



NATIONAL UNIVERSITY OF LESOTHO

THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC):
BUILDING RESILIENCE THROUGH REGIONAL INTEGRATION
AMIDST GLOBAL ECONOMIC CRISES

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DECLARATION

I, Katlego Tumo Koboyatau, solemnly declare that this mini dissertation has not been submitted for a qualification in any other institution of higher learning, nor published in any journal, textbook or other media. The contents of this dissertation entirely reflect my own original research, save for where the work or contributions of others has been accordingly acknowledged.

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ABSTRACT

Following the aspirations of the Front Line States to free their economies from dependency on Apartheid South Africa, an initiative was taken to establish the Southern African Development Co-ordination Conference (SADCC). As the years went by, the politically motivated conference was transformed into a regional community (Southern African Development Community (SADC)) wherein member states were to cooperate towards developing their economies. Impressive policies and legal instruments aimed at furthering cooperation through integration have since been developed within SADC. These have the potential of transforming the regional community into a utopia populated by industrialized economies which produce globally competitive products. However, this, has not been possible in the absence of leadership that is committed to the implementation of these policies and legal instruments. History has shown that, throughout the years, SADC has faced various economic challenges which originate from outside the region. These economic challenges have had detrimental effects on the economies of member states, even in the face of the aforesaid impressive policies and instruments. There is a need, therefore, for member states to ensure that arrangements aimed at promoting SADC regional integration are implemented and, that other means of cooperation are also considered, so as to enhance the region's resilience to external economic shocks.

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LIST OF ABBREVIATIONS AND ACRONYMS

ACRF	Association of Southeast Asian Nations Comprehensive Recovery Framework
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AFTA	Association of Southeast Asian Nations Free Trade Agreement
AEC	Association of Southeast Asian Nations Economic Community
AEM	Association of Southeast Asian Nations Economic Ministers
APTPA	Association of Southeast Asian Nations Plus Three Plan of Action
ASEAN	Association of Southeast Asian Nations
ASCC	Association of Southeast Asian Nations Socio-Cultural Community
AMS	Association of Southeast Asian Nations Member States
CEP	Closer Economic Partnership
CESARE	Cooperation for the Enhancement of Southern African Development Community Regional Economic Integration
COMESA	Common Market for Eastern and Southern Africa
CU	Customs Union
EU	European Union
EAC	East African Community
FDI	Foreign Direct Investment
FLS	Frontline States
FTA	Free Trade Area
GATT	General Agreement on Trade in Goods
GATS	General Agreement on Trade in Services

GFC	Global Financial Crisis
GPD	Gross Domestic Product
ICM	Integrated Committee of Ministers
ICT's	Information Communication Technologies
MSMEs	Micro Small and Medium Enterprises
MPAC	Master Plan on Association of Southeast Asian Nations Connectivity
NAMDEB	Namibia and De Beers Group
NATO	North Atlantic Treaty Organization
NTB	Non-Tariff Barriers
PTA	Preferential Trade Area
RCEP	Regional Comprehensive Economic Partnership Agreements
REC	Regional Economic Community
RIA	Regional Integration Agreement
RTA	Regional Trade Agreement
RISDP	Regional Indicative Strategic Development Plan
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
MSMEs	Micro Small and Medium Enterprises
SIPO	Strategic Indicative Plan for the Organ on Politics, Defence and Security
USA	United States of America
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organization

1. Chapter 1-Introduction

1.1 Background

Unlike its predecessor, which was established as a regional grouping and whose mandate was to reduce its member's economic dependency on the then apartheid South Africa,¹ the Southern African Development Community (SADC) was formed with an objective of stimulating cooperation among the Southern African countries.² On the 17th day of August 1992, the Summit of the Heads of State and Government was held in Windhoek, Namibia, where the heads of state and government of the Southern African Development Coordination Conference (SADCC) signed a Declaration and Treaty, which consequently gave SADC a legal character as a regional organization,³ consequently redefining cooperation into a legally binding arrangement.⁴ The regional arrangement previously known as the SADCC was, thus, transformed into a development community (SADC).⁵ This was with an objective of promoting sustainable and equitable economic growth and development through cooperation and integration.⁶ SADC currently consists of 16 member countries.⁷ It has a total population of about 300 – 372 million people and covers a region of 9.85 million km².⁸

The SADC region has achieved certain milestones which are in line with its objectives found under Article 5 of the SADC Treaty of 1992. For instance, SADC has moved a step further towards its objective of achieving the sustainable utilization of natural resources by adopting the Regional Indicative Strategic Development Plan (RISDP) 2020-2030 on Industrial Development and Market Integration. Under Pillar 1 of the RISDP, the region aims to foster an industrialized regional economy that uses its natural resources sustainably by 2030.⁹ In addition, in an attempt to promote intra-regional trade and deepen integration, the SADC member states have adopted the SADC Industrialization Strategy and Roadmap 2015-2063, after the realization that the SADC member

¹ Jack Magakwe, *The Activities of the SADC in Relationship to its Purpose Statement*, 2013.

² Daniel N. Mlambo, *Unearthing the Challenges and Prospects of Regional Integration in Southern Africa* 2018.

³ *Ibid.* 8

⁴ *Ibid.*

⁵ Mark Chingono and Steve Nakana, "The Challenges of Regional Integration in Southern Africa" (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

⁶ *Ibid.*

⁷ Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, United Republic Tanzania, Zambia, and Zimbabwe.

