and directions delineating duties and limits of an expert. This model was said to have overwhelmed the authoritative scene from around 1900-1930 although it began under Max Weber, Frederick Taylor and Herbert Simon. Weber (1946 interpretation) stated that administration was the best and productive authoritative frame in light of the fact that the bureaucratic sane legitimate structure gave the premise to steady and unsurprising conduct with respect to both subordinates and bosses. This idea of administration control was clarified by Frederick Taylor's (1911) thought of coherent running which comprised of defending authoritative conduct through broad and definite errand examination, systematisations and utilisation.

### **3.4.2 Natural Systems**

The Excessive accentuation on interior control and dependability came to be viewed as unreasonable, and the endeavour to program ahead of time, the conduct and choices of authoritative members came to be seen as confused, even irresponsible. It was contended that such inflexible programming could without quite a bit of extending get the chance to be maladaptive, offering climb to a readied deficiency which, thus, would add to both insufficient and wasteful hierarchical execution (Baker and Branch, 2002). The common frameworks or human relations show came into existence around the late 1920s when authoritative scholars began to scrutinise the essential introduce of expanding scope soundness through the advancement of stable examples of conduct and decrease in the extent of basic leadership specialist. The nature system model was the overwhelming model from the 1930s through the 1950s. As opposed to the rational system point of view, it viewpoint sees associations as above all, the social collectivities whose essential intrigue is the system's survival. This model fundamentally underscores for an association to be compelling, it needs

to outfit the psyches and hearts of its members. What's more, it perceives the significance of casual social relations over formal structures (Weick, 1999; Likert, 1961). In this respects in this way, authoritative adequacy was slowly moving far from an accentuation on summoning control to an accentuation on connecting with the hearts and psyches of the hierarchical members. In any case, this human relations school perpetually offered to ascend to an extensive assemblage of work coordinated at casual, regulating structures; hierarchical participation, authoritative culture, inspiration, resolve and later cooperation.

### **3.4.3 Open Systems Model**

This model has cantered more noteworthy consideration around the association's communication with its external surroundings. Its point of view got to be distinctly noticeable in the mid-1960s (Scott, 1987:115; Blau and Scott, 1962). It essentially sees an association as an open framework that self-maintain on the grounds of throughputs taken from and offered back to the earth. Moreover, it argued that as nature going up against affiliations' end up being additionally bewildering, contrasted and rapidly changing, affiliations need to end up distinctly progressively adaptable and versatile. The model provoked to extended considered progressive layout and the likelihood that a fitting definitive arrangement was one that empowered "an association to execute better, learn quicker and change all the more effortlessly" (Mohrman et al. 1995:7). Organisation's outline was further observed as including various, interrelated components, every now and again ordered as structure, individuals, procedures, rewards and tasks that together can make exceptional hierarchical capacities that give upper hand. Respects to the open systems approach, management's science steadily moved far from the view that administration's role was to oversee basic nonspecific authoritative capacities, but toward the likelihood that executives ought to have been leaders whose certified included regard was the course of action of vision and bearing that connected with the hearts and psyches of workers, in this manner, clients and external partners (Hesselbein et al. 1996). From this perspective, the focal role of the administration is progressively characterised as empowering motivational works on, encouraging inventiveness/innovations and advancement with respect to its representatives/workers, clients and partners and along these lines guaranteeing the proceed with improvement of leaders all through the association is vital.

All things considered, this review perceives that the one of a kind natural setting under which these foundations, for example, SADC work is the way that they are institutions voluntarily

established by sovereign expresses whose point is to protect or advance issues of regular enthusiasm through harmonisation of their particular approaches. In this way, these establishments may be compelling if the sovereign states will surrender some of their sovereignty. In such manner, political will is vital for the viability of Regional Integration Institution. The suggestions of the possibility theory will illuminate this review in light of information from the intergovernmentalism and supranationalism of provincial joining speculations. They offer understanding how best Regional Integration Institution as intergovernmental foundations can be sorted out to react to their extraordinary surroundings. Respects to Intergovernmentalism, it contends however that for Regional Integration Institution to be successful, governments ought to keep on exerting their full sway/sovereignty; that is, regional establishments ought to just go about as a Secretariat that gets ready and executes integration approaches or theories. Keeping in mind that the supranationalism then again advocates that, for Regional Integration Institution to be successful, governments ought to share together, through common foundations, some specific parts of influence. It therefore discloses the need to make foundations which have a genuine obligation, sufficient human and financial assets to satisfy its target for making such integration establishment, the ability to plan and execute local approaches, and no contention or covering acceptance between the orders of various organizations and capacity to operate the standards of subsidiarity and flexible geometry.

### **3.5 APPLICATION OF THEORY TO THE SADC INTEGRATION**

#### **3.5.1. Neo-Functionalism Theory and SADC Integration**

In order for members states to succeed and experience progress in a more functional society like Africa regional integration such as Southern Africa integration with SADC organisation, there should be a political will to implement a low and unified custom tariff on trade and service within the region for all members as this is the first stage of regional cooperation and integration. That is, there should be an implemented and practices of unified customs tariffs of trade on goods and exchange of service within the integrated region. Neo-functionalism is an instance of a liberal speculation of regional collaboration. Its fixation is on human welfare needs, not political clash and law.

Similarly, Southern Africa can also experience such achievement with SADC. In spite of the poor results in other regions, Southern Africa, however, stands out as a region with success recorded which is relatively impressive in regional cooperation and integration in regards to

the area of free trade movement. The Southern Africa region has the longest enduring and relatively 'successful' customs union scheme in the form of the Southern African Customs Union (SACU), dates as far back in history as 1910 (UNECA/AU, 2008). Linked to SACU is a monetary union among South Africa, Lesotho, Swaziland and Namibia in the form of the Common Monetary Area (CMA), this is evidently traceable to the mid-1970s. The region has also experimented 'economic coordination scheme in the form of the Southern African Development Coordination Conference' (SADCC) between 1980 and 1992 with modest economic and political achievements. Furthermore, with the political liberation in both Namibia (1990) and South Africa (1994), the regional states have steered regional cooperation towards 'deep integration' of a developmental type giving pride of place to the achievement of economic community and political integration in tandem. This new wave of regional cooperation tries to build on the limited successes of SACU/CMA and modest achievements of the SADCC experiment up to the early 1990s with the current Southern African Development Community -SADC.

### **3.5.2. Realism Theory and SADC Integration**

Realism is one of the significant hypotheses endeavouring to clarify the relations among states. Political authenticity looks to clarify worldwide relations between states in the setting of force as its essential core interest. As a rule, national intrigue must be characterised as to power. In this way, national control has a level of significance since it can be described similar to military, monetary, political, conciliatory, or even social assets. Be that as it may, for a realist, power is basically a relative term: which conveys us to the topic of; does a state have the capacity to watch itself against the constraint of another state? Does a state have the ability to weight another state to change that state's plans? In this specific circumstance, what is imperative to know, whether one needs to comprehend outside approach, is not essentially the intentions of a statesman, but rather his scholarly capacity to comprehend the basics of the foreign system, and likewise his political ability to translate what he has fathomed into effective political activity. Therefore, it is wise to say regional cooperation and integration is a wide and open-ended concept referring to a variety of situations whereby states involved and peoples in a specific and well-defined 'region' deliberately interact among themselves through formal and informal schemes and networks across boundaries for mutual gain. Such interactions are theoretically driven by imperatives of economic reciprocity (mutual economic gain) among states, pooling of sovereignty by giving allegiance to and abiding by rules set out by a supranational institution (mutual political gain) and daily survival of the

ordinary peoples of a 'region'. It could be seen as well as "an endeavour by country states to control at the local level - for this situation, South Africa for Southern Africa or SADC.

### **3.5.3. Organisational Effectiveness and SADC Integration**

The theory of organisational effectiveness hasn't been above study, one may perceive that there is no singular idea that manufactures unanimity on the portrayal or amount of organisational effectiveness. All things considered, a researcher affirms that no single model or criteria set exists for organisational effectiveness and along these lines there can't be a solitary hypothesis about adequacy (Cameron, 1986:541). He additionally expressed that the contentions about which strategy for adequacy is correct are generally unimportant since models are more anticipated that would thwart each other than supplant each other. To that, organisations create tangible decisions when well capable workforces are recruited, conduct internal reformation, transfer strategic design, the head pursuit for management professionals among others. Therefore, it is then easy to identify when an organisation attain effectiveness or not. That is, it is considered in the utilisation of quickened administration, pleasant and all around the mannered staff, sanitised environment, esteem and magnificence execution and so forth – all these are credits to help judge as effective or not.

The Centre for Organisational Effectiveness (2008), note that the above variables are often cited as factors of organisational effectiveness in regards to its corresponding theories and has in its centrality:

- ✓ Precision of purpose, that is, clearly spelt out goals and objectives in terms of their clarity, Prioritisation and capacity for implementation;
- ✓ facilitative organisational culture;
- ✓ rational organisation structure;
- ✓ rational organisation processes;
- ✓ ability to acquire resources (financial, human);
- ✓ internal harmony;
- ✓ satisfaction of strategic constituencies both internal and external;
- ✓ ability to adjust and respond to dynamic changes and requirements of and in the environment;

- ✓ transformational leadership; and
- ✓ Political will, on the basis of the intergovernmental nature of Regional Integration Institutions.

It is important to have clarity or simplicity of purpose as it is imperative to the achievement of any institution's goals. Clear objectives and the key course will help offer a feeling of where an organisation is and where it is heading. In this regard, objectives are organisations' desired ends. According to Marian (2008), most researchers' guidance for organisations will be better put to successfully accomplish their wanted outcomes or set goals when the set objectives are: Specific, Measurable, Attainable, Realistic and timely which is additionally alluded to as SMART. An objective is specific if it maps out what is to be done, and why and how to accomplish it. Measurable means it ought to be conceivable to see pointers of objective accomplishment. Attainable means the states of mind, capacities, abilities and monetary limit important to accomplish the objectives are accessible. Realistic means the objective ought to be do-capable, that is, the abilities expected to take every necessary step ought to be accessible and the venture ought to fit with the general method and destinations of the affiliation. Convenient means there should be an endpoint on the target which gives definitive individuals a sensible concentration to work towards (Nikitina, 2008:1). Besides, the literature on this subject is said to draw a connection between SMART objectives and execution administration. The Performance Management alluded to how the person inside the organisation is performing and adding value to accomplishing its set objectives. This is critical to the achievement of any established association (Center for Organizational Effectiveness, 2008:1).

Finally, it is imperative to recognize that organisational effectiveness' speculations draw a connection between SMART objectives and all around characterised hierarchical vision and statements of purpose of an established organisation. This can be applied to SADC institution with a specific end goal to accomplish an appropriate administration and drive its objective proficiently through the different departments and organs. Without a doubt, as Myatt (1988) observed

“vision directs mission which determines strategy, which surfaces goals that frame objectives, which in turn drives the tactics that tell an organisation what

resources, infrastructure and processes are needed to support a certainty of execution”.

He additionally cautions that associations ought not to become involved with endeavouring to create infectious dreams and missions to be epitomised inside a bit of surrounded fine art that hangs in their examination yet are never put into practice. Rather, it is more basic that the vision and mission are appreciated by delegates and changed over into activities.

### **3.6. CONCLUSION**

This chapter defined the functionalist and neo-functionalist as a standard which concentrates on the liberal development of coordination, and consequently emphasise the part of "overflow" impacts. It highlights the criticalness of early organisation of inadequate collaboration and anticipates it to expand at a later time. In this study it was clearly showed that analysis of strategic action reveals that there are situations in which all actors could be better off if they chose a different behaviour than their myopic interests (preferences) recommended. In these circumstances, the participating actors are, all things considered, caught in an issue. Despite the fact that they are still thought to be solely inspired by expanding their own particular utility, they have "blended intentions". The aggregate activity would enhance their individual results in the event that it could be realised. Consequently, collaboration among selfish and discerning actors is not by any stretch of the imagination unthinkable.

However, it might be hard to set up and support. Collaboration hypothesis attracts thoughtfulness regarding the substantive measurement of setting up establishments that encourage participation, in particular, the yearning to acknowledge shared advantages. It stresses that the interest for helpful organisations relies on upon the specific constellation of preferences prevailing within a given issue-area. In addition, it plots the substantive capacity of these establishments.

However, regardless of the various criticisms received by the various theories as used in this studies, these theories further showed strong relevance to this study, that membership or participation hypothesis demonstrates what international governance might be about. To be specific ‘the foundation of a mechanism by which actors may purposively arrange their conduct in a way that conquers the disappointments of economic coordination’. More so, the organisational effectiveness theory which signifies the capacity of an association to be



powerful in accomplishing the goals for which it was set up, further explained that for an association's capacity to accomplish its objectives, there are four essential theoretical structures: the first is the sound viewpoint which weighs on formalization of standards and controls, and checking conformance to those norms. The second is the common frameworks perspective which weighs on harnessing the hearts and brains of progressive members and also outside partners. The third is the open systems point of view which weighs on productive modification of a relationship to its condition, fusing into extension to various things transformational action and the probability show which advocates for models of progressive practicality that are more redone to the specific essentials and goals of a particular affiliation. Nevertheless, some dynamic administration experts expressed that there cannot be a solitary hypothesis about adequacy in light of the fact that the different models will probably supplement each other than supplant each other. Nonetheless, different scholars suggest diverse perfect circumstances in accordance with the determinants of organisational effectiveness recognised in this study. With regard to the clarity of purpose, organisations are urged to develop well-defined and specific goals for their objective to properly drive to meet their set objectives. A clear mission statements of purpose is underscored in such manner. With organisational culture, associations are urged to create inner standards that concentrate on client benefit, advancement, operation excellence and solidarity. With respect to structure, I would recommend that boundary of members state in the SADC ought to empower powerful accomplishment of its objectives, so that organs should fathom their parts in the association, and have the master to do their parts and be in charge of their work. There should similarly be convincing coordination among the distinctive divisions. SADC organisation is therefore urged to create smooth internal management systems as far as powerful key arranging, objective and speedy critical thinking and basic leadership, quick and accurate exchange of information and compelling observing and assessment. With the above points, it is recommended that Africa need to integrate its economies with a clear and well defined objectives in order to achieve her economic development.