⁸ Mark Chingono and Steve Nakana, "The Challenges of Regional Integration in Southern Africa" (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

⁹ "What are some Achievements and Milestones in SADC" <https://www.sadc.int/faqs/> accessed 10 October 2022.

states lacked the capacity to produce globally competitive goods.¹⁰ The aim of the strategic plan is to promote economic transformation at both the national and regional levels, through industrial development.¹¹

These strategies and plans are among other SADC achievements that will be discussed throughout this study. It is, however, important to note that the focus on industrialization by the abovementioned plan and road map has, to some extent, shaped SADC's regional integration architecture to include cooperation among member states towards enhancing an industrialized region. It does not go without saying that this approach by SADC could bear fruits for the region because, industrialization is supportive of economic growth and of the production of competitive products. Further it may improve resource allocation and promote job creation.¹²

1.2 Problem Statement

The rationale behind regional integration is that, through banding together, countries can create mutual inter-dependence within their regional bloc.¹³ Consequently, such can, *inter alia*, increase members' resilience to external economic shocks that may be an impediment to their economic growth.¹⁴ Resilience to economic shocks can be understood as the ability of countries to adapt to, or, withstand, and recover from the effects of economic shocks on their economies.¹⁵ In addition, it also extends to the preparedness of these economies to face any new economic shocks that may come with the changing world.¹⁶ Regional integration can, therefore, be advantageous to states in that, through collectively working together, they can build or strengthen their resilience to economic shocks.¹⁷

The European Union (EU), as a regional bloc, can be commended for its integration success through the creation of a single market. The single market has led to the community experiencing

¹⁰ Iwan J. Azis, *Regional Cooperation and Integration in a Changing World*, 2013.

¹¹ *Ibid.* 3

¹² [Http://au.int](http://au.int) "industrializing the SADC region; strides, drawbacks and impact" accessed 18 May 2023

¹³ Jan in't, "The Economic benefits of the EU Single Market in goods and services" (2019) *Journal of Policy Modeling*.

¹⁴ Mark Chingono and Steve Nakana, "The Challenges of Regional Integration in Southern Africa" (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

¹⁵ Alastair McAslan, *The Concept of Resilience: Understanding its Origins, Meaning and Utility*, 2010.

¹⁶ *Ibid.*

¹⁷ Mark Chingono and Steve Nakana, "The Challenges of Regional Integration in Southern Africa" (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

high rates of economic growth.¹⁸ Trade flows in the EU have been boosted through the elimination of tariffs and reduction of non-tariff barriers (NTBs).¹⁹ As a result, this has increased outputs.²⁰ The EU single market stands as a great achievement and²¹ is an important source of Europe's economic resilience during times of crises.²² Through trade liberalization, The EU has managed to reduce the economic impacts of the 2008 global financial crisis (GFC) on its economies by facilitating the free movement of goods and services, which, as a result, enhanced the growth of businesses by enabling them to access larger markets.²³ On the other hand, the SADC regional bloc, despite the many years that it has been in existence, seems to lack resilience to external shocks. This can be seen from how external shocks have affected the region over the years.

In 2008/09, SADC export and aggregate output dropped below its potential level. This was a result of a fall in global output and demand caused by the 2008-09 global financial crisis.²⁴ In addition, the trade war between the United States of America and China has slowed down the global economy.²⁵ Consequently, economic activity in the SADC region has also slowed down, given the significant degree of trade between the region and the two economic giants.²⁶ The COVID-19 pandemic also slowed down trade in the SADC region. Due to the pandemic, restrictions on movement were implemented, and as a result, borders closed, and internal movements were contained. This had the effect of lowering demand of goods and services, production, and trade.²⁷

The Russian-Ukraine war has also taken a toll on the SADC region as global prices of wheat and petrol have risen since the war. As a result, this has caused prices of such commodities to rise at extremely high rates in SADC, as they are imported from the two countries.²⁸ It can be concluded

¹⁸ Oker Gurler, "Role and Function of Regional Blocs and Arrangements in the Formation of the Islamic Common Market" (2000) *Journal of Economic Cooperation*.

¹⁹ Jan in 't, "The Economic benefits of the EU Single Market in goods and services" (2019) *Journal of Policy Modeling*.

²⁰ *Ibid.*

²¹ *Ibid.*

²² European Commission, *EU Competitiveness beyond 2030: looking ahead at the occasion of the anniversary of the Single Market*, 2023.

²³ *Ibid.*

²⁴ Lesego Molefhe and Tlotlo Nkile, "Global Trade Tensions: Opportunities and Risks to the SADC Region" *The Research Bulletin*, Volume 35, No 1, 2022.

²⁵ *Ibid.*

²⁶ *Ibid.*

²⁷ *Ibid.*

²⁸ *Ibid.*

that, despite SADC's efforts in promoting regional integration, the region appears to lack resilience to different kinds of global economic crises.

1.3 Research Questions

The aim of this paper is to determine whether enhanced regional integration can strengthen the resilience of SADC to economic crises. To reach this determination, the study will interrogate the following questions:

- Can resilience to economic shocks be strengthened through regional integration?
- Is SADC resilient to global economic shocks?
- Why SADC might be vulnerable to external economic shocks?
- Does the SADC free trade regime encompass resilience as an objective and provide for such in its architecture?
- To what extent is the SADC regime adequate to strengthen resilience?

1.4 Significance of the Study

There is currently limited research on economic resilience as an aim of regional arrangements. This work aims to contribute to the realization that, since external shocks tend to have a negative effect on an integration agenda, for example in the SADC region, it is, thus, necessary for regions to develop policies that are aimed at strengthening resilience through regional integration. It argues that, through regional integration, the SADC region can become more resilient to external shocks. This is because regional integration enables regions to overcome external shocks by merging their economic and trade policies.

1.5 Scope of the Study

This study focuses on the SADC region and instruments of the SADC regional integration agenda being, of note:

1. the SADC Treaty;²⁹
2. the SADC Regional Indicative Strategic Development Plan (RISDP) 2020-2030;³⁰

²⁹ Treaty of the Southern African Development Community, 1992.

³⁰ Southern African Development Community (SADC) Regional Indicative Strategic Development Plan (RISDP) 2020-2030, Gaborone, Botswana, 2020.