## **CHAPTER FOUR**

### **REGIONAL COOPERATION AND ECONOMIC INTEGRATION IN SADC: A STRATEGY FOR SOUTH AFRICA NATIONAL DEVELOPMENT**

#### **4.1. INTRODUCTION**

The colonial legacy for Africa made regional integration a necessity for its regional economic development. The establishment of the SADC institution in the Southern African sub-region is underpinned by such rationale. The SADC sub-regional institution is perceived to be a strategy for South Africa's national economic and social improvement with regards to her political and economic position in the management of the institution's objectives. The Southern Africa is a fragmented sub-region in Africa. According to Economist (2010), the Southern African sub-region in Africa is a "geographically large nation states, but relatively small populations, with close distances between population centres or member states within the region. The continent of Africa's land area is larger than the combined areas of China, the United States, India, Europe, and Japan, but its population is only about a quarter of their total)".

Regional integration is said to be established when a group of countries come together and develop a formal agreement by way of treaties regarding how trade and economic activities will be conducted and exchange with each other. Haas (1978. p. 12-21), a prominent integration scholar such defines integration as "the process whereby political actors in several distinct national settings are convinced to move their loyalties, desires and political exercises toward a new centre, whose institutions possess or demand jurisdiction over pre-existing national states". For Chingono and Nakana (2008. p. 2), addendum to the above is that "The final product of a procedure of political combination is another political group, superimposed over the pre-existing ones. Regional integration has showed itself verifiably in Africa, America and Europe as a bureaucratic push to encourage political unification and expansion of capitalism".

Broadly viewed, African regional cooperation has been revitalised in some ways mainly because of two major developments in the beginning of the 1990s that include the abolition of the apartheid regime in South Africa and eventual stabilisation of political and economic relationships in the Southern Africa sub-region. This helped deepen the already existing

regional integration in the Southern Africa States. Since the end of the Cold War, and with the rise of capable exchanging coalitions, there has been a renewed interest in South Africa regarding the need to create strong REI mechanisms to promote economic growth for the region and by implication foster South Africa's National Development trajectory. The SADC appears to be among the best-integrated sub-region in Africa aided largely by South Africa's material, commodity and political investment in the sub-region, however a comparison study done by Fall, Vachon and Winckler (2014) showed that on the other hand, general economic execution of RECs' does not efficiently convert into expanded intra-regional exchange. While differentiating exports by sorts of goods, differences between levels of industrialization and improvement of RECs become more notable. SADC has all the earmarks of being less regionally incorporated and is more open to worldwide trade. Conversely, ECOWAS and WAEMU are more coordinated territorially yet less integrated into global trade. But beyond a political procedure, intraregional exports appear to be in this way to be a moment best solution for these nations (Fall, Vachon and Winckler Diery, 2014). The extent to which these investments aid National development on the South African part remains to be fully studied.

This chapter will qualitatively assess the SADC integration with its historical development, contribution and cooperation between member States for the region's development. It further examines the position of South Africa in the SADC integration. South Africa's various investments in SADC will be further examined to determine if it is a strategy for National Economic Development for South Africa state - looking at her material, commodity and political investment in the sub-regional integration process, in line with SADC objectives for the promotion of common peace and unified economic development

## **4.2. SOUTH AFRICA AND THE REGIONAL ECONOMIC INTEGRATION**

South Africa, is the most firmly robust economy in Southern Africa and in Africa. Her regional and overall interests, however, lies at the heart of South African's remote approach achieving the need to make deals that may inconvenience other SADC members. The financial and political quality of South Africa in the sub-region of Southern Africa is unquestionable, as a result, South Africa is the present-day chair of SADC and therefore its management position or role in the SADC as a sub-regional organisation is critical, (SA.news, 2016), this also gave the right to South Africa to host the 37th Ordinary SADC

Summit scheduled for August 2017 as the chair of SADC organisation. The country is also described as the access-way to foreign direct investment to Africa.

This study shall further discuss the role of management which South Africa plays in the SADC organisation in regards to managing the affairs and driving the agenda of SADC organisation. I shall discuss South Africa's key economic factors briefly since 1994 and the investment policy for the SADC region.

Institutional expansion has been progressively known to be essential to the integration course of the Southern African, the important character of these organisations in creating the correct system to regional integration has additionally been acknowledged. The utmost vital systems aiding as regional integration schemes for Africa include the treaty creating the African Economic Community (AEC), and the Constitutive Act of the African Union (UNECA, 2009). The Abuja Treaty which creates the African Union affirmed that RECs shall be the structure of the African Union and RECs the foremost integrative fundamentals in Africa. In any case, the truth of RECs keeps various researchers curious about the place of the role played by organisations in regional integration. Coordination and harmonisation among RECs in Africa generally have been seen as key. It has been endorsed by economists and government executives largely since coordination and harmonisation will guarantee that both internal and external powers affecting Africa's integration are measured and addressed. Besides, RECs will take a similar step or may be capable of gaining from each other without re-evaluating the wheel each time such harmonisation is realised. The Abuja Treaty concentrates on the noteworthiness of building the AEC through harmonisation, coordination, and dynamic incorporation of the activities of RECs (SAHO, 2015). It is additionally rehashed in article 3 of the Constitutive Act of the AU that basically highlights the importance of arranging and fitting approaches among surviving RECs for the continuous acknowledgement of the Union (PVW/South Africa, 2016).

Following the demise of apartheid, the SADC has experienced a thorough rearrangement or change with South Africa turning into its true front-runner as opposed to her essential aim. Amongst the fundamental goals of SADC are to accomplish advancement and monetary development, lighten neediness, improve the standard and personal satisfaction of the general population of Southern Africa and support the socially disadvantaged through territorial incorporation or integration. It pursues other objectives such as propelling basic political qualities frameworks and foundations, progressing and ensuring peace and security. It also

works towards strengthening and joining the long-standing historical, social and cultural affinities and connections among the general population of the area. South Africa, being the key regional influence on board in the Southern Africa integration, the security and economic functions SADC have turned out to be fairly more viable. In 2007, the SADC member states built up a reserve negotiation power and the association had achieved some success in intervening clashes in the Comoros and the Democratic Republic of Congo (Martha, 2016). Notwithstanding that, over 66% of the SADC conventions on territorial integration have gone into drive and most substantive arrangements of the regional integration approach are in the different levels of execution. As integrating organisation is concern, the SADC has recorded accomplishments on structure and restoration of transportation connection concerning its member states. With respect to exchange, the SADC was to accomplish a Free Trade Area by end of 2008 and furthermore start a SADC Customs Union by 2010 (Department of Economic Affairs, African Union, 2008), however the free trade area was only accomplished on August 2008 as expected, unfortunately after missing the 2010 deadline for the establishment of custom union, the SADC (South African Development Community) met in 2015 to negotiate a new target date for the transformation of the organisation into a Customs Union (CU), during the 2015 Ordinary Summit, nevertheless SADC has not yet achieved the establishment of custom union in the sub-region by end of 2016.

Notwithstanding its achievements, the SADC has its share of difficulties. For instance, since its blueprints to have a Free Trade Area and a Customs Union in the year 2010, it must have a framework recollecting a definitive target to finish it on time. The Customs Union would automatically come into place precisely when there is a full Free Trade Area. It is essential to note also that within the SADC organisation there is in like way SACU, which is at a struggling condition of coordination as well as the Customs Union. There is a requirement to get all the SADC states to the level of Customs Union.

Some SADC states are equally members of the COMESA and this courses of action to have its own particular Customs Union in the year 2008 became difficult to achieve. The World Trade Organization (WTO) rules which stipulate that nations cannot have a place with more than one Customs Union poses a serious challenge to nations (such as Tanzania) that are in cooperation with both the SADC and the COMESA.

Jonathan (2004:1) saw that as for its objective of guaranteeing peace in the zone, the SADC has been moderately speculative about getting its political muscle as evidenced in the present

deterioration in Zimbabwe. Another challenge experienced in the Southern Africa region which has negative impact on the promotion of economic development with integration is the case of xenophobic assaults in South Africa. These attacks are perpetrated by black South Africans who spun against dark non-nationals from different parts of Africa and the world and especially from other SADC states including Mozambique and Zimbabwe. Such attacks are contrary to the SADC's target of joining the long-standing historic, mutual and social similitudes and relations between the general populations of the sub-region of Southern Africa.

The recent approach and strong commitment to the actualisation of the SADC by South Africa is highly commendable. The evolution of its relationships with its neighbours on the African continent is worth pondering (Mariam, 2008). South African remains an economic powerhouse in the Southern Africa and Africa at large. Relations between South Africa and other countries on the continent been far from cordial between for the most part of the past century. South Africa's the transition from apartheid to democratic rule that took place 22 years ago has had as far-reaching implications for Sub-Saharan Africa as the fall of communism in the former Soviet Union had on the Eastern European bloc.

The Southern African Development Coordination Conference (SADCC) was formed in 1980 under the arrangements of the Lusaka Declaration. Likewise in 1980, the OAU's Lagos Plan of Action stimulated the establishment of local monetary groups as building alliances for an inevitable continental financial union (the Abuja Treaty of 1991). The SADCC was, generally, a political and protective reaction by the Frontline States - Angola, Botswana, Lesotho, Mozambique, Tanzania, Zambia, and Zimbabwe – to PW Botha's grandiose conception of the 'Constellation of Southern African States' (Jephias and Muyengwa, 2014) in the region. The SADCC in wished to decrease economic dependency on South Africa through infrastructure security –especially of transport and particularly for the land-bolted nations in the region. In addition, the SADC adopted a Program of Action identifying and allocation a particular improvement or development projects to be sought after and led by specific countries, for instance, Mozambique coordinates transport, while Angola coordinate energy, and Swaziland was given the responsibility for human capital development. Lamentably, this has centred party states' consideration around the coordination of national development rather than on a regional economic scheme.

The SADCC being transformed into the SADC through the 1992 Windhoek Treaty was obviously much more focused on economic issues than the former which was basically political security considerations. Economic globalisation and liberalisation increased the proliferation of Regional Economic Cooperation and the rise of global value chains played a key role in the transformation of the new institution of SADC into a Regional Economic Cooperation that would move up the continuum from regional cooperation to regional integration. Shortly after South Africa joined the SADC, South Africa was charged with the responsibility for coordination of the Finance, Investment and Health sectors. This is because South Africa has the most sophisticated financial and capital markets on the continent. At the end of the 1990s, the country led the development of the Protocol on Finance and Investment (FIP) and has additionally been giving key meeting and advice on the development of the Model SADC BIT – despite the centralisation of all functions, duties inside the SADC Secretariat in Gaborone. South Africa has committed to the Regional Indicative Strategic Development Plan (RISDP) which is the SADC Blueprint for regional integration and improvement. This has been under survey since 2011 with this process being finalised earlier in the year 2013 (SADC, 2016).

As current the SADC introduced the SIRESS (SADC Integrated Regional Electronic Settlement System) which processes high-value transactions, furthermore the region will soon also be able to accommodate low values; for example, EFTs (Electronic funds transfer - EFT). This payment system consists of an arrangement of instruments, saving money systems and interbank finance exchange components that guarantee the circulation of money regionally in the SADC and worldwide.

Again, South Africa's skilled and experienced central bank authorities and the large commercial banks have assumed a noteworthy part in electrifying backing for this critical activity in the region. Yes, it certainly underlines South Africa's undeniable influence. South Africa is the financial hegemon in the locale – perhaps a reluctant hegemon. As the only African G20 member and the only BRICS member, it is an influential actor in both regional and international geo-legislative issues. It is by a long shot the locale's most industrialised member.

The consideration gets on the worldwide front helps to intensify the locale's issues, challenges and potential. Moreover, there is South Africa's perceived obligation towards African countries, counting Tanzania, Zambia, Mozambique, Zimbabwe, Guinea and even

the littler kingdoms of Lesotho and Swaziland for providing support to the anti-apartheid movement and a refuge to anti-apartheid activists. The principal equitable organisations of Nelson Mandela and Thabo Mbeki (between 1994 2008) in essence defined South Africa's character as a new democracy. While President Mandela underscored the advancement of human rights in Africa and South Africa's part in this, President Mbeki focused on the pan-Africanist vision of the African renaissance (SAnews, 2016).

Since 1994, South Africa has organised the SADC offering to it the spirit and embodiment of the RISDP (Regional Indicative Strategic Development Plan -RISDP). SACU provides the best example of the difficulty of South Africa's hegemonic position due to the contrast between its history of regional destabilisation and its repositioning post-apartheid. Nevertheless, the customs union was created in 1910 to make customs administration in the British territories and protectorates in Southern Africa less demanding to oversee – in this way a comfort for the colonial administration of the time, rather than a tool for economic development. Common customs policy was dictated from Pretoria and the free internal trade encouraged the predominance of South African industry within the union. The apartheid government's import-substituting protectionism was designed to stimulate industrialisation in South Africa – however, this was to the detriment of the other nation's modern development. As a result, compensatory payments were made to Botswana, Lesotho, Namibia, and Swaziland (BLNS) as an incentive for the exchange redirecting impacts of South Africa's protectionist tariff structure. There was a political imperative to securing the BLNS' participation in SACU on account of South Africa's seclusion amid politically-sanctioned racial segregation (apartheid). This brought about over-pay in the updated SACU revenue sharing agreement of 1969. A post-politically-sanctioned racial segregation South Africa (post-apartheid) renegotiated SACU's income sharing understanding in 2002 by which time the BLNS were heavily dependent on the customs revenue to fund their fiscal operations. The 2002 agreement being much more democratic and developmental. It included the redistribution of a large portion of South Africa' customs revenue to the smaller states (SADC, 2016).