3. the Regional Infrastructure Development Master Plan (RIDMP);³¹
4. the SADC Protocol on Trade;³²
5. the SADC Protocol on Trade in Services.³³

1.6 Literature Review

According to Schiff *et.al*, regional integration is beneficial to developing countries and it is an avenue that they should pursue as it has been proven to be pivotal to their economic development through market enlargement.³⁴ The same sentiments are shared by Kayizzi-Mugerwa *et.al*, who add that regional integration is beneficial for the purpose of economic growth and development in the sense that, giving local producer's access to regional markets will promote economic growth because competition will increase and, as it increases, so will efficiency and price convergence across member states and the region.³⁵

In addition, Chingono and Nakana offer the sentiments that economic growth and development can be fostered through states integrating their markets, consequently creating a larger economic space which will allow for economies of scale and, in turn, increase efficiency, attract foreign direct investment (FDI) which will, in turn, foster growth and development.³⁶ However, be that as it may, the economies of states in Regional Trade Agreements (RTAs) may still be vulnerable to external shocks, despite integration. While Pretorius *et.al*, explain that the recovery period of economies is reduced through regional integration,³⁷ Drewes posits that external shocks may still affect the economic growth and development of countries in RTAs because regional integration may not necessarily alleviate the initial impact of external shocks on their economies.³⁸

³¹ Southern African Development Community (SADC) Regional Infrastructure Development Master Plan (RIDMP), Maputo, Mozambique, 2012.

³² Protocol on Trade in the Southern African Development Community (SADC) Region, 1996.

³³ Southern African Development Community (SADC) Protocol on Trade in Services, 2012.

³⁴ Maurice W. Schiff and Alan L. Winters, Regional Integration and Development 2003.

³⁵ Steve Kayizzi-Mugerwa, John C. Anyanwu, Pedro Conceicao, "Regional Integration in Africa: An Introduction" (2014) African Development Review 26 pp. 1-6.

³⁶ Mark Chingono and Steve Nakana, "The Challenges of Regional Integration in Southern Africa" (2009) African Journal of Political Science and International Relations 3 pp. 396-408

³⁷ Ockert Pretorius, Mariske van Aswegen and Gerard Malan, "A Policy Approach towards Achieving Regional Economic Resilience in Developing Countries: Evidence from SADC" (2021) Sustainability 13, 2674.

³⁸ Ernest Drewes, The Spatial Integration of the SADC through Development Corridors 2016.

What can, therefore, be noted from the abovementioned literature is that regional integration is important for states as it unites them and creates an array of opportunities for economic growth and development, and resilience building. This study will build on the works of the authors, by explaining that regional integration can also be beneficial in that it can help build members' resilience to external shocks through the adaptation and implementation of arrangements aimed at deeper integration.

The SADC region has experienced unsatisfactory results pertaining to regional integration.³⁹ According to Sundkvist, the stimulation of successful regional integration in SADC is impeded by the numerous challenges and weaknesses that the region faces.⁴⁰ Hartzenberg explains that a market integration agenda for SADC is highlighted under the RISDP. Despite the RISDP not being a legally binding instrument, the author explains that it enjoys significant political legitimacy. However, be that as it may, such political legitimacy and commitment is not backed by means of effective implementation.⁴¹

The same sentiments are shared by Chingono and Nakana, who explain that, although the SADC region can be commended for the numerous protocols, agreements, and treaties it has signed, there is, however, little evidence of the execution of these regional instruments.⁴² Chingono and Nakana explain that another challenge for SADC is that the majority of the members are also members of other Regional Economic Communities (RECs),⁴³ for example, the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). The authors articulate that such multiple memberships are an impediment to deepening regional integration.⁴⁴ In light of these sentiments, it can be understood that, because of the challenges that SADC is faced with, regional integration is slowed down as opposed to it being deepened and, as a result, regional resilience is weakened. This work will illustrate how the challenges affecting regional integration

³⁹ Daniel N. Mlambo, *Unearthing the Challenges and Prospects of Regional Integration in Southern Africa* 2018.

⁴⁰ Daniel Sundkvist, *The Southern Development Community; A successful regional organization?* 2009.

⁴¹ Trudi Hartzenberg, "Regional Integration in Africa" (2011) WTO Staff Working Paper No. ERSD-2011-14.

⁴² Mark Chingono and Steve Nakana, "The Challenges of Regional Integration in Southern Africa" (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

⁴³ *Ibid.*

⁴⁴ *Ibid.*

in SADC have slowed down regional integration in the region, which consequently has the effect of weakening the region's resilience, therefore making it vulnerable to external economic shocks.

It is worth noting that SADC was regarded as the most successful regional bloc in the early 1990's.⁴⁵ However, further integration was hindered due to the abovementioned challenges that the region faces. In order to take advantage of regional integration, SADC must improve its efforts in overcoming the challenges that hinder integration in the region. It is important that every member state of the SADC regional block is committed to such a goal.

The 21st Century is an era of globalization, and such globalization has accelerated the pace at which the world is changing. As argued by Rodin in her book *The Resilience Dividend: Managing Disruption, Avoiding Disaster and Growing Stronger in an Unpredictable World*, disruption is a regular occurrence and fundamental future of a globalized world.⁴⁶ Further, that the interconnectedness of a globalized world results in one shock being a trigger for another kind of shock.⁴⁷ For example, the Russian-Ukraine war has significantly damaged infrastructure in the countries, as a result, businesses are crippled and the global trade chain has become disrupted. Consequently, livelihoods are disturbed, and the result thereto is a widespread economic shock, which is triggered by the geopolitical disturbance.

With reference to the abovementioned, Chingono and Nakana are of the view that globalization is a process which rides on the back of technologies, and that therefore, SADC can reposition itself in a strategic way that will help it benefit from the globalization phenomenon, as it presents various opportunities for regional integration.⁴⁸ However, as argued by Itai *et.al*, SADC remains vulnerable to external disturbances in the global world.⁴⁹ The reason why SADC remains vulnerable to external economic shocks remains the same as discussed above. What is paramount to note is that, although globalization and the interconnectedness of economies make economic shocks to travel across borders, SADC needs to position itself in a way that it can benefit from

⁴⁵ Daniel Sundkvist, *The Southern Development Community; A successful regional organization?* 2009.

⁴⁶ Judith Rodin, *The Resilience Dividend; managing disruption, avoiding disaster and growing stronger in an unpredictable world* 2014.

⁴⁷ *Ibid*.

⁴⁸ Mark Chingono and Steve Nakana, "The Challenges of Regional Integration in Southern Africa" (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

⁴⁹ Tanyanyiwa V. Itai and Hakuna Constance, "Challenges and Opportunities for Regional Integration in Africa: the Case of SADC" (2014) *IOSR Journal of Humanities and Social Science* 19 pp. 103-115.

globalization. The interconnectedness of economies has made countries within the region, and from outside of the region, depend on one another. Due to such dependency, perhaps it would be more beneficial if the region works together with its key external partners to strengthen their resilience against common external shocks. With reference to the latter, key external partners can be understood as countries outside the SADC region which have positive relations with SADC. For instance, countries like Germany may be regarded as one of SADC's key external partners, as it has continuously contributed to supporting the region through various initiatives.⁵⁰ An example of such initiatives is the Cooperation for the Enhancement of SADC Regional Economic Integration (CESARE).

The CESARE is a cooperation programme between SADC and Germany, which was initiated in 2018. The programme supports the SADC Secretariat efforts towards industrialization and trade,⁵¹ and it was initiated after realizing the importance of regional integration for the people in Southern Africa.⁵² To that end, it is therefore important to note that that regional integration may also include not only internal commitment by member states, but should also extend to how the region relates with external partners, as such relations can prove to be fundamental in a globalized world.

According to Pretorius and Gumbo, in an article titled; *Evidence to Inform Resilience Policy in the SADC: Current Limitations and Future Research Areas*, external economic shocks have the potential of disrupting internal production systems in developing countries. As a result, this could inhibit economic development in these countries. For instance, the Gross Domestic Product (GDP) growth in SADC fell from 6.5% to 0.3% during the Global Financial Crisis. In addition, Karimi and Keshavarz explain that external shocks related to climate change have an effect of crippling economic production in developing countries, where agricultural production is affected by changes in the natural environment.⁵³

Taking this into account, regional integration should be used as a tool to help countries to avoid and to recover from these effects of external economic shocks. As earlier explained, regional

⁵⁰ Jana Schlegel, German Development Cooperation with SADC, 2016.

⁵¹ Ibid.

⁵² Ibid.

⁵³ Karimi V. and Keshavarz M, "Adaptation to Climate Change through Agricultural Paradigm Shift" (2021) Environment, Development, Sustainability 23 pp. 5465-5485.

integration can lead to economic growth and development. This can be done through regional policies that aim at industrialization and development. When countries develop and are industrialized, their production systems may become more resilient to external economic shocks. Resilient production systems may consequently be able to absorb the impacts of external economic shocks and could, thus, be able to continue their production processes without disruption.

The researcher has used this literature to help determine whether SADC's resilience can be strengthened at the sub-regional level through formulating and implementing regional policies that are aimed at building resilience within the region. There seems to already be a number of regional policies that are aimed at enhancing regional integration in SADC, however, these policies are quite silent as to how regional integration can be used as a tool aimed towards building the regions resilience against external economic turmoil.

1.7 Hypothesis

Regional integration offers various opportunities for participating states. However, because of the challenges and weaknesses faced by the SADC, successful attempts at regional integration are impeded. This, consequently, makes the region more vulnerable to external shocks. This study undertakes to conclude that regional integration can build member's resilience to external shocks.

1.8 Methodology

To determine whether regional integration can strengthen the resilience of SADC to economic crises, the study will undertake qualitative research. The study has collected secondary data through the desk study method of data collection. Such data will be sourced from materials such as journal articles, books, case studies, and reports, regional instruments (such as policies, and regional protocols), and online websites, such as the SADC website. Primary data, on the other hand, will be collected through semi-structured interviews. Four participants have been purposively sampled for the semi-structured interviews. These participants include an Academic from the University of Botswana law department, who is a senior lecture and specializes in the law of African regional integration. Another participant is a Programme Officer from the SADC Secretariat, and the third participant is Head of research at the Botswana Investment and Trade Centre. Lastly, the fourth participant is an operational worker at DEBSWANA, which is a mining company in Botswana.

1.9 Chapter breakdown

Chapter 1: Introduction

Chapter 1 is a detailed general introduction to the study. It serves as an introduction of what the study is about. It contains the problem that the study addresses. In addition, it contains the research questions, the hypothesis, the scope and purpose of the study, the significance of the study and an overview of literature that is used throughout the study.

Chapter 2: Conceptualization, Rationale and Benefits of Regional Integration

Chapter 2 expounds on the concept of regional integration. It examines what the concept of regional integration means and highlights the rationale for regional integration, focusing on the buttressing of economic resilience.

Chapter 3: Overview of SADC Background, Challenges and Opportunities

The chapter gives an overview of the SADC, how it was established and its founding instruments. The chapter also addresses some of the challenges that the SADC faces.

Chapter 4: Globalization of Crises

The chapter examines the effects of globalization on crises. The chapter highlights the different global economic crises that have hit the world and how these different economic shocks have affected SADC.

Chapter 5: Regional Integration and Economic Resilience: A Case Study of ASEAN

The chapter serves as a comparative analysis of how the Association of Southeast Asian Nations (ASEAN) integration model has become such a success and discusses whether it has strengthened the resilience of the region to external economic shocks.

Chapter 6: Conclusions and Recommendations

Chapter 6 is the conclusion of the study and recommendations thereto. The conclusion and recommendations are made based on the findings of the research.

2. Chapter 2 – The Conceptualization, Rationale, and Benefits of Regional Integration

2.1 Introduction

Regional integration can be understood as a multifaceted process, which can cover different issues, such as economic and political interests.⁵⁴ Because of the variety of issues that may be encompassed, the content and the form of the process will vary.⁵⁵ This nature of regional integration has led to a lack of consensus on a clear and precise definition and understanding of the concept.⁵⁶ Be that as it may, it can generally be accepted that regional integration is a political choice or consensus that is reached by a group of states, in most cases from the same region, to achieve a common purpose though cooperating.⁵⁷ Regional integration usually kick starts with economic integration. As it continues, it draws members to a non-economic integration among themselves, as it deepens into a more political integration.⁵⁸

This chapter provides an overview of the concept of regional integration, its rationale and how it may benefit member states in a regional grouping. As it will be discussed herein, regional integration comes with certain advantages which member states in a regional grouping can take advantage of to help develop their economies and improve their position in the global economy.⁵⁹ Moreover, through coordinating and working together, member states are in a position to deal with common issues that they face.