With the strain on South Africa's monetary spending plan after the worldwide money related emergency and the developing levels of South Africa's public debt, there have been calls from many quarters within South Africa to recover a great part of the traditions income which is right now conveyed to BLNS. Be that as it may, the smaller SACU members are adamant that this redistribution is necessary to compensate them for the special access South African



companies have had to their business sectors especially during South Africa's colonial and apartheid eras. South Africa has been arguing that SACU's income pool should be moved towards financing modern advancement, and also cross-cutting infrastructural needs, rather than funding national fiscal budgets. However, as long as Swaziland and, Lesotho, for instance, get 60% of their GDP through SACU incomes and don't differentiate their tax base, SACU will never be a meaningful regional development organisation with SADC (SADC, 2016). The degree of regional economic integration in SADC is frequently thought to be truly falling behind other RECs in Africa.

While the SADC has committed to following a linear economic integration plan, moving from an unhindered commerce area to a customs union, and in the long run finishing in a common market with a single currency, it has consistently missed its convergence targets and there has been a lack of serious engagement in pursuing the RISDP integration plan. However, the linear integration path is based on the EU integration model and the wholesale application in an African context is questionable at best. SADC's intra-regional trade has not significantly improved since 2008 as a free trade area. As an alternative, Southern Africa has developed its own model of regional economic integration which it trusts fits the African setting better. Called a functional regional integration, the model takes a lateral approach which focuses on consolidating the free trade territory in SADC by tending to non-tax barriers to help in market integration and creating regional trade infrastructure. This is a positive development since the lack of success of the organised commerce territory in opening regional exchange or trade is demonstrative that non-levy hindrances are more culpable in stifling intra-SADC trade than tariff barriers. The Non-tariff barriers (NTBs) can range from costly and burdensome customs procedures to regulatory red-tape, to bribery and corruption among customs and immigration officials, to health and safety standards which are sometimes applied to protect local industry.

The Southern Africa's colonial history put its transport and trade infrastructure largely on getting primary commodities from the point of extraction to the coast to be exported to Europe or North America, rather than facilitating trade among Southern African countries (Austine, 2010). Unfortunately, despite the sense in this argument, it has not received the needed political buy-in from SADC states, and on-the-ground implementation of its associated policies has been slow. This is partly due to a mistrust of regional economic integration among politicians and policy-makers in the SADC. Convincing member states to sign onto the free trade area was not easy – in fact, Angola, DRC and Seychelles are still not

signatories. When it became evident that the free trade area did little to boost regional trade and increase the rate of economic development, member states began renegeing on the provisions of the agreement and erecting other non-tariff barriers to trade. Despite the SADC (and two other RECs) having set up an online monitoring mechanism which allows the private sector to register the Non-Tariff Barriers (NTBs) they experience, SADC's decision to reject litigious dispute settlement means that there is no recourse to be taken against an offending country unwilling to cooperate. This is indicative of a broader issue within SADC. While SADC heads of state often pay lip service to the importance of deepening regional integration, there is an unwillingness to sacrifice national sovereignty to the regional body. SADC has a central secretariat without the necessary institutional bolstering, and many of the regional bodies such as the SADC Tribunal, are either powerless to enforce regional policy or have completely failed. As such, it seems as though the regional economic integration agenda is not going to be driven by the public sector whether at national or regional level. Rather, attention has shifted to the role of the private sector in driving regional integration in the SADC.

The business sector has shown a keen interest in being involved in regional policy-making and aiding in eliminating NTBs. With the private sector's access to expertise, experience and resources, a greater level of public-private engagement is called for. Unfortunately, in the SADC this engagement is low partly because organised business in the SADC is weak. Whereas other RECs in Africa have strong regional business apex bodies that can distill private sector representation into a single platform, organised business in the SADC is fragmented and partial to being captured by sectoral interest. It is also because many Southern African states see the private segment as a source of income gathering instead of as important improvement partnership. The various licenses and administrative charges connected to cross-border transporters speak to charges on working together instead of financial arrangement tools intended for attractive results.

Tripartite Free Trade Area (TFTA), negotiation around Africa's own mega-regional trade agreement started in 2008. Just as the WEF (World Economic Forum), question whether mega-regionals are global economic game-changers or, in fact, costly distractions, the Tripartite Free Trade Area will bring together 26 Member States in one market of nearly 600 million people. The TFTA makes up 57% of the population of the African Union (AU) and just over 58% in terms of GDP -- approximately US\$ 624 billion. The launch of a regional free trade area has remained something of a moving target since 2011 when the tripartite

agreement was adopted. The Tripartite FTA should have been officially launched in June 2014. However, this deadline was missed owing to factors including the closure of its erstwhile secretariat, Trademark Southern Africa. The launch was now re-scheduled for December 2014 (SADC, 2016).

South African policy makers see the T-FTA against a type of ‘developmental regionalism’ which focuses on poverty reduction through industrialisation and economic growth. Trans-regional transport infrastructure and the coordination of economic policy are essential. The T-FTA is based on three pillars: Market integration, Infrastructure development and, Industrialisation. These pillars are relied upon to address the key difficulties which oblige the intensity of African businesses and consequently limit Africa’s integration within the global economy. The T-FTA priorities also find resonance in South Africa’s own policy documents such as The New Growth Path, the National Development Plan (NDP) and the IPAP 1&2 (Industrial Policy Action Plans), -The Medium-term Strategic Framework (MTSF) 2014-2019 of South Africa has therefore been seen to position the Industrial Policy Action Plan (IPAP) as one of the key mainstays of radical change in South Africa, in view of comprehensive development in the gainful areas of the economy (DTI, 2016).

The various endeavours for economic integration in Africa have led to countries belonging to multiple regional economic communities implying competing priorities and conflicting requirements – characterised by contested implementation schedules and commitments of the different trade regimes, which fundamentally undermine their effectiveness.

To enable greater competition with other strong economies in the regions such as Kenya and Egypt, South Africa’s role in the region has transformed profoundly where various groups—public, private and civil society sectors have sought new forms of collaboration and cooperation in, for Instance, poverty reduction, economic development, peace and security and governance support. Moreover, South Africa’s dominance in the Sub-Saharan African region also calls into question whether regional integration will show any significant progress without the commitment from South Africa – and we all wait to see exactly what level of commitment this actually is (SADC, 2016).

### **4.3. REGIONAL ECONOMIC INTEGRATION AND PROMOTING SOUTH AFRICAN NATIONAL DEVELOPMENT**

The consistency and relevance of REI for South Africa or Southern Africa in the future is another matter for discussion. The future of the Southern Africa sub-region would depend on choices made in South Africa. A leading South African scholar stated that 'irrespective of the political introduction of a future South African government, all aspects of regional interaction are bound to undergo far-reaching change' (Leistner, 1992b. p.10). Tony Hawkins (1994) also stated that 'The issue has gotten to be not whether the region ought to incorporate monetarily but rather the coordination – who, how and when'. Robert Davies (1994) expressed a fundamentally alternate points of view have arguing that various powers in South African approach on the terms, standards, and approaches to govern a programme of closer regional economic cooperation and integration after apartheid for the perpetuation of self-interest. The South African future policy on this issue can thus be expected to depend on a considerable extent on the balance of forces established in the negotiation process.

#### **4.3.1. South Africa's National Economy Development Policy**

President Jacob Zuma stated and urged all South Africans as it is the "collective duty" to get the economy to perform at its most extreme limit. South Africans can bolster the economy by acquiring locally made things or goods in South Africa (SA.info, 2016). South Africa and most developing economies have negative net speculation salary positions. This bodes well as these economies are in all probability credit-compelled and will require FDI to back their business attempts. The net investment income regularly speaks to the biggest shortfall in the present record change. The danger of capital flight joined with destabilising current record surges, places many creating nations, for example, South Africa in an exceptionally helpless position amid times of diminished financial action. In fact, measurements distributed by the South African Reserve Bank (SARB) show that net venture wage has been a vast patron toward the South African current record which recently experienced low – economic development. This is frequently ignored in investigations of the present record shortage and raises worries about the potential negative long haul impacts of FDI on the adjust of payments of revenue on import duty.

The decision that an organisation makes in reinvesting income is comparably an essential one. Brownfield speculations is that the buy of a formerly built processing plant or other

office with a specific end goal to utilize it for another movement, are a noteworthy wellspring of FDI inflows and all around record for 30% of internal FDI as per the 2013 UN Conference on Trade and Development (UNCTAD) World Investment Report (UNCTAD, 2013). As of late, the present record shortage was practically an indistinguishable size from the exchange adjust. In any case, without a doubt, expansive speculation wage shortages are normal for developing countries' salary such as South Africa. This is on the grounds that the FDI rate of return is higher in creating nations in contrast with that of created nations. In Africa, specifically, extractive and preparing ventures have reliably higher rates of return. The issue of vast venture pay deficiencies is, be that as it may, balance in numerous other developing economies. Their exchange adjusts inflows regularly exceed the proportion of speculation salary outpourings.

With the exception of India, nations are upheld by the change of net managements and currency exchanges. This takes after as the Indian economy is emphatically benefit orientated and India has an expansive number of remote nationals working abroad who send home settlements. South Africa, by difference, has a huge exchange deficiency which builds the present record shortfall as opposed to going about as a float for alternate segments. This is a stressing sign as the money emergencies specified already were gone before the current record deficiencies (Cézanne, 2013). Since 2007, net speculation wage has been the biggest donor to the present record deficiency in Brazil. This demonstrates that regardless of the exchange adjust moving towards a surplus in view of proceeded with fare execution, there is still a present record shortfall because of the instalments of speculation wage on FDI.

### **4.3.2. South Africa Key Economy Performance since 1994**

#### **I. Economic Performance**

It is true that the South African economy has experienced a substantial change in the recent period since the appearance of democracy. The nation has recorded a normal rate of economic development and growth of 3.3% annually in genuine terms over the period 1994 to 2012. This growth rate was a momentous change from the 1.4% typical yearly advancement enlisted in the midst of the periods of 1980 to 1993. In any case, the pace of development missed the mark regarding the 3.6% average as recorded by the world economy. South Africa's total national output (GDP) by 2012 was 77% or greater compared to 1994 and an increment 90% compared with the global economy.

On per capital premise, the country's genuine GDP was 31% higher before the end of the period. Advancement has, in light of current circumstances, been very unstable and firmly connected to the global monetary performance. The period depicted by the East Asian economic recession around 1998 mirrored a more amazing downturn for South Africa's economy as it was at the same time adjusting to its reintegration into the world economy. This event began a disparity between the whole deal GDP execution cases of the household and overall economies (IDC, 2013).

## **II. An overview of economy structure: sectoral performance of South African economy**

The economic structure of the South African economy has changed considerably over time as reflected by the broad sector contributions to GDP. The national economy is portrayed by a very much created tertiary sector which accounts for approximately 69% of the country's GDP in 2012 (up from 60% in 1994). The tertiary area is controlled by the budgetary administrative measure – this is to a great extent driven by a solid money saving framework in the nation (banking) which represented nearly 22% of general GDP in 2012 (up from a 12% share in 1994) (IDC, 2013). Exchange, which includes retail, discount and engine exchange, and agriculture and housing, and transport – these consists of transport, storage and communication) are further key managements. The share of the secondary segment in GDP has helped consistently since 1994 from 27.7% to approximately 19% in 2012 (production of local good). Manufacturing dominates this category and is the fourth biggest segment in the economy. The development division, albeit generally little, assumed a critical part in boosting monetary movement as interest for private structures and non-private development raised during the period 2003 to 2007 (IDC, 2013).

Notwithstanding, for an advancing economy, the share of the discretionary sections, particularly assembling, is little and has been declining throughout the years. Such a pattern mirrors various difficulties going up against local manufacturing inside a significantly forceful overall environment and underscores government attempts to re-industrialize the economy, particularly in light of the workforce of this sort of budgetary activity. The three-year Industrial Policy Action Plan (IPAP) sets out transversal and part specific tasks and movement courses of action to hold, create and expand South Africa's industrial current base. It plans to acknowledge auxiliary transformation in the economy by concentrating on esteem

including action in the manufacturing areas, especially labour-intensive and additionally, send out arranged portions, driven by assembling. This organisation driving the main thrust is supplemented by the New Growth Path (NGP) which likewise underscores the significance of a production-led advancement.

Alternately, the basic area, which includes the cultivation, office administration and fishing, and the mining segments, have all things considered kept up their relative share of GDP after some time signifying 11.8% in 2012 (IDC, 2013).. However, their individual structure has changed and after some time as clarified upon later in this overview. Furthermore, the astounding work concentrated on mechanised farming activities lost 1.1 million occupations since 1994 for an accumulation of reasons especially through automation of cultivating activities (IDC, 2013).. The financing of the economy, the extension of business organisations and the strong augmentation of the communication interchanges territories have bolstered the vigorous yield execution of administrations related divisions while the retail and discount exchange part additionally settled in their solid status. The industrial sector which had showed strong improvement in the periods of 2004 to 2007, but further in 2013 while a great part of the world stumbled in the wake of the worldwide economic recession towards the end of the last decade of the new millennium years, South Africa figured out how to remain on its feet – to a great extent subsequently of its judicious financial and fiscal strategies. The nation is politically steady and has a very much promoted managing an account framework, rich regular assets, all around created administrative frameworks and also innovative work abilities, and a built up assembling base (Brand South Africa, (2013).

Furthermore, positioned by the World Bank as an "Upper middle-income nation', South Africa is the second biggest economy in Africa after Nigeria. In 2014, the World Bank recorded its GDP at \$350.1-billion (R5.416-trillion) and its populace at 54 million. Per capita GDP is \$6 483, as indicated by the World Economic Forum. In its 2015-2016 Global Competitiveness Report, the World Economic Forum positioned South Africa 49th in its Global Competitiveness Index out of 140 economies, up from 56th in the past announcing period. It positioned the nation first for quality of reviewing and revealing measures and also financing through nearby value showcase. South Africa was additionally positioned twelfth for monetary market advancement; it positioned 29th for market measure, 33rd for business12 complexity and 38th for development, out of 140 (Brand South Africa, 2016). It was sustained by vigorous export request for its produces, strong development in the

household request in spite of the fact that the execution of individual assembling sub-segments are wide-ranging broadly. South Africa's manufacturing sector of the economy was badly affected by the world economic recession, especially because of weakened demand in the local markets and Europe. It was also a difficult trading conditions locally as well. The sector was, therefore, confronting harsh rivalry in both local and world markets while dealing with significant cost weights and different aggressive difficulties (for example, power supply, currency instability, skills requirements or human capital, productivity levels and so forth). The development performance of the vast economic segments in the course of recent decades demonstrates a diversified result, with some profiting essentially from a cooperative area, while others stayed under pressure notwithstanding amid the improvement years. The manufacture division overtook all others amid 2001-2007, supplemented by out-performers, for example, the finance and transport segments. Trade performed generally in accordance with the economy's average, while the mining and agricultural sectors were under-performers amid this period. From ab initio when the crisis began, South Africa's total GDP development found the middle value of 2.2% every year, with the development, government, fund, farming and trading sectors overtaking this average rate of extension. Thus, the mining and power sectors recorded compression, all things considered, over the period 2008 to 2012 (SA.info, 2016).

According to IDC (2013), further report from the financial or banking services sector contributed 1% to the 3.3% on average to the annual growth in GDP. This was regarded as the biggest contribution to development over this period. This sector made positive contributions all through the period, except for exceptionally minor contributions in the economic recession year of 2009. Nonetheless, the manufacturing sector, which contributed 0.5% indicate an overall development. It made positive contributions all through the period as well, except for an extensive negative commitment in 2009 which hauled downward overall on the country's GDP development in that year to a much insignificant degree in 2003. IDC (2013), also reported that the trading sector with 0.5 percent contributed positively through the period, except for 2009, when it made a negative commitment. The automobile sector (0.48 of a rate point commitment) made positive commitments all through the period, especially in 1995, 2000 and 2002 (IDC, 2013).

It was also reported that the agricultural sector displayed extremely unstable commitments all through the period, both positive and negative. More so, the power sector with 0.05%



commitment made a minor contributions to the overall development because of its moderately small size and, as of late, supply-side compels jointly with demand of management practices. Reports further show that the mining segment made a normal commitment of 0.03% to the 3.3 % normal yearly GDP development over the period 1994 to 2012. This show either minor positive duties or negative responsibilities all through the period. Moreover, South African's economy recorded its speediest improvement rates since the 1960s over the period 2004 to 2007 with open GDP advancement averaging 5.2% per annum. From a worldwide viewpoint, this period was depicted by a strong absolutely sloping business sector and impacting products markets. Locally, household unit utilisation expenditure and fixed investment activity elevated economic advancement altogether with the transport sector moreover giving great main thrust throughout the years from 2005 to 2007. With regards to expenditure, the biggest commitments to wide financial change in South Africa over the period 1994 to 2012 radiated from family spending of up to 74.8% yearly commitment to general monetary improvement. Settled venture contributed around 29.3% and government utilization or expenditure of 18.2% with the last, joined into "other demand". Furthermore, import tariffs, that is, exports minus imports, represented a slow development by pulling down the rate of economic advancement, for instance, an average contribution of 22.1% to the general GDP improvement rate of 3.3% over the survey time frame.

### **III. Manufacturing sector of the economy**

The manufacturing sector's relative commitment to the general South Africa GDP and business has declined in the course of the past two decades. In spite of the fact that it attested the overarching position in the economy in 1994, when it represented up to 21% of GDP at current costs, the part accordingly turned into the fourth greatest by 2012 (12.4% of GDP). Be that as it may, a contracting offer does not imply a decrease in yield in certifiable terms producing GDP extended by 61% from 1994 to 2012. The sector additionally turned out to be progressively exports-oriented with its share of aggregate stock exports remaining considerably higher in 2012. The manufacturing industries, broadened generally, was dominated by a couple of substantial sub-sectors, particularly chemicals, metals and apparatus, and in addition food processing. Nevertheless, both the chemicals and food industries amplified their different shares of manufacturing value since 1994 while that of machinery and metals remained fundamentally unaltered. Furthermore, the textiles and clothing sector contracted substantially, but many other manufacturing sub-sectors are mainly domestic market oriented while others are profoundly dependent on export markets. Intensity

is basic to their prosperity as rivalry prevailed in all cases. Performance was influenced by various elements after some time, including both domestic and external demand state of affairs, currency developments, input expenses and pricing practices - for example; import equality valuing or pricing, mechanical redesigning, policy support, infrastructure and coordination, administrative aspects and tax insurance or tariffs, and issues with competition/concentration, among others. They were profoundly advocated and supported for a long period of time by industrial policy initiatives while the transport equipment sector reliably by-passed the manufacturing industries.

According to report by the Industrial Development Corporation (2013), the machinery and metals industries posted a reasonably solid execution from 2002 to 2008. This was unequivocally reinforced by development and different types of fixed venture activity and its fair introduction. Be that as it may, the sectors contribution was negative in 2009 when a 20% decline was recorded. Since the start of the economic recession, the non-metallic mineral items industries saw a negative average development which was influenced by weaker development. In addition to that, in the sub-sectoral level, the biggest picks up at the end of the recession in actual value added over the period 1994 to 2012, among the greatest industries of manufacturing were recorded with the accompanying: petroleum items; engine vehicles, parts and frill; "diverse chemicals"; equipment and equipment or machinery; essential chemicals and electrical hardware. The food handling enterprises contributed 11.2% to the manufacturing sector's GDP at an advanced rate over this period which was indistinguishable to the economy's 77.1% development (IDC, 2013).

#### **IV. Services Delivery sector of the economy**

Government and the exercises it embraces to convey administrations are the consequence of political progression. The administration is the support of lawfulness, the resistance of society against outer adversaries and the headway of what is thought to be the welfare of the gathering, group, and society or state itself. The government, is in this way, in charge of making laws and guaranteeing that there are establishments to actualize its laws, and giving the administrations and items that these laws are implemented. It is the implementation of laws and the real planning of governments that constitute administration. The government's projects ought to, in this manner, contribute towards an enhanced personal fulfilment for all.

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## **V. Tourism**

Tourism is another key area where revenues are generated by most advanced countries. Currently, tourism is viewed as an engine or instrument of development and has become one of the biggest enterprises universally. One of the benefits of tourism as an export recipient is that it is less unstable than the product sector. Tourism has been reserved as a development industry in South Africa as the business is in a perfect world suited to enhancing the nation's numerous natural, social and different assets. As indicated by the World Travel and Tourism Council, tourism constitutes roughly 7% of GDP and work in South Africa. Somewhere in the range of 74% of all guests in 2006 were from Africa and around 26% from abroad. Around 7.9 million of the 8.5 million remote explorers (92%) went to the nation for an occasion and roughly 196 951 (2.3%) for business in 2006. As indicated by the World Tourism Organization (WTO), sub-Saharan Africa pulled in 2.9% of the world's travellers in 2005. Of this rate, South Africa has around 20.5% of a piece of the pie. South Africa's global tourism earnings added up to \$7.3-billion in 2005. Its share of aggregate African traveller landings and tourism receipts was more than 34% in 2005. Nevertheless, in a more recent report according to the WTTC 2016 Economic Impact report, Iceland's Travel and Tourism add up to commitment was expected to ascend by 1.7% from 2015 to 2016. In spite of the fact that information demonstrates that business development has hindered, this is just a transitory marvel.

The standpoint for the fate of the industry or sector was certain, particularly bearing in mind the impact of the 2010 FIFA World Cup held in South Africa. The development to the occasion, and the introduction that South Africa brought previously, then after the fact the occasion, had undoubtedly brought about forceful development in foreign tourism. This became a demonstrated reality in each nation where the occasion has been held over the past years. It was anticipated that in 2010 the South African tourism industry had utilise more than 1.2 million individuals whichever directly or in the public sector either directly or indirect way (MCSA, 2016).

## **VII. Local business in South Africa**

Insights South Africa delivers a regular assessment of the retail trade business with local industries covering different retail exchange activities. The overview for the most part covers retailers in specific items of trade including food, beverages, beauty care products and toiletries, pharmaceutical, general merchants, tobacco, and therapeutic merchandise, materials, garments, footwear, cowhide products, family unit furniture, machines and gear,

equipment, paint and glass, and also other distinctive shippers in irregular items. Since the year 2000 it was accounted for that retail trade or exchange bargains was at a steady costs, in the year 2006, it showed increase of 9.7% from 2005 which recorded 7.2%. According to Statistics on South Africa, this is the greatest addition, together with the 2004 augmentation, and this was additionally 9.7%, for any year since 2000. According to a survey by to Statistics SA, general traders, diverse retailers and retailers in materials, attire, footwear and cowhide items were the genuine patrons to the extension in retail trade bargains. Bona fide retail arrangements' advancement decreased in the last quarter from the second last quarter of 2006 from 10.7% to 9.1% year-on-year. Among the huge retailing groups are Edcon, Massmart, Pick 'n Pay, Shoprite Checkers, Mr Price Group, Foschini Group, JD Group and Ellerines Holdings (MCSA, 2016).

#### **4.4. South Africa's Domestic Demand**

Total domestic expenditure has been moderately solid in the course of recent years, supported by strong household utilisation consumption for the vast majority of the period and by rapid development in fixed investment action from 2003 to 2008. The supply-side of the economy, thus, has confronted serious difficulties, including rising wages, intemperate accelerations in power duties and other controlled costs, profitability difficulties, and logistics problems. However, producing limit has been encountering surplus working up in a couple of divisions of the economy, somewhat reflecting delicate enthusiasm for their separate things and diverse segments may not have the capacity to oblige specific or possibly extending demand necessities. Such confusion has brought about an enlarging demand-supply crevice or gap.

Consequently, interest for imported products (that is, both consumer products like- engine vehicles, and capital merchandise) particular machinery and hardware or equipment, encountered a precarious ascent, particularly since 2006. This unfriendly advancement was then reflected in an enlarging exchange deficiency. A low intrigue environment, rising real dispensable wages, expanded job creation and straightforward entry to credit bolstered the solid development in household consumption over the period 2004 to 2007. Spending on firm merchandise including motor vehicles, furniture and other family unit equipment extended at an extremely quick pace. This unnecessary utilisation was somewhat determined by expanded access to credit, bringing about a lofty ascent in household debt. The household debt-income proportion increased from 52% in the last quarter of 2002 to an all-time high of 82.7% by the principal quarter of 2008. In spite of the fact that obligation levels have retreated somewhat –

it was helped by the presentation of the National Credit Act (NCA) in 2008, family units remain exceedingly obliged as their obligation spiked to 75.8% of their extra cash by the last quarter of 2012. Expanded utilisation use has additionally been reflected in a generous decay in household savings/reserve funds throughout the years. The reserve funds to-discretionary cash-flow proportion had remained at 2.7% in 1994. However, a proceeded deterioration resulted in ensuing years with this proportion tumbling to 0% by 2012. In the period 2006 to 2011, household really made a negative commitment to the national investment funds pool, as expanded levels of dissaving were accounted for. All the while, household indebtedness climbed forcefully from 64.3% of extra cash in 2005 to an unsurpassed high of 82.4% by 2008 by declined to 75.6% by 2012 according to industrial development corporation report (IDC, 2013).

South Africa requires higher development keeping in mind the end goal to accomplish the objective of economic transformation and create an even-handed society (equal opportunity). As the worldwide financial shortcoming assumes an extensive part in South Africa's monetary development execution, domestic requirements hinder investments, yield and exchange. The moderate pace of concluding approach intercessions in ranges, for example, land reform, immigration, labour relations, mining and communications undermines confidence, which is a key determinant of economic or monetary action. Government must exhibit more quick usage to re-establish certainty and offer plan to residents (Economic overview, 2016 .1).

South Africa's solid foundations, stable macroeconomic condition, all around created money related markets, moderately abnormal amounts of development limit and key position in the locale give a strong stage to more grounded development. The financial structure and the money related strategy position bolster a supportable recuperation in monetary action. Government keeps on organizing foundation venture to simplicity bottlenecks and raise the economy's potential development rate. Public segment infrastructure spending plans add up to R987.4 billion throughout the following three years. Proceeded with interest in vitality, transport and media communications will support inside and outer exchange effectiveness. Endeavours to grow venture with the private division, construct certainty and support work creation. The worldwide recuperation from the 2008 financial crisis stays shaky, with development gauge at 3.1 % in 2016 and 3.4 % in 2017. In advanced economies, the combination of powerless monetary development, low or negative loan costs, and lifted

resource costs has improved the probability of restored financial volatility unpredictability. World exchange development gauges for 2016 have been decreased from 3.1% in April to 2.3% in October (Economic overview, 2016 .2).

South Africa's GDP development figure for 2016 has been updated down to 0.9 for every penny from an expected 1.7 for every penny at the season of the Medium Term Budget Policy Statement (MTBPS). The weaker standpoint is the aftereffect of bring down item costs, higher borrowing costs, decreased business and customer certainty, and dry season. In spite of the fact that GDP development is estimate to stay quelled in 2016 and 2017, enhanced worldwide conditions and rising certainty are relied upon to bring about a direct change in monetary development by 2018. Government is reinforcing its cooperation with the private part, work and common society, to accelerate execution of the auxiliary changes set out in the National Development Plan. Open area foundation spending over the medium term is relied upon to add up to R865.4 billion. Government expects to take off real organizations with free power makers in gas and coal throughout the following quite a long while, boosting speculation and energy supply. A few administrative changes will support more noteworthy private venture and enhance the simplicity of doing business. These and different measures are expected to empower the economy to develop more quickly as monetary conditions move forward. Over the medium term, financial measures to limit the spending shortage and balance out the development of open obligation, supplemented by the expansion focusing on structure, will contribute to recharged certainty and more prominent investment.