2.2 The Conceptualisation of Regional Integration

There seems to be a lack of clarity and consensus on the guiding paradigm for regional integration and how to achieve it.⁶⁰ However, a definition of regional integration can be constructed in line

⁵⁴ ECLAC, *Regional Integration: towards an inclusive value chain strategy*, 2014.

⁵⁵ Ibid.

⁵⁶ Mark Chingono and Steve Nakana, “The Challenges of Regional Integration in Southern Africa” (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

⁵⁷ Lolette Kritzing-van Nickerk and Emmanuel Pinto Moreira, “Regional Integration in Southern Africa; Overview of Recent Developments” (2002), The World Bank.

⁵⁸ Donghyun Park and Mario Arturo Ruiz Estrada, “A New Multi-Dimensional Framework for Analyzing Regional Integration: Regional Integration Evaluation (RIE) Methodology” (2010) ADB Working Paper Series on Regional Economic Integration.

⁵⁹ Dima Noggo Sarbo, “Re-Conceptualizing Regional Integration in Africa: The European Model and Africa’s Priorities,” (2013) GEG Working Paper, No. 2013/78.

⁶⁰ Mark Chingono and Steve Nakana, “The Challenges of Regional Integration in Southern Africa” (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

with the dimensions that it manifests.⁶¹ Regional integration can be defined along the lines of three dimensions.⁶²

- The first dimension is the geographical scope. This dimension illustrates that there are a number of countries involved in a regional integration arrangement. For instance, the geographical scope will illustrate that the Southern African Development Community (SADC) for example, is a regional grouping with a membership composition of 16 countries.
- The second dimension is the substantive coverage, which speaks to the content of the arrangement.⁶³ The substantive coverage of SADC can be found in its instruments such as treaties and protocols, as they highlight the aims and objectives of the region.
- The third dimension is the depth of integration. This aspect deals with the degree of sovereignty a state is ready to surrender in order to deepen integration.⁶⁴

Dar explains that the amalgamation of the three dimensions lays a formal structure of regional integration.⁶⁵ Thus, regional integration can be defined as a process whereby geographically contiguous states enter into cooperation agreements and engage with one another in order to achieve their common interests. These interests will be reflected by the substantive coverage of the arrangement.

El-Agraa⁶⁶ explains that economic integration has been generally accepted by international trade economists to mean a process involving the amalgamation of separate economies into larger free trading areas.⁶⁷ He further explains that the paramount aspect of economic integration is that it is concerned with the removal of trade impediments between participating parties.⁶⁸ Further, he explains that economic integration involves the establishment of either a preferential trading area

⁶¹ Lolette Kritzinger-van Nickerk and Emmanuel Pinto Moreira, “Regional Integration in Southern Africa; Overview of Recent Developments” (2002) The World Bank.

⁶² Ibid.

⁶³ Ibid.

⁶⁴ Ibid.

⁶⁵ Zain Salman Dar, *Regional Integration; Regional Integration as a Concept for Economic, Social and Political Development*, 2018.

⁶⁶ Ali M. El-Agraa, *Economic Integration Worldwide* (1997), Macmillan Press Ltd.

⁶⁷ Ibid.

⁶⁸ Ibid.

(PTA), a free trade area (FTA), a Customs Union (CU), or a common market,⁶⁹ all which are aimed at trade liberalization. De Melo⁷⁰ argues that economic integration can fall under two categories. First is the modest category, which, as argued by De Melo, seeks either a PTA, or an FTA. Secondly, is the deep integration category, which seeks to establish a CU and a common market. The two authors are *ad idem* as far as appreciating that economic integration consists of different levels or forms, which are aimed at eliminating barriers to trade. Janus⁷¹ on the other hand, defines economic integration in two perspectives. The first perspective describes economic integration as a status. This he terms the static perspective. The static perspective involves a status in which barriers to trade have been abolished.⁷² The second perspective he terms the dynamic perspective and explains that this perspective describes economic integration as a process of gradual reduction and/elimination of trade barriers.⁷³

In light of the above-mentioned submissions, regional integration can, thus, be defined as an agreement between geographically contiguous countries in a region, with an objective to reduce and, consequently, to eliminate, all trade barriers between themselves. The removal of trade barriers between member states is aimed at facilitating the free flow of goods and services among member states, thus, enlarging the regional market, and improving competitiveness in the global market, among other advantages. Scholars, such as Makhan and Itai *et.al*, explain that these reasons are the rationale behind regional integration. On the other hand, authors such as Chingono and Nakana are of the opinion that the rationale behind regional integration is also that, through banding together, countries in the same region will be able to address similar challenges that they face. These authors' perspectives on the rationale for regional integration are further elaborated below.

⁶⁹ Ibid.

⁷⁰ Jaime De Melo, *New Dimensions in Regional Integration*, 2003.

⁷¹ Hartmut Janus, *Regional Economic Integration: Theoretical Concepts and their Application to the ASEAN Economic Community*, 2016.

⁷² Ibid.

⁷³ Ibid.

2.3 The Rationale for Regional Integration

Globalization has created equal opportunities for states to compete in the global market.⁷⁴ However, states are differently endowed with capabilities to exploit these opportunities.⁷⁵ This consequently leads to inequality in competition in the global markets.⁷⁶ Makhan,⁷⁷ posits that the rationale for regional integration, in the context of globalization, is that, by joining together, states will be able to maintain or improve their competitiveness in the globalized markets; which will enhance their development. The states can, thus, enhance their competitiveness by, for example, pooling their resources together in a bid to improve their infrastructure, (such as their transportation networks, which would lead to the smoother flow of trade), or by sharing their expertise in relation to producing more competitive products.

Hettne *et.al* agree that, in order to arrest their marginalization, developing countries should consider integrating their economies.⁷⁸ Furthermore, Itai *et.al*, in their article titled *Challenges and Opportunities for Regional Integration in Africa: The Case of SADC*, suggest that the integration of the small African states provides a larger demand base,⁷⁹ as the regional market is enlarged due to the elimination of trade barriers. A larger market is argued to lead to more potential trade as it may attract investors from other countries from outside the region to invest, due to more trade opportunities. As a result, economic growth within the region may be promoted though trade as the main engine.