Moreover, IDC report shows that government investment expenditure on both economic and social infrastructure likewise enlisted hearty development of 7.2%, per annum over a similar period. This was altogether higher than the 3.2% normal yearly development recorded in the period of 1994 and 2002. The private division has likewise experienced lively development in fixed investment activity, but at a more direct pace than that of people in public sector at large. In any case, it represented around 68% of general genuine fixed venture over the previous decade despite the fact that its share declined from a record-breaking high of 74.4% in 2005 to 63% by 2012. Notwithstanding on-going difficulties, the mining area still announced a fairly solid development in capital expenditure having arrived at the midpoint of 9.5% per annum over the period 2003 to 2012, contrasted with the development of 8.1% for every annum over the former 10-year period. Manufacturing revealed a lull in fixed investment spending over the previous decade, which decelerated from an average of 5.8%

per annum over the period 1994-2002 to 4.6% p.a. from 2003 to 2012. This segment of the economy was confronted with expanding rivalry from global players in export and local markets. Low demand for locally and foreign goods since the onset of the worldwide economic crisis and the weakness recuperation consequently have adversely affected on the local producing sector of the economy. Since manufacturing yield development has been curbed, interest in the segment as of late is probably going to have been even more a substitution and maintenance nature (IDC, 2013).

Furthermore, a veering pattern has as of late started being clear between the levels of fixed interest for utilisation of production limit and manufacturing. The grand rising in fixed interest for advancement works since 2003 on the back of open and private part establishment speculation took after a period of under-spending and non-appearance of system support during the time 1994-2002. Sweeping structure wanders programs over the earlier decade have joined the building/overhauling of new/existing stadia in the game plan for the 2010 FIFA World Cup, the Gautrain quick rail interface, interests in vitality framework, transport and coordination frameworks and fuel pipelines. Higher spending in transport vehicle is associated with Transnet's multi-year wander arrange, while SAA's (South Africa Airways) armada development likewise made a critical contribution (IDC, 2013). However, interest in machinery and equipment has been lagging behind in this aspect with a sharp drop in this classification of ventures amid the current subsidence. In spite of the fact that there have been indications of recuperation in the course of recent years, real fixed venture levels in machinery and equipment stay underneath pre-crisis levels.

### **Internal Market:**

The private property market is encountered testing period with interests in 2012 being 31% lower than the R36 billion spent in 2006. All things considered, the proportion of total fixed capital arrangement to GDP ascended from 15.2% in 1994 to a pinnacle of 23.1% in 2008 but declined to 19.2% by 2012. The proportion in this way keeps on missing the mark concerning the attractive 25% level esteemed important to make a significant imprint on the unemployment and destitution challenges. Interestingly, net reserve funds in the South African economy, as a proportion of national GDP, remained genuinely stable at an average of around 15.5% in the 1994 and 2012 period. This proportion contrasts rather horribly and the average venture to-GDP proportion of 17.3% over a similar period. The enlarging reserve

funds venture hole has been reflected by a significant shortage in the present record of the adjusted instalments with the nation progressively relying on remote capital inflows to back the deficit on residential/property investment funds. The government announced dissaving over the period 1994 to 2012. The only exception was between 2006 and 2008 when a positive reserve funds commitment was made. Families have additionally observed their commitment disintegrating after some time with negative investment funds saw since 2006. The corporate division has constantly made a positive funds commitment, despite the fact that the level of reserve funds declined in 2012 after a precarious ascent in investment funds amid the period 2009 to 2011. General business assumption inside the South African economy has had a tendency to reflect repeating conditions over the period under survey. Consequently, it fell sharply amid the 1998 East Asian recession, bouncing back in a fairly unpredictable way up until the 2007/08 world economic and financial recession, having achieved a 24-year high in 2004. Such an uptrend was briefly hindered by irregular adverse improvements, for example, the dot.com recession and the 9/11 terrorist attacks in the United States (IDC, 2013).

Business certainty fell drastically as recessionary conditions turned out to be progressively clear both all around and locally from the latter part of 2008 to 2009. Despite the fact that business certainly has enhanced to some degree lately, it continues to remain well beneath pre-crisis highs. Weak demand, supported by a yet drowsy worldwide financial recuperation and a more direct pace of development in household utilizations expenditure are at the centre of the present "unbiased" levels of business certainty – that is, neither sceptical nor idealistic. Nevertheless, intermediate goods continue to dominate South Africa's import basket. Imported purchaser products have enrolled striking additions since 1994 and have surpassed capital products as the second biggest import classification. This is notwithstanding the expansive capital hardware import necessities related to the public sector infrastructure framework investment program. After some time, the infiltration of foreign consumer items into the local market has been supported by various components, including: a generally more grounded rand over expansive parts of the period under study, a few different variables that have likewise undermined the value aggressiveness of locally delivered purchaser merchandise; rising pay levels and access to credit, which have helped local utilization request, and savage rivalry by worldwide producers and local shippers including through under-invoicing practices and unlawful imports



#### **4.5 South African Investment in SADC Region: For National Development**

Through the Economic Diplomacy Programme, the South African Institute of International Affairs (SAIIA), held a Scoping Workshop on South Africa's foreign investment framework. SAIIA's Economic Diplomacy Program has been observing the South African government's way to deal with controlling the security of foreign investors and its foreign investments. This was especially started by the South African government's choice to end or not restore bilateral investment bargains or treaties (BITs) with some EU nations, trailed by the arrival of the draft Protection and Promotion of Investment Bill around November 2013. Furthermore, more concerns are that with other authoritative measures in progress or being thought about, the presumable outcome could be a noteworthy decay in SA's investments appeal. These statutes could present colossal optional forces to government substances, apparently in 'general society intrigue', in this way making a dubious situation unfavourable to FDI.

In a statement issued by the South Africa's International Trade and Economic Development Division (ITED), the Deputy Director General, Ms Xolelwa Mlumbi-Peter, stated that, 'The International Trade and Economic Development (ITED) Division gives initiative on South Africa's exchange arrangement, to advance economic improvement. It additionally plans to manufacture an impartial multilateral exchanging framework that encourages advancement and reinforces exchange and investment connecting with key economies (DTI, 2016). The purpose for this department in particular, tries to encourage African economic advancement, through regional and continental integration and development, adjusted to the targets of the New Partnership for Africa's Development (Nepad). In expansive terms, the advancement and execution of exchange arrangement requires continuous endeavors to shape the terms and states of South Africa's integration into the worldwide economy, in a way that backings South Africa's national financial and modern formative destinations.

Furthermore, the ITED adds to making the conditions that upgrade the export of higher value-added items, advance internal and outward investment, and save the space to execute national improvement policies. ITED widens and reinforces national consultative systems both inside government, and amongst government and its partners. Interview between offices, especially within the intra-governmental bunch framework, with Parliament and partners, basically through the National Economic Development and Labour Council (Nedlac), are core ranges in such manner. South Africa organized developing respective political and financial relations (bilateral), particularly with African nations. Since 1994, it has consented

to 624 arrangements and built up 40 bilateral systems. Notwithstanding, there have been difficulties with the execution of some of these assertions or agreements. The export markets South Africa have changed significantly in the course of recent years. New markets have risen, while the share of export to some conventional markets, for example, the United Kingdom, Japan and Europe, has declined. China has risen as South Africa's most imperative export exchanging accomplice since 2009, with its share of non-gold stock export measuring 12.9% in 2012, contrasted and 0.8% in 1994. India is currently South Africa's fifth-biggest export location, having surpassed both the United Kingdom and Switzerland (TradeMark South Africa, 2014).

African nations have additionally turned out to be progressively essential export markets however, particularly for manufactured products. Exports to the whole African region expanded from 10% in 1994 to 17.6% in 2012. SADC nations guaranteed the majority of these exports, representing 12.9% of general fares in 2012, up from 8.3% in 1994. Africa represents around 33% of South Africa's fares of more propelled makes. South Africa has profited significantly from the United States' African Growth and Opportunity Act of 2000 (AGOA), which expects to extend US exchange and venture with sub-Saharan Africa, animate economic development, energize financial integration and encourage sub-Saharan Africa's integration as well into the worldwide economy. Respective exchange between South Africa and the USA developed from R15.9 billion in 1994 to more than R129 billion in 2013, with the balance of exchange favouring South Africa. In addition to that, around 1994 and 2013, South Africa's monetary and large scale financial strategies helped reciprocal exchange between South Africa and European nations and invigorated its FDI (foreign direct investment) and tourism. Internal FDI stock amid the 80s and mid-90s remained amazingly low, therefore of South Africa's detachment (Trade and Investment, 2014). A noteworthy accomplishment has been South Africa's arrangement alongside Australia to have the square kilometre exhibit radio telescope, a noteworthy universal space extend. This means that the quality and universal remaining of the nation's logical and mechanical abilities.

South Africa's reciprocal political and monetary relations likewise expanded fares in merchandise and enterprises, from R106 billion in 1994 to R892 billion (in ostensible terms) in 2012. By 2012, progressed manufactured items represented 18.8% of aggregate exports, contrasted and 7% in 1994. South Africa is an alluring venture goal in Africa, drawing more than twice the same number of FDI tasks in 2012 than whatever other African nation. The state, together with the private segment and common society, has enhanced the international

marketing of South Africa and Africa as worldwide tourism goals. This has brought about a supported increment in visitor entries. The Department of Trade and Industry (DTI) said exchange arrangement was an instrument of modern approach and ought to bolster mechanical improvement and updating, business development and expanded value-added exports. South Africa had a generally open economy, ensured just modestly by taxes, where 56% of duties were set at 0%. South Africa had consulted as an advanced nation and the nation had gone up against duties on a standard with those of the United States of America (USA), Canada, the European Community (EC) and Japan. There had been broad levy progression since 1994, however while South African fares had expanded altogether, with some remarkable special cases, remained to a great extent unaltered (Trade and Investment, 2014 -TMSA).

Nevertheless, there are other key bits of enactment which incorporate the Mineral and Petroleum Resources Development Amendment Bill (2013), the Expropriation Bill (2013), the Property Valuation Bill (2013), and the Private Security Industry Regulation Act Amendment Bill (2012). Moreover, South Africa is an essential state in the Southern African economic scene. South African organisations or companies are major outward for investors investing in Southern Africa and into world markets. Therefore, whatever methodologies that are embraced in South Africa locally are probably comparable to how it might want her organisations to be managed abroad, and specifically in the SADC area. In this light, a SADC Model Bilateral Investment Treaty Template has been created within the more extensive order of the SADC Protocol on Finance and Investment to advance harmonisation of investment arrangements or policies and laws of the member states (SAIIA, 2014).

South African capital investment has the capacity to: deliver, reconcile, develop and defend, and supplier. Deliverer of the dominant part from politically-sanctioned racial segregation shackles, reconciler of racial and social contrasts, developer of the economy, defender of human rights and supplier of business and jobs. The changing of its picture was no little errand given South African capital's global disconnection and untouchable status together with the politically-sanctioned racial segregation state which it was related with in the 1980s. Discussing its affiliation, not to mention the complicity, with the state of apartheid today can without much of a stretch be marked as ruinous, unpatriotic and even misguided – take note of the negative reactions to the current endeavour to sue multinationals including huge South African organizations for apartheid reparations in a US court...Business Day articles by Xundu (2003) and Hartley (2003). Nevertheless, in order to understand the imperatives of

South African investment in the sub-region of the Southern Africa and the management of the SADC institution, we need not to only look at the abstract push-and-pull factors or the effects of this investment. The negative impacts cited above could be viewed as unintended and consequently can undoubtedly be overcome through the exchange. However, the goals driving this investment focus to another conclusion – these negative impacts run as one with the business strategies of South African organisations or companies. South African organisations were confronted with issues of aggregation right before the political emergency got to be distinctly intense in the mid-1980s with apartheid.

As the recession hit on the world's economy in the mid-1970s, the companies of South African needed to tolerate the ascent in import costs, the decrease in efficiency and the high cost of obtaining for foreign investment also declined. But extending the market for capital merchandise exports in the Southern African region was one way out. As Kaplan (1991:185) contended, "Numerous local producers are either backups of, or make under permit from, abroad enterprises and are confined, as far as these arrangements, to trading toward the Southern African area alone. The market of Southern African has been becoming just gradually with a slow pace and South African organisations have been progressively experiencing 'political snags' as neighbouring nations endeavour to look for option sources for supply" (Kaplan 1991:185). Apart from the fact that it is expecting to discover trade markets, South African business needed to manage the increasing expense of work not only because of the decrease in profitability, which gives compensation more unmistakable quality in the general cost structure of manufacturing, but also because of the expanding resistance by black labourers to low incomes since 1973. Another basic was to depoliticise the average workers in South Africa which connected each issue – that is; from low incomes to the absence of housing infrastructures, to the type of run – politically-sanctioned racial segregation or apartheid – and in this manner started to put the whole arrangement under tension. This politicisation was described by Steven Freidman (1987: 3):

“Once strikes by African workers had been so rare that each one was newsworthy. Beginning in 1984, they had become so common that, on average, more than 1000 were on strike each working day...Workers did not only strike – they formed organisations which helped them act together...The way these organisations are run is as important as the changes they have achieved...members control decisions and that leaders must obey the wishes of workers they represent...They have also given workers a chance to develop skills and talents...”

Nonetheless, so long as a business could not seek after these goals it needed to keep on undermining the obstructions to them through guarded types of rebuilding. Cassim (1987: 536) argues that "In certainty the present recession, which began in 1981, hints at not being trailed independent from anyone else supporting economic recuperation. The main rebuilding that has been accomplished is negative – shutting down of organisations, conservation of work and surge of capital."

In the late 1980s, conditions in the area and in South Africa were changed generously and permitted business to overcome the 'political issues' it experienced in the region and in addition the possibility of depoliticising the average workers in South Africa which would take into consideration financial rebuilding to building efficiency. These conditions were clearly fuelled by international advancements, primarily the ascent of neo-liberal conventionality in advanced nations and the fall of the Soviet Union and the ruining of communist analyses globally. Serious suppression of mass developments by the politically-sanctioned racial segregation state in the last half of the 1980s drove the ANC to acknowledge an arranged settlement to apartheid that there would be no modification to the aggregation procedure (Ryklied, 1996).

Beginning in 1990, different nations in Southern Africa embraced to underwrite auxiliary change programs and started going after investments outside the region (Mwanza (1992). The preferred standpoint that these conditions gave South African business is the thing that took into account their sudden grasping of majority rule government (democratic system of government) and improvement and making stories of their long "resistance" to apartheid (Samir Amin, 1987: 2). In 1996, the SA Foundation (1996: 1), a business association representing business in the financial sector experienced face off and expressed that "South Africa has set out on an extraordinary national project. We need to destroy destitution while staying consistent with the goals of flexibility and majority rules system. We need to end up distinctly the main African nation to assume a main part in the global monetary society. In addition to that, we need to be the financial motor that manoeuvres Africa into a prosperous and energising future." The euphoric suggestions in recommendations for monetary strategy under the new government can be clarified by the prospects for at last defeating the emergency they were in. The economy had as of now hinted at the development and benefit under the government of National Unity. Behind this recently discovered South Africanism, be that as it may, lies the genuine business objectives to secure provincial markets and key assets and, where gainful, buy and extend beneficial ventures, as for instance, SAB's

(presently SABMiller) procurement of beer organisations or companies. In the nation, South African business squandered no opportunity to rebuild relations of manufacturing – supplanting specialists and rebuilding the working environment with machines and technologies, the expansion of agreement and casual work and expanding hours of work.

A few organisations even embraced old industrialist practices of work as in the apparel business (Naledi, 2004). That entrepreneur gathering was evident in South Africa and by the suggestion in the Southern African region is based on a cheap labour system is undeniable. Nevertheless, those impacts are important components of this investment by private and South African state-owned ventures – they permitted organisations to be productive by and by and to get away from the emergency harrowing them since the 1970s. The capital collection is different from advancement. It is, in reality, a social, monetary and political procedure of subordinating the common labourers and different classes in the region to the basics of organisation or company benefits. This is exactly the thing that South African capital is endeavouring to do with their recently discovered authenticity in the sub-region of Southern Africa. In this manner, it is undermining improvements that labourers have contributed in South Africa and different nations in the sub-region. It is increasing the levels of imbalance between and inside and fundamentally upholding unemployment and destitution all through the different nations of the area. Also, it is surrounding existing spaces for the rise of free profitable activities regardless of whether by the state or small scale business people. At the end of the day, South African interest in the sub-region keeps on being a snag to advancement and fits in with the general portrayal by Marx that "capital comes dribbling from head to foot, from each pore, with blood and dirt" (Marx, 1983).

#### **4.5.1. Analysis on South Africa's Regional cooperation: The Impact of South African companies' Investment on selected Southern African states with Trade Union.**

Scholars have pointed out that it is erroneous to gauge the quality of trade unions by numbers alone. They likewise call attention to the incorrect technique utilised as a part of Southern Africa to decide union thickness by contrasting union participation and general business figures by employment – as business insights incorporate huge quantities of nonunionised labourers in the casual economy it undermines the genuine union thickness in the formal economy (Liv Torres, 1998: 89). Measuring union thickness as the rate of union enrollment

to formal work uncovers that union thickness in Southern Africa is tantamount to union thickness in Europe. Liv Torres recommends, in any case, that "the quality of work will depend in any case upon the degree to which it has created objectives, standards, systems and headings" (ibid: 86).

This review identifies with the last point, that is, to what degree have unions started to create honours educated by positions and techniques on the development of South African investment interest in the region? Meeting with some trade union delegates gave a clear understanding. This area presents points of interest of who was met, the inquiries postured and information exchanged. It draws out the general basic issues highlighted. The selection of nations where South African companies operate should be illuminated first. Zimbabwe and Namibia have, to a great degree, assorted authentic relations with South Africa and the impacts of the South African venture are thought to appear as something else or if nothing else has distinctive subtleties in the two nations. Namibia, or South West Africa as it was known until 1990 when it achieved freedom, turned into a state of South Africa after the thrashing of Germany in WWI and its economy was totally incorporated within South Africa's. Zimbabwe, or Southern Rhodesia as it was then called, was allowed Responsible Government in 1923 after white pilgrims rejected unification with South Africa. Not at all like South West Africa and other colonial regions in the territories, had Southern Rhodesia built up a moderately solid modern base and interior market with free settler's interest in the nation whose interests frequently conflicted with those of South African business. Given this differing qualities in historical relationships, it is essential to take a view at how unions see the effects of late South African interest in their separate nations on the grounds that these recognitions help to elucidate the potential outcomes of trade union participation in the area as to connecting with the investors of South Africa (Martin, 1990: 131-132).

Another issue which needs clarification is given the short time and resources available to conducting interviews, it would have been ideally important to talk with coordinators of trade unions, and in addition shop stewards that work for South African organisations or companies in these said selected states. This would have yielded more insights about the impacts of South African organisations or firms and how specialists are reacting. It is, nonetheless, vital to rely on published materials that are available for the designed nature of this study which is desktop based.

#### **4.5.1. i. Zimbabwe and the Impact of South African companies**

The political and financial developments in Zimbabwe stay of centrality to South Africa as a prompt neighbour, and additionally to a monetarily interdependent SADC region. The danger of 'beggar-my-neighbour' arrangements has risen. This section of this study looks particularly into a portion of the useful ramifications of the current specific restriction on South African items being foreign made into Zimbabwe. This section of the study highlights the unintended results that bigger macro-political and monetary weights in Zimbabwe have on South-Africa-Zimbabwe exchange relations and strategy or policy. It further looks at a couple of the alternatives open to South Africa at this imperative crossroads as it currently faced with export ban from Zimbabwe.

The presence of South African firms in Zimbabwe is seen to have cause more negative impacts on the host economy than good, as the economy has been in a decrease for various years and is at present in crisis due to a scope of political issues. It is indicated, however, that the states of business were awful than in South Africa. An illustration was made by the Chemicals and Plastics union that Johnson and Johnson labourers in Zimbabwe were not given an indistinguishable advantage from those in South Africa. The Catering and Hotel union additionally made a comparative point and showed a survey should be done with the end goal of harmonisation in the states of work in the region. The Transport union showed that South Africa's firms were exploiting the declining estimation of the Zimbabwe Dollar and are utilising more Zimbabwean specialists for transport in the locale since they get paid in Zimbabwe Dollars as opposed to in the South African Rand. There was a general worry about the absence of interest in Zimbabwe. They felt that relations with South African and other multinational organisations were warm and firms did not attempt to undermine unions. Dealing, in any case, happens at a national sectoral level as opposed to at a firm or company's level in Zimbabwe. This can cover pressures with specific firms. It was felt that the low wages and status of work in indigenous firms puts weight on bringing wages and conditions up in multinationals. Nonetheless, South African imports have truly gone up and that in Zimbabwe, the reliance on South Africa is developing in this sense as opposed to on new business investment projecting in into the country (Patel, 2006).

Ten years prior, the Zimbabwe economy was wavering on the edge of crumple, with surging expansion, a monetary in free fall and a formal business area that had everything except quit delivering any significant levels of yield. 2005 was a watershed year in which a genuine lack



of foreign reserves (Coomer and Gstraunthaler, 2011) and an unwinding in financial approach sent swelling into an upward winding. With the administration confronting waning income thus, it coordinated the Reserve Bank of Zimbabwe (RBZ) to print cash so it could meet its spending prerequisites and administration its obligations (NWA, 2016). South Africa has been Zimbabwe's real exchanging partner, and any adjustments in its money in connection to the US\$ is rapidly felt in Zimbabwe. One of the regions where Zimbabwe has felt the agony of a debilitating rand is in settlements. As indicated by the strategy articulation introduced by Reserve Bank of Zimbabwe (RBZ) representative Dr John Mangudya on Thursday (September 15, 2016), the proceeded with valuation for the dollar against regional monetary forms has likewise influenced the dollar-named estimation of settlement inflows. He singled out settlements from South Africa; which have throughout the years been a huge wellspring of foreign cash in the nation.

Nevertheless, in June 2009 begin a new period in which Zimbabwe in the long run broke free of the hold of hyperinflation. However political vulnerabilities (counting continuous dangers between the decision party, ZANU-PF, and the fundamental restriction party, the MDC) and drowsy monetary speculation and action have meanwhile compelled internal venture and business output. A strategy of indigenisation of organizations -making it obligatory for the greater part of shares in organizations to be held by Zimbabwean nationals, and broad value controls have smothered financial movement in the nation as of late (Coomer and Gstraunthaler, 2011). While Zimbabwe's GCI (Global Competitiveness Index) score of 3.5 in 2015-2016 was a positive transform from its 2005-2006 score of 2.1, the better indicating was because of changes in just two of the columns, i.e. health and primary education, and macroeconomic environment (World Economic Forum, 2016). Be that as it may, a current arrangement choice by the Zimbabwe government has put Zimbabwe-South Africa relations underweight and has made an uncommon level of pressure between the individual governments. On 17 June 2016, the Zimbabwe government suddenly reported that a rundown of 43 South African item classes would be prohibited from importation into Zimbabwe. Gazetted under Statutory Instrument 164 of 2016 (SI 164), the boycott — according to Zimbabwe's Minister of Industry and Commerce, Mike Bimha — had already started to "bolster our neighbourhood industry" (The Herald, 2016). By singularly messing with a built up example of exchange and furthermore debilitating the jobs of thousands of casual dealers on either side of the outskirts, the Zimbabwe government seems to have taken their sovereign appropriate to extremes, to the detriment of formal exchange conventions and set up

government-to government behaviour. South Africa's reaction to this bended ball from Zimbabwe is essential as it is probably going to set the tone for another kind of engagement between the two governments and could even set another point of reference for the determination of other local quarrels that may emerge later on (NWA, 2016).

The implication of the now-banned South African products that can never again be foreign into Zimbabwe had an estimation of USD 131.83 million (African News Agency. 2016) that year conveys to the question of, can Zimbabwe fill the void of those restricted item from South Africa? As indicated by exceptions would be those items for which an import permit may be issued by the Zimbabwe government "when nearby creation can't take care of the national demand" (The Herald, 2016). The prohibited the item include: composts, espresso half and half, mayonnaise, plastic channels and fittings, and camphor creams are the most influenced by the boycott. I believe this is ban is great move for Zimbabwe to allow local industries grow to capacity which will solidify the economy, instead of depending on the export from outside. However, South Africa is the beneficiary of over 71% (as far as esteem) of all items exported from Zimbabwe. Neighbouring Zambia and Mozambique additionally highlight in the main 10 trade destinations, however their relative significance is predominated by that of South Africa. South Africa supplies more than 33% of Zimbabwe's imports, outperforming the extent provided by Singapore (Zimbabwe's second biggest wellspring of imports) by 72% -regards to value. Zambia and Mozambique who are equally two members of SADC are recorded in the main 10 however their particular commitments are little (NWA, 2016).

South Africa's significance as an exchanging accomplice or partner to Zimbabwe is further strengthened. Unmistakably, South Africa is a characteristic and deliberately essential partner of Zimbabwe on both the fare and import fronts. Zimbabwe having embraced an open economy approach and with exchange representing just about 75% of GDP (World Bank, 2016), the inconvenience of a prohibition on its most critical exchanging accomplice is reason for alert and brings up some difficult issues. Having said that, it is trusted that a specific prohibition on South African imports could push Zimbabwe out of its flattening trap. Nevertheless, the import boycott bargains Zimbabwe's exchange commitments under the Southern African Development Community (SADC) Trade Protocol (SADC, 2016) and encroaches on essential WTO standards (World Trade Organization, 2016). As both SADC and the WTO advance more liberated exchange or freer trade and more prominent integration

between individual nations and the region at large, it is disturbing that Zimbabwe is choosing to 'take the inverse view'. Considering South Africa's troublesome economic atmosphere at present and with credit sector revolving around menacingly, any postponement in settling this 'sudden bother' will add to South Africa's cost weight and trade off its regional notoriety or reputation — when the nation can slightest manage the cost of it. The lesson from Zimbabwe and South Africa relations, is that doing nothing prompts to nothing. In the event that South Africa does not toughen up and send the correct message to Zimbabwe, it will set a point of reference for comparative occurrences to happen later on — to the inconvenience of the exchanging groups everywhere who assume a critical part in their nations' economies

#### **4.5.1.ii. Namibia and the Impact of South African companies**

The Namibian economy has a present day market segment, which delivers the vast majority of the nation's riches, and a customary subsistence division. In spite of the fact that most of the populace takes part in subsistence farming and crowding or herding, Namibia has more than 200,000 gifted or skilled specialists, and also a little, very much prepared proficient and administrative class.

Namibia's history of change is over each of the past filled with decolonization. Following a debate enduring decades between South Africa and the United Nations, which in 1966 repudiated the League of Nations' order that made the region a South African protectorate, white control came to an end shockingly rapidly by the organized intercession of the then superpowers. The end of the Cold War saw the central point behind the achievement of the UN mission – the United Nations Transitional Assistance Group (UNTAG) – in coordinating a similarly tranquil trade off or compromise (Namibia Agreement) between the clashing groups in Namibia and their worldwide benefactors: South Africa from one perspective and the frontline African states and Cuba on the other. The move procedure ended in free democratic elections and the selection of a just constitution, which, in the feeling of western established specialists, is a standout amongst the most liberal in Africa (BIT, 2017).

Namibia's majority rule and financial change keeps on gaining ground. There were no genuine mishaps to report in this procedure of change in 2005, but the political highlight of the assessment time frame was in 2004, where voters casted their votes three times in presidential, parliamentary and local decisions. After nearly 15 years of autonomy of independence, all elections occurred with a noteworthy feeling of political schedule, and met

– with minor special cases – the principles of present day law based decisions and delivered respectable turnouts and SWAPO party emerged winner of the elections. SWAPO, the overseeing party, kept up its seventy five percent greater part. SWAPO's political base is established basically in the Ovambo, the lion's share ethnic group, and it decides the predominant party framework run of the mill of Namibian majority rules system (BIT, 2017). Behind the fair veneer unmistakably there are weaknesses in popularity based interest and administer of law, and the dissemination of just values at the grassroots level is just bit by bit making strides. All things considered, Namibian vote based system got a lift in 2004 when, with regards to the constitution, Sam Nujoma, president since freedom, withstood the allurements to keep running for another term.