Countries also enter into regional integration agreements for reasons other than economic ones. Notwithstanding the fact that the scope of this study mainly focuses on economic integration, it is, however, worth noting these other reasons, as a representation of how regional integration can be used by countries. This, in turn, will enable one to comprehend the underlining rationale behind regional integration, and thus build from it, another perspective as to why countries integrate. In an interview with the African Development Bank (AfDB), the then Director of the World Bank's

⁷⁴ Vijay S. Makhan, *Policy Consensus, Strategy Vacuum: A Pan-African Vision for the 21st Century*, (1997), MacMillan Press Ltd.

⁷⁵ Ibid.

⁷⁶ Ibid.

⁷⁷ Ibid.

⁷⁸ Hettne B, Inotia A, Unkel O, *Globalization and the New Regionalism*, 1999, MacMillan Press Ltd.

⁷⁹ Tanyanyiwa, Vincent Itai and Hakuna Constance, "Challenges and Opportunities for Regional Integration in Africa: The Case of SADC," (2014) IOSR Journal of Humanities and Social Science, Vol 19, no 12, pp. 103-115.

Regional Integration Department, Mark Tomlinson, explained that regional integration offers possibilities to, more effectively, address regional common challenges, such as migratory diseases and climate change.⁸⁰ In addition, Schneider argues that countries enter into regional integration agreements, for security benefits.⁸¹ This can be done through fostering cooperation aimed at reducing tensions among and within member countries. The military intervention by SADC military troops against the Islamic rebels in Mozambique, known as the al-Shabaab, who attacked the country in 2017, is a typical example of member states in a regional integration agreement coming together to reduce tensions within another member state.

Although the abovementioned reasons are politically and security motivated, the overarching idea is that regional integration can be used to help member states overcome common challenges. From an economic aspect, these challenges can be in the form of external economic shocks that affect member states in a region similarly. Therefore, with reference to the fact that regional integration can be used to address regional commons, it is thus reasonable to suggest that regional integration can be used to address challenges such as external economic shocks. Chingono and Nakana also share the same opinion and explain that geographically contiguous countries usually have similar challenges, be it economic, security or socio-political.⁸² Therefore, by integrating their economies, these countries may benefit from creating mutual inter-dependence geared towards addressing these challenges.⁸³

As it will be further explained below, it should, however, be noted that regional integration may bring about negative effects where trade diversion created by regional integration outweighs the trade creation gained from regional integration. This, however, does not do away with the fact that regional integration can be used by countries in their quest to enhance economic growth and development, improve competitiveness in the global market, create a larger market for trade, and to address common concerns.

⁸⁰ African Development Group, (2008), Interview with Mark Tomlinson-The African Development Bank and World Bank Focus on Improving Regional Integration.

⁸¹ Christina J. Schneider, “The Political Economy of Regional Integration” (2017), *The Annual Review of Political Science*.

⁸² Mark Chingono and Steve Nakana, “The Challenges of Regional Integration in Southern Africa” (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

⁸³ *Ibid.*

2.4 The Benefits of Regional Integration

Trade is a pivotal tool for economic development and growth.⁸⁴ Free trade can lead to domestic economies benefiting from an increase of competitiveness in the local market.⁸⁵ Lipsey⁸⁶ explains that one of the ways in which countries may benefit from a customs union is through forced change in efficiency, due to increased foreign competition. In other words, as a result of free trade, citizens will be in a position to procure goods and services from the cheapest sources.⁸⁷ This, as a result, will enhance efficiency in local production, so as to enable local products to compete with foreign ones. In addition, regional integration is also beneficial because, by removing barriers to trade, resources will be directed to those products that are in demand, therefore improving resource allocation.⁸⁸

Regional integration is also beneficial for the purpose of generating welfare gains through free trade agreements.⁸⁹ Such welfare gains may come about when consumers start to gain from low domestic prices caused by competition from external products in the domestic markets.⁹⁰ However, because free trade agreements may lead to domestic producers losing profit as they lower their prices, and government losing revenue from tariffs, an overall gain in national welfare will result where consumer gain exceeds other losses caused by the free trade agreements.⁹¹ Similarly, Alemayehu and Haile, suggest that free trade will only improve the welfare of member countries if regional integration leads to a net of trade creation.⁹² According to Winters, one of the fundamental effects of regional integration can either be trade creation or trade diversion.⁹³ Trade creation occurs when, as a result of preferential tariff reduction, imports from efficient producers

⁸⁴ Economic Commission for Africa, *Assessing Regional Integration in Africa IV; Enhancing Intra-African Trade*, (2010), United Nations Economic Commission for Africa.

⁸⁵ Ibid.

⁸⁶ R. G. Lipsey, "The Theory of Customs Unions: A General Survey," (1960), *The Economic Journal*, Vol. 70 no 279, pp. 496.

⁸⁷ Alemayehu and Haile, *Regional Economic Integration in Africa: A Review of Problems and Prospects with a Case Study of COMESA*, (2007).

⁸⁸ United Nations Economic Commission for Africa, *Assessing Regional Integration in Africa I: ECA Policy Report*, (2004), United Nations Economic Commission for Africa; United Nations Trade and Regional Integration Division.

⁸⁹ Ibid.

⁹⁰ Alan Matthews, *Regional Integration and Food Security in Developing Countries*, 2003.

⁹¹ Ibid.

⁹² Alemayehu and Haile, *Regional Economic Integration in Africa: A Review of Problems and Prospects with a Case Study of COMESA*, (2007).

⁹³ L. Alan Winters, "Regionalism for Developing Countries; Assessing the Costs and Benefits," (2001), *Regionalism and Globalization; Theory and Practice*, Routledge.

within the region, displace higher-cost local production.⁹⁴ Consequently, real resources are saved if high-cost production is cut through trade creation. Trade diversion, on the other hand, occurs when the preference allows more expensive goods produced within the region to displace those that would have otherwise been purchased at a lower cost from non-members.⁹⁵ This would mean that resources would be lost when purchasing expensive products from a less efficient member state. Therefore, Schiff and Winters are of the opinion that the welfare effect of regional integration will depend on the balance between trade creation and trade diversion.⁹⁶

Other benefits of regional integration are that it is a potential engine to promote production and export diversification, thereby increasing the prospects of growth and development.⁹⁷ Further, that regional integration may promote the transmission of technological innovations, as new and technologically advanced products enter markets which are less technologically advanced. What is important to note from this discussion on the benefits of regional integration is that, through regional integration, member states can be in a position to compete with more advanced economies in the global market due to the gains that they would have received from regional integration.

2.5 Conclusion

This chapter has discussed the conceptualization, rationale, and benefits of regional integration. From the discussions, it is evident that regional integration is important for countries as they can use it to enhance their economic growth, and collectively address matters of common concern. For developing countries, such as those in the SADC region, regional integration can help them to overcome their marginalization in international trade by enlarging their market and enhancing more trade opportunities for the region. However, SADC is faced with several challenges that impede its goals to deepen regional integration, and therefore, it is yet to see and reap the full benefits of regional integration. Be that as it may, SADC still has certain opportunities which can strengthen the regional integration agenda and, if it takes advantage of them, the region will be in

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Schiff and Winters, *Regional Integration and Development*, (2003), World Bank.

⁹⁷ Steve Kayizzi-Mugerwa, John C. Anyanwu, Pedro Conceicao, *Regional Integration in Africa: An Introduction*, *African Development Review* 26 pp. 1-6, 2014.

a position to enjoy the full benefits of regional integration. The following chapter will discuss these challenges and opportunities that SADC is faced with in this.

3. Chapter 3 – The Southern African Development Community: Overview, Challenges and Opportunities

3.1 Introduction

This chapter provides an overview of the SADC region. The first part outlines the historical background of the Southern African Development Community (SADC). It explores how the region was transformed from a Coordinating Conference into a Community, including the legal instruments that established the community. In addition, it analyses some of the challenges that the region faces which have become impediments to deepening regional integration. Notwithstanding the challenges, it is argued that SADC has come to be known as a region which represents the potential to become a successful trading bloc, and which could forge a bright future for the member states and their peoples by taking advantage of the opportunities presented to it. These opportunities will also be discussed in this chapter.

3.2 Historical Background and Evolution

The idea of a regional grouping in the southern part of Africa took root in the aspirations of the Frontline States⁹⁸ (FLS) when they came together to establish the Southern African Development Coordination Conference (SADCC) on the 1st of April 1980 and adopted the Lusaka Declaration.⁹⁹ Prior to 1980, the foreign ministers of the FLS had met in Gaborone, Botswana in May 1979, where they agreed to convene an international conference in Arusha, Tanzania in July of the same year. The mandate of the international conference would be to discuss economic cooperation among the FLS. Shortly after the meeting in Gaborone, the FLS government representatives met in July 1979, at the Arusha Conference, as agreed in the Gaborone meeting.¹⁰⁰

The result of the conference was the recommendation that there be established a formal structure to coordinate efforts towards regional cooperation within Southern Africa.¹⁰¹ As a result, the leaders of the FLS met in Lusaka on the 1st of April 1980 and launched the Southern African Development Coordination Conference (SADCC).¹⁰² History shows that the driving factor that led

⁹⁸ Angola, Botswana, Mozambique, Namibia, Tanzania, Zambia, and Zimbabwe.

⁹⁹“SADC Major Achievements and Challenges; 25 Years of Regional Cooperation and Integration” <http://www.sadc.int/> accessed on 4th January 2023.

¹⁰⁰ Ibid.

¹⁰¹ Ibid.

¹⁰² “SADC Major Achievements and Challenges; 25 Years of Regional Cooperation and Integration” <http://www.sadc.int/> accessed on 4th January 2023.

to the establishment of SADCC was the aspirations of the FLS to emancipate themselves from economic dependency on apartheid South Africa. A further discussion follows as it will help aid comprehension of the background that SADC was built from, and, thus, to appreciate the form of cooperation that the regional grouping undertook at its inception.

The period between the 1960s and 1980s saw a number of Southern African states gain independence.¹⁰³ However, most of these newly independent states were economically dependent on South Africa since they were not developed. For example, after gaining independence from Britain in 1966, Botswana was the second poorest country in the world. The country had a per capita income that was less than \$100¹⁰⁴ and approximately a total of 12km of tarred roads in the whole country.¹⁰⁵ Botswana's infrastructure development was almost absent, having no hospitals and universities.¹⁰⁶ Botswana not being developed made it economically dependent on South Africa. For instance, it relied on South Africa's transportation routes to transport goods. At that time, South Africa was the most developed county in the Southern part of Africa. Its's infrastructural development and transportation routes, such as the railway from South Africa to Rhodesia (now Zimbabwe), which cut across Botswana, was one of the developments that other Southern African countries, like Botswana, relied on for transportation.

Seeing that most of the Southern African states were economically dependent on it, South Africa, proposed a strategy or design for its continued economic domination over the Southern African states through the idea of the Constellation of Southern African Sates (CONSAS). The CONSAS was motivated by PW Botha, who was the state president of South Africa in 1984.¹⁰⁷ This proposal came at the time during which South Africa had laws which segregated white South Africans and black South Africans. This was a time in the history of South Africa known as Apartheid, the literal meaning of which is understood to be apartness. This apartness was seen in laws which forced South Africans to live in designated areas according to their race; black South Africans were not

¹⁰³ Democratic Republic of the Congo 1960, Madagascar 1960, Tanzania 1964, Zambia 1964, Malawi 1964, Botswana 1964, Lesotho 1966, Swaziland 1968, Mauritius 1968, Angola and Mozambique in 1974/5, and Zimbabwe in 1980.

¹⁰⁴ A. V. Lionjanga and V. Raman, "Transportation and Economic Development in Botswana: A Case Study," (1990), Transportation Research Records 1274.