**(a). Market economy**

For verifiable reasons, the Namibian economy is still firmly incorporated with the South African economy. Albeit modern creation is continuously growing, the economy is still in view of the extraction of crude materials. The reliance on imports is shown by the way that roughly 80% of its consumer's products which are sold in Namibia originate from either South Africa or different nations by means of South Africa. More indications of these close financial connections are Namibia's membership acceptance into the Southern African Customs Union (SACU), made in 1963, and the South African Development Community (SADC), framed in 2000 with the objective of building up an organized commerce zone in Southern Africa. The guidelines and controls overseeing rivalry and the cash and capital markets are firmly attached to those in South Africa. South African banks and organizations rule the Namibian market (SADC, 2016).

Nevertheless, South Africa as a member of the SADC state projected her investments in Namibia, but the experience with the workers union in Namibia and the presence of the South Africa's companies, in improving their working condition was a different story entirely. Everyone in unions feels that there has not been any adjustment in the organisations' attitude towards unions – most organisations favour non-unionized work environments – and the unions need to battle to get acknowledgement assentions or agreement. The firms give truly necessary occupations or jobs in the nation which has an abnormal state of unemployment. Be that as it may, there are no different advantages they can talk about. Moreover, the organisations exploit the expense motivations or incentives on tax with low wages and now progressively utilise on a casual and contract premise. The findings from the Mine Workers' union felt that advancement in South African firms was constrained as the headquarters in

South Africa settle on all choices or takes all decision alone. This undermines the administrative capacities/responsibilities of managers in Namibia. The findings likewise on the Steel worker union additionally alluded to the pattern that administration was designated by the South African head office and were white South Africans or Germans and that there is a racial division of work in firms (Patel, 2006).

The Namibia economy is ruled by South African firms and a significant number of these organisations import products from South Africa making it exceptionally troublesome for Black Economic Empowerment to take off. Although the South African firms have social duty programs like - subsidising sports groups, giving computers to a few schools to improve learning in the classroom, these do not have a lot of impact on the more extensive financial issues like poverty, destitution and unemployment. South African firms are believed to rule the Namibian economy in all segments. Be that as it may, their presence in the country limits economic development. This was so in light of the fact that they import merchandise and enterprises from South Africa instead of animated production and create abilities or develop skills in the nation. They additionally set costs since they dominate the market sector. Besides, they set the pattern for working conditions and types of work in the nation took after by different endeavours – and the pattern is low wages and casualization. In this same vein, it is watched that there are signs that costs in Namibia were higher than in South Africa. Subsequently, it is prescribed that there ought to be the need to manufacture the limit measure of customer security associations.

#### **(b). Socio-economic Development and Implication**

Namibia economic development contrasted with other African nations, it has a genuinely abnormal state of advancement with per capita income of \$ 1,870, which converts into what might as well be called about worldwide \$6,620 as far as obtaining force equality. As needs be, Namibia is named a Lower Middle Income Country, not a Low Income Country. Nonetheless, such worldwide markers disguise striking contrasts in wage and social inconsistencies. In no nation on the planet is the dispersion of pay and access to advancement as unequal as in Namibia. There are tremendous disparities amongst urban and country territories, between the racial groups -the black and the white, and between the new privileged and most of the populace. About 33% of the adult populace is unemployed and about one-third live on or under \$1 a day (UNDP, 2005). Destitution and minimization or marginalization is exacerbated by the fast increment in rates of HIV disease and AIDS, particularly as in numerous families, it is accurately the productively utilized who leave

working life rashly therefore as a results of HIV/AIDs. The level of advancement as measured by the Human Development Index (HDI) precisely mirrors this circumstance and represents the degree of social avoidance. Ladies are hit especially hard (UNDP, 2007).

Notwithstanding worldwide advancement aid, the glaring cleavages amongst white and black, amongst urban and provincial zones and between the new abundance of the decision first class and the on-going impoverishment of developing segments of the populace have not contracted or narrowed with the aid program (Yauch, 2013). Radical requests for land change have offered ascend to fears that the nation may slide into a circumstance like Zimbabwe. The outcomes of the HIV and AIDS pandemic, for which there is no fast and simple answer, are progressively discernible: approximately 33% of the populace is as of now tainted or infected already. The rate of contamination is especially high among college graduates, the implication of this that a great part of the overwhelming interest in human capital could be squandered at the end.

#### **(c). Economic and Financial execution**

Regards to the key measures of the World Bank, the nation's macroeconomic position was generally steady as of present, despite the fact that the general financial pointers have fallen instead of risen. Financial appropriation has likewise had a tendency to break down, which is reflected in most social information. Be that as it may, because of its mineral riches and its good position amongst Angola and South Africa, two capable monetary partners, Namibia has extensive development potential, most importantly in the field of tourism (BIT, 2017). To understand this, nonetheless, the nation needs to focus on reliably exploiting its improvement openings and conquering impediments to development, especially in the fields of education and training, and great administration.

By global correlation, Namibia has been a noteworthy beneficiary of universal support since freedom and meanwhile is needy to a significant degree on worldwide exchange instalments. Contrasted with other African nations, be that as it may, this reliance is still lower than normal, as reflected in the way that up to now the nation has not needed to swing to the International Monetary Fund (IMF) for budgetary support. All things considered, at \$109 per occupant Namibia is one of the top African beneficiaries of improvement exchanges. The western industrialized states and also the World Bank and the IMF have assumed an imperative part in the nation's law based and free-showcase monetary change (BIT, 2017).

Finally, Namibia is and will remain socio-monetarily a standout amongst the most isolated social orders on the planet. The administration's improvement programs, to a great extent financed by international contributors, have done little to change this. The advance recorded in the health systems and education is debilitated by the advance in the rate of HIV and AIDS contamination. Up until this point, recognizable advance in the battle against poverty and unemployment has neglected to appear (BIT, 2017). Nonetheless, regarding the financial change, all administrations since autonomy have attempted endeavors to give Namibia a free-market-and venture well-disposed image. On account of its regular assets, the nation is globally focused, yet needs legitimate administration to get ideal advantage from the abuse of its assets. At present, the nation experiences weaknesses in the area of education and training which is highly required for development, inadequate qualified work force for an objective improvement oversight.

#### **4.5.2. The Impact of companies' investment SADC for South Africa**

South African economy still faces serious difficulties since becoming a democratic state, to further enhancements of managed economic development execution and elevate poverty and decrease of imbalance (Kirsten and Davies 2008). Though financial development execution enhanced altogether since the late 1990s and the levels of poverty have generally declined, imbalance in salary conveyance has expanded. With the Gini coefficient of around 0.68 in 2009, South Africa stays a standout amongst the most unequal economies on the planet. Moreover, the unemployment level in the nation floated around 25% amid the four back to back quarters in 2009, showing that a huge piece of the populace is still prohibited from sharing the advantages of the current light monetary development. South Africa can't accomplish supported monetary development and advancement on the off chance that it can't guarantee the interest of this critical piece of the populace in financial development forms (Kumo, 2012).

The administration propelled the Accelerated and Shared Growth Initiative for South Africa (ASGISA) in 2006. This activity imagines quick decrease in neediness or reduce poverty, unemployment and change in monetary development empowering the nation to accomplish significant improvement objectives of dividing destitution and unemployment by 2014 and raising financial development to a normal of 6% in the vicinity of 2010 and 2014. Be that as it may, the acknowledged development rate was just 2.8% in 2010 and it is probably going to stay underneath 4% for the rest of the 2010-2014 period. The essential system through which the South African government plans to accomplish this fast financial development and wage

redistribution is quickened interest in foundation especially for fundamental needs. As indicated by a report by European Commission, great quality framework is a key element for practical advancement. All nations require proficient transport, sanitation, vitality and interchanges frameworks in the event that they are to flourish and give a not too bad way of life for their populaces. Tragically, many creating nations have poor framework, which hampers their development and capacity to exchange the worldwide economy (European Commission, 2010).

South Africa has better created framework, for example, streets, instructive organizations and wellbeing offices, however interests in key financial foundation, for example, energy have lagged far behind a long ways behind the domestic demand. Furthermore, the majority of the current framework, for example, streets, railroads and ports require sizable venture on upkeep and updating

Nevertheless, South Africa's companies and the worker's union experience was not as different as it equally faced similar challenge on its own state. There is an apparent feeling that there is no immediate effect on their unions or the unions' members when organisations put resources into the region. The ventures have essentially been for organisational development as opposed to migrating. Cutting back at firms are because of technological enhancements and more effective procedures. A few unions showed that interests in different nations have made work open doors for South Africans in those nations (Sasbo, Numsa) (Patel, 2006). It is observed that unions in different nations have raised issues with the administration style and states of work with companies of South African origin. It was also gathered that South African firms were exploiting the way that unions were weaker in different nations by taking advantage of them. Then again, South African companies are giving administrations, enhancing abilities and providing needed jobs in nations that are ineffectively created or underdeveloped. There were also indications that approaches of governments in the locale have encouraged and urged organisations to contribute, particularly through the New Partnership for Africa's Development (NEPAD). This has evacuated confinements on companies and they can expand their income from operations in the region. Nevertheless, on the cooperation ground, the International Trade Secretariats work with unions in the area of education and training and policy matters in order to promote cooperation and sustained peaceful co-existence and to achieve the SADC institutional objectives (SADC, 2016). A few illustrations are HIV/AIDS strategies, Gender rights, and Globalization and its effect on the division. Also, they have helped their sister unions in



different nations: Sasbo helped with the preparation of members of the union in Zimbabwe, Namibia and Lesotho; Numsa (National Union of Metalworkers of South Africa) helped unions in Zimbabwe, Mozambique and Tanzania with instruction resources and preparing, and in Swaziland, it encouraged the merger of 5 unions in the segment (Patel, 2006).

There is no collaboration on aggregate bartering in spite of the fact that the unions share info when asked for by sister unions in the area. This is something that could have been investigated however that the diverse qualities of the unions and the distinctive conditions in the different nations of the area should be considered. Furthermore, from SASBO (The Finance Union is a trade union in South Africa. It was founded in 1916 and has a membership of 59,000) it was proposed that while it won't be conceivable to settle income rates for workers on a regional premise but to win essential conditions would be a welcome development. Other findings from CEPPWAWU (Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union) likewise raised the significance of states of work on a local level in light of the fact that the giant paper and squash firms exploit unorganised labourers in different nations. Nevertheless, NUMSA (National Union of Metalworkers of South Africa) has set up a global office as of late so it can fabricate more grounded relations with unions in the area. The discoveries from COSATU (Congress of South African Trade Unions) focused on the requirement for a system for firms or companies with respect to social duty and advancement. According to COSATU, it said that organisations have been exceptionally dynamic on the continent and their picture is not generally great – there are cases of bigotry and super abuse. It is imperative, in this manner, that the union development does not kick back and give the feeling that it is excusing the conduct of South African companies. In other findings with SATAWU - (South African Transport and Allied Workers Union) additionally raised the requirement for a set of principles given that South African parastatals, for instance, Spoornet, are exploiting privatisation in different nations of the region (Patel, 2006).

#### **4.5.3 Need to develop effective Trade Union Responses to South African Corporate Expansion in Southern Africa**

The expansion of South African firms give them more use amid dealing as they can undermine to move production far from where labourers are requesting enhancements to regions where specialists are less sorted out. Besides, now that they depend on collection forms that are spread crosswise over numerous nations, a brief stop in one nation, even in South Africa, is less harming than when they were subject to the aggregation procedure in one or just a few nations.

South African business with their presence in the host countries under this study however, has been making difficult conditions for individuals in the locale in different ways: To begin with, frankly through shaky and low wage work in South African firms; Secondly, through trade that replaces products delivered locally by-products being foreign made from and by South African firms; and thirdly, through new South African operations uprooting local entrepreneurial operations or independently employed activities that influence earnings and occupations of various individuals. Charles (1995 quoted in von Holdt, 2003: 141) argues that “In spite of the fact that we were very weak on the ground, we ensured that the rights of workers were still secured and that the union was still recognised. We used that strategy to keep management busy and build the union”.

The impression in the locale that South African labourers are in an ideal situation than specialists in different nations of the Southern African area is not really genuine. Insights on GDP per capita do not help with uncovering the financial states of specialists when the disparity is high similar to as it is in South Africa and the entire region.

In South Africa, unemployment has decreased by 92 000 quarter-to-quarter in 4<sup>th</sup> quarter of 2016, after an increase of 239 000 in the 3<sup>rd</sup> Quarter of 2016 (26,5%), and poverty have increased in the past 15 years while genuine wages stay stagnant in a setting of declining employment security (STATSA, 2016). At the end of the day, South African specialists, particularly specialists working for similar firms, may have much in common as labourers in the locale and that participation is expected to address these exacerbating conditions. These are highlighted in three zones for collaboration amongst unions and common society associations:

- There should be a code for good conduct to connect with the companies and the governments on
- Collective haggling procedures between unions in the area working in a similar sector and for a similar organization
- Policies for impartial investments and trade in the Southern African sub-region.

It is imperative, nonetheless, to take as a state of take-off existing shortcomings that weaken the quick achievement of these necessities which can give a unified vital orientation to the work of development in the sub-region. The shortcomings include: Unions do not gather and break down information on South African firms that they are in. They do not share encounters of imperviousness with South African firms occurring in their nations. There is an

absence of planning by unions for their cooperation in provincial and national political structures which create trade and investment strategies (Saliem, 2006).

#### **4.6 CONCLUSION**

As noted earlier, regional integration became a necessity for Southern Africa due to its colonial inheritance, for its regional development and hence the need for the establishment of the SADC institution in order to promote economic development within the region, and by extension South Africa's national development by championing and driving its objectives. It is imperative to note that regional cooperation integration contribute to ensuring that member states are free from marginalisation globally by other states. This chapter evaluated the theoretical background, economic assumptions and evidence on regional cooperation and economic integration, which clearly reflect its importance to the SADC as the roadmap towards development in the Southern Africa region. Governments have advocated bilateral and sub-regional trading arrangements among member states across borders both in the Southern Africa and Africa as a developing continent as economic development tools. Bilateral and sub-regional trading arrangements are designed to promote economic deregulation. Such agreements have also aimed to reduce the danger of inversion towards protectionism, securing changes effectively made and empowering further structural adjustment. Therefore, it makes more economic sense for most countries to be part of a REI mostly on the grounds that they understand that by intensifying the region's shared economic interdependence, it is extremely conceivable that the dynamic capability and competence of states will be amplified as a consequence of their close affiliation with each other.

After becoming democratic in 1994 and subsequent acceptance into the SADC, the South African economy has achieved both social and economic development within the last two. There are few factors considered to be responsible for the economic development of South Africa. The economy became stabilised in the mid-2000s as the country experienced an improved social development. Nevertheless, from a policy perspective, South Africa has fallen short significantly particularly in relation to economic reforms. Economic reform has been weak as a result of poor policy development which lacks the right vision for the economy.

Broadly, the past few years which has experienced a continuous successive growth in the South African economy is regarded as the long-lasting and sustained economic development

in its recent history. The continued growth and sustainability is a result of prudent fiscal and monetary management with her increased participation of the corporate sector in overall economic activity. Regardless of the economic challenges and policies implementation faced by the South Africa since 1994, South Africa has played a very vital role in the Southern Africa sub-regional integration since her acceptance into the SADC. Her role in the SADC has transformed profoundly whereby different groups both public, private and civil society sectors sought new forms of partnership and cooperation in the area of poverty reduction, peace and security, governance support, and economic development.

Having carefully examined the various key economic performance of the economy of South Africa since 1994, it is, therefore, safe to conclude, regardless of its political and economic management of SADC through her various international companies all around the region, South African FDI is mainly contributed by her heavy investment and market penetration in Southern Africa region, nevertheless South Africa is depended heavily on her foreign investment for its continued growth. The injection of investment funds (FDIs) from abroad is essential to guarantee the best possible operation of the nation's unlimited assets which has contributed to continued growth of the economy. These investments returns are the functions and basis of South Africa's national development today.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1. CONCLUSION**

Regional integration is said to be established when a set of states come to organise and develop a prescribed arrangement by way of treaties vis-à-vis how economic and trading activities will be conducted and exchanged with each other. The concept of regional integration which is centred on three main characteristics as explained in this study is voluntary, co-operatively accepted, and geographical by consideration. In comparison with REI, regional cooperation integration takes similar qualities with the exception of the point that it does not need to be geographically defined. A practical example is in the case of the D.R. Congo in the Southern Africa Integration with the SADC organisation. REI not only add to but also help to enhance economic progress or development in each member states and, therefore, it is worthy for development putatively speaking. In developing countries, regional integration materialises in stages as further proved by theories, such theories consist of; customs unions, free trade areas, common markets, economic unions and complete economic unions. The preferential trade agreement has been seen as another form of regional integration but it is restricted or narrow in its latitude or scope.

This study shows that most economists continue to use the same old concept to elucidate and evaluate a free trade area and customs union despite the clear dissimilarity concerning the two stages of economic integration. The differences reflect in relations of the major economic effects or implications. First of all, a free trade area is associated with or entails the application of ‘rules of origin’, although scholars tend to view rules of origin as a form of protection. While on the other hand, a customs union calls for shared decision-making on trade strategy (with Free Trade Area this is not necessarily required for its implementation). Nevertheless, many theoreticians have a perception of Free Trade Areas to be more liberal as a system of incorporation rather than tariff averaging customs unions, and perhaps further welfare accumulative as well. Moreover, in the case of Free Trade Area, the country with low tariff is never obligated to increase its tariff further as this can pre-empt exchange decimation while local costs on the high tax nation might take a dive. It was also acknowledged in customs unions, linked external tariff is seen to be means of security or protection.

Nonetheless, the safeguard is not fundamental because the charges have a habit of falling over time.

The common market philosophy has not been well advanced as compared to that of Free Trade Area with the customs union. However, a common market is said to be predominantly established so as to liberalise exchanges and facilitate movements of goods and services amongst member states. Furthermore, economic union follows next on regional economic integration after common market, as already discussed in this study. It was noted that a shared market is whereby policies of national economics are combined with a specific end goal to expel separation because of inconsistencies in these strategies. The last step in undertaking an integration is the complete economic, is whereby economic policies like monetary, economic, social, and security policies are incorporated into a common market. It is also characterised by the establishment of an international authority where its resolutions is active and requisite for members. Therefore, in this light the Southern Africa with SADC has designed its regional economic integration chapters or stages to be in alignment using the method as theory dictates in this study. Chapter three carefully looks at the theoretical framework using Neo-functionalism, realism and organisational effectiveness theories with its application to the Southern Africa sub-regional integration with the SADC organisation. It further discussed the theory of Economic Integration.

Neo-functionalism was discussed in the study as the which seeks to illuminate the course of political integration whose primary focus is on the shifts on the 'loyalties, potentials and political actions of different political actors of states keeping in mind the end goal to climax the development of 'another "political" focus whose establishments hold or demand authority over the established national states'. It further focuses on the liberal expansion of integration and consequently underscores the starring role of "spill over" effects. As seen in this study, neo-functionalism first unlocks the thought static for criticism impacts and advancement with time. It was found that the hypothesis of neo-functionalism additionally attracts regard for the importance of sub-national actors for this procedure, being the subjects or intrigue bunches. As indicated by Haas, political coordination was quickly connected to the rise of "a new political community superimposed over the pre-existing ones", and with regard to the foreseen move of the reliability of elites from the national to the supranational setting. All the more in this way, the foundation of appropriate organisations and the exchange of the fundamental capabilities would hence diminish the role of the taking partnering country states at any rate in relative terms. This is in light of the fact that different actors were relied upon to

incompletely assume control both at the supranational and at the sub-national level. The spill-over effect was created in response to the European Coal and Steel Community (ECSC), a relationship of a transcendently functionalist profile overseeing a restricted segment of territorial issues giving to measures apparently sketched out in the Paris Treaty. In conflict of this apparent relevant, he quickened a perfect sort technique which ought to at last prompt to the organization.

Lastly, the organisational effectiveness theory was also discussed in this study to analyse the Southern Africa sub-region. The theory denotes the ability of an organisation such as the SADC to be successful in accomplishing the goals for which it was set up. In any case, savvy work has been done to make sense of what grows an association's ability to finish its targets. Although there are different points of view on organisational effectiveness, one may recommend that there is no single speculation that collects concurrence on the definition or estimation of hierarchical adequacy. As some leading administration experts expressed, there cannot be a solitary hypothesis about viability or effectiveness on the grounds that the different models will probably supplement each other than supplant each other. Various intellectuals validate different model positions in line with the factors of organisational effectiveness acknowledged in this study.

Concerns on the clarity of single-minded organisations are, therefore, urged to cultivate a well-defined and explicit goals for its objective to properly drive it to meet its set objectives.

At this juncture, it is therefore imperative for a functional organisation like the SADC to have a vibrant operation or mission statements in this concern. It is encouraged that organisations cultivate internal standards that concentrate on customer benefit, modernisation, and methodology perfection with a cooperation. As to structure, the partition of parts ought to permit real fulfilment of objectives. Further, divisions or organs should grasp their different parts in the association, have the pro to finish their parts and be in charge of their work. There ought to likewise be powerful coordination between the different organs or divisions. Organisations are further urged to create smooth inner administration frameworks as far as convincing key organising, judicious and fast critical thinking and basic leadership, speedy and exact exchange of information with effective checking and assessment.

Chapter four of this study looked at the integration of economies established by the Southern Africa sub-regional states with the SADC institution, it examines South Africa's mechanisms

and the implication in driving SADC integration objectives, if it is a strategy for South Africa pursuance of its own national development. Keeping in mind South Africa's foreign policy considering her both economic and political dominate of the sub-region. South Africa's investments in some selected SADC states which include Zimbabwe, Namibia and others was also examined in the course of this study.

South Africa's economy has achieved both social and economic development within the last two decades since becoming democratic in 1994 and accepted into the SADC. There were few factors considered to be responsible for the economic development of South Africa. As the economy became stabilised in the mid-2000s, the country experienced an improved societal development. Although the country's economy has been weakened as a result of poor policy development for an all-round economic growth. Broadly, the past few years during which the South African economy has experienced a continuous growth is viewed as the dependable and sustained monetary improvement in its current history with a progressive development. The proceeded development and manageability is a consequence of judicious financial and money related administration, with her expanded support of the corporate division in general monetary action.

Regardless of the economic challenges and policy implementation problems faced by South Africa since 1994, the country occupied and play a very vital role in the Southern Africa sub-regional integration till date. Since her acceptance and the prominent role she plays in the SADC has transformed the regional group profoundly. The presence of South Africa in the SADC has resulted in different groups (both public private and civil society sectors) to seek new forms of partnership and cooperation in poverty reduction, security and peace, governance sustenance, and economic development. The predominance of South Africa (both socio-political and economic) in the Sub-Saharan African area has likewise turned out to be a course to worry for other SADC member state in the region, the question is whether regional integration will demonstrate any noteworthy advance without the dedication from South Africa . Over the years South Africa has been the main driver of SADC integration objectives since joining the organisation in 1994. The assumptions of having an economic integration with the aim of achieving economic development in the member state countries, as it is with the case of Southern African Development Community regional cooperation and economic integration in the Southern Africa sub-region, it reflect clearly the importance of SADC organisation for the Southern African sub-region for the achievement of both socio-political,



intra-border security and economic development throughout the region and ensure some level of peace and stability in all member state, regardless of the continues current conflict in the D.R. Congo and other few member states.

## **5.2. RECOMMENDATION**

It has been underlined in the course of this study that to accomplish territorial economic integration across in the southern African region with SADC integration, the investment in infrastructure is an unquestionable requirement. This infrastructure incorporates investment in roads, railroads, power and electricity, air facilities and media telecommunications to connect every member states, and thereby allowing free movement between member states. Operative sharing of assets and capability to deal with tasks or projects in these areas ought to be earnestly reflected by Southern Africa states with full commitment if true and even development is to be experienced in the sub-region.

Even though there has been considerable improvement around regional infrastructural projects in Southern Africa, enactment and full commitment in others are still lagging behind. It is therefore recommended that fundamentals that are restraining the execution of those projects should be tended to, keeping in mind the end goal to ensure that sanctioning of local infrastructural projects is enhanced.

The flexibility of contributions like service and capital has also become a matter to constraints which impact on the integration development. Recently, techniques have been produced to diminish results of those tangles or snags. The amazing among these are maybe the endeavours by a considerable lot of the monetary groupings to coordinate the macroeconomic plans of their individual states.

Nonetheless, much needs to be done especially given the way that a large portion of the monetary or economic groups around Africa sub-regions still cannot seem to put in broad multi-sectoral programs for integration. Honestly, most sectoral tasks are directed in parallel in spite of the fact that, as we have seen, the harmonisation of macroeconomic procedures has seen some level of cognizance. The last consequence of this new approach, if possibly kept up, should be a course of action of reliable conventional procedures which are the foundation for the advancement of homogeneous sub-region monetary groupings.

Additionally, hypothetical programmes over the Southern African sub-local space will display enough to strengthen a response in both local and foreign investment, boosting assembling and exchange. It is additionally suggested here that these limitations be expelled beginning within RECs to advance cross-border investments and financial exercises or economic activities, and raise development of capacities building over the outskirts so as to help incorporate the work showcase.

In this situation, there is a need for a follow-up system or mechanism which will guarantee adherence for harmonised community timetables on issues, for example, decreases in tax and nontariff boundaries and the achievement of more difficult objectives and goals, for instance, macroeconomic change.

The SADC establishment ought to have the capacity to endorse uninterested implementation, or disappointments with a specific end goal to satisfy responsibilities to conventions and schedules. The question of Southern Africa kerbing the date for achieving further economic coordination, due to failure to meet earlier set date for implementation, and then again structure up the African Economic Community is another challenge faced by the organisation in implement its policy agenda.

The SADC should divert its concentration to building up a strong realistic program of the deeds that would support with tending to keen issues (for instance, distinctive courses of action). Concerning the pertinence of the structure of the Southern Africa integration and Africa as a continent, the Abuja Treaty remains the perfect structure for the unification of economies of the continent.

Nevertheless, the agreement should attract a re-examination and upgrade in light of current improvements around the globe in order to be up to date with time and trend. A central issue is the authority that aids the execution of this framework. Nevertheless, the European Union integration has been regarded as the foremost regional organisation with laudable accomplishments in any regional integration in the world today, basically in light of the fact that integration of her economies has both created and intensified development in that area. Since its initiations as the European Coal and Steel Community in 1951, it has progressed to twist up unmistakably the European Union, fulfilling both financial and fiscal union over an essential share of the region. States in different parts of the world have additionally endeavoured to duplicate a portion of the EU's integration accomplishments.

However, in spite of the successes story of the European Union integration over the past years which put the region on the frontline as the best integrated region, one would wonder why is Great Britain, one of the prominent member of the European Union recently voted to exit from the Union as of late 2016 – which is regarded as the Brexit, the exit of Britain and what lesson and implication does this holds for other RECs? The implication of Britain's exit from EU is another area to be discussed and be exploited in a further study.

African region in general needs to know, adjust and integrate the programs of trade restructurings with developed nations of the world, and other developing states if they are to get considerable advantages in the integration and advancement or/and liberalisation process. This does not suggest that the SADC has to embrace one model for the implementation of its integration program. While the EU has been clear in this study as revealed by other scholars to be the best case of a successful regional integration, it is suggested that the Southern Africa must not duplicate it but learn from it because they do not share same historical antecedents.

Finally, integration in Southern Africa is viewed as a combination of economies with a powerless cutting edge or weak bases. Nonetheless, the nations of the EU are more advanced than the states in the Southern African sub-region which are mostly least developed countries (LDC). Southern Africa ought to accordingly step up with regards to set needs for its monetary arrangement or plan. By implication, it will help to discourse Africa's accumulation in expelling duty and non-charge barriers, and then further harmonised its markets. These imports will support in focusing the Southern Africa integration with the SADC on tangible, narrow and attainable outcomes with the right economic policies in place and pursued with strong political will from all its members' full commitments

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