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

¹⁰⁷ Thede N, "SADCC: Autonomy or Submission? A Post-Apartheid South Africa," (1993), International Political Economy Series, pp. 31-52.

to mix with white South Africans.¹⁰⁸ To that effect, the CONSAS was a design which was to include South Africa's neighbouring states in a bid to create an economic zone that would protect the Apartheid government.¹⁰⁹ Therefore, as a buffer and counter to the CONSAS proposal, the FLS met to pave a way for the establishment of SADCC.¹¹⁰

SADCC's strategy towards economic emancipation was to promote development within its member states through cooperation. At the centre of it was transportation infrastructure. Seeing that they heavily relied on South Africa for transportation, transportation infrastructure was made a priority so as to lessen dependence on South Africa. To that end, SADCC adopted a Programme of Action that identified economic activities and development projects to be pursued.¹¹¹ The Programme of Action was a project-based approach which assigned each member to particular projects. For instance, Mozambique was responsible for transport and Angola for energy.¹¹² However, this strategy of a project-based approach was just that: a project-based approach. This meant that members were individually responsible for a certain project towards development. Thus, a coordination of each member state's development project would lead to overall development among the member states.

A regional integrative strategy would require members to pool resources together towards attaining a common economic goal. For instance, to develop transportation channels for the smooth flow of trade. The project-based approach didn't highlight any regional integration strategy and, as emphasised by Lee in her book *The Political Economy of Development in Southern Africa*, the project-based strategy proved to deter cooperation and development at the regional level.¹¹³ Evidence shows that members were not benefiting from this approach at a regional level. This was because the project-based approach led members were to focus on their own development goals. Ironically, this also led countries, such as Lesotho, to bind themselves economically to the same South Africa that they were trying to break away from. For instance, in a bid to promote their

¹⁰⁸ Maxi Schoeman, *From SADCC to SADC and Beyond: the Politics of Regional Integration*, 2010.

¹⁰⁹ Kalley J.A, *Southern African Political History: A Chronology of Key Political Events from Independence to Mid-1997*, 1999.

¹¹⁰ Arnold J. Temu and Joel das N. Tembe, "Southern African Liberation Struggles 1960–1994: Contemporaneous Documents," (2019), ISBN, Vol.1, pp. 3-71.

¹¹¹ "SADC Major Achievements and Challenges; 25 Years of Regional Cooperation and Integration" <http://www.sadc.int/> accessed on 4th January 2023.

¹¹² Ibid.

¹¹³ Margret C. Lee, *The Political Economy of Development in Southern Africa*, 1989.

development, Lesotho entered into a \$3 billion Lesotho Highlands Water Scheme with South Africa. This project only benefited Lesotho as it led to a substantial economic boom in its capital, Maseru.¹¹⁴

Therefore, Mlambo explains that enhancing regional integration in Southern Africa meant that SADCC had to have a more robust and specific vision towards regional integration.¹¹⁵ SADCC needed to shift away from its original objective, which was political – i.e., to reduce its members’ economic dependency on apartheid South Africa, through its project-based approach - to a mandate where intra-regional trade, socio-economic collaboration, political and security cooperation were to be stimulated.¹¹⁶ Consequently, in furtherance of this, on the 17th of August 1992, the Heads of State and Government of the 9 states¹¹⁷ met in Windhoek, Namibia where they signed the SADC Treaty.¹¹⁸ The signing of the SADC Treaty transformed SADCC from a coordination conference into the Southern African Development Community (SADC). This redefined the basis of cooperation from a loose association into a legally binding arrangement, with a firmer stance towards regional integration.

The signing of the SADC Treaty only initiated the first step towards transforming the conference into a community. The actual change started with the restructuring of the SADCC institutions. Before it was SADC, the conference had four institutions which had different responsibilities. These institutions were:

- the Summit of Heads of State/Government, which had the responsibility for overall policy direction and control of the functions of the Conference.¹¹⁹
- the Council of Ministers, which was, responsible for reporting to the Summit. Moreover, it oversaw the work and development of SADCC and approved SADCC policies.¹²⁰

¹¹⁴ Richard F. Weisfelder, “Collective Foreign Policy Decision-Making within SADCC: Do Regional Objectives Alter National Policies?”, (1999) *Africa Today*, Vol.38, No.1, pp. 5-17.

¹¹⁵ Daniel N. Mlambo, *Unearthing the Challenges and Prospects of Regional Integration in Southern Africa*, 2018.

¹¹⁶ Tanyanyiwa Vincent Itai, and Hakuna Constance, “Challenges and Opportunities for Regional Integration in Africa: The case of SADC,” (2014), *Journal of Humanities and Social Sciences*, 19 (12), pp. 103 – 115.

¹¹⁷ Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

¹¹⁸ Treaty of the Southern African Development Community 1992.

¹¹⁹ “SADC Major Achievements and Challenges; 25 Years of Regional Cooperation and Integration” <http://www.sadc.int/> accessed on 4th January 2023.

¹²⁰ Ibid.

- the Standing Committee of Officials, which stood as a technical advisory committee to the Council of Ministers.
- the Secretariat, which was responsible for the coordination and management of the SADC programmes.¹²¹

The transformation of these institutions occurred to allow for an effective change from SADCC to SADC. The need to transform these institutions came after the SADC members realized that it would be challenging to transform from a conference to a community if these institutions were also not transformed. This was because the old institutions were mostly characterized by a high degree of political commitments, given the history of the establishment of its predecessor. The new SADC had a to have institutions that were more in line with its new aspirations, being concrete programmes of community building and integration, thus, leading to the inception of a new strategy towards cooperation within region.

Ultimately, the transformation of the institutions saw the twenty one (21) sectors, based in each SADC member states, being restructured into four clusters that were located at the SADC headquarters at Gaborone, Botswana.¹²² As already explained, the project-based approach assigned member states to a diverse range of development issues, which were grouped into 21 sectors. These sectors ranged from health, to trade, to investment, tourism, and mining. SADC's new structure was now characterized by four Directorates; Trade and Industry, Finance, and Investment, Social and Human Development and Special Programmes, and Infrastructure and Services.¹²³

3.3 Integration Instruments

Ever since it was established, SADC has formulated and developed a number of instruments which have regional integration objectives installed in them. For instance, SADC has developed Protocols focusing on cooperation in a number of areas. These Protocols, and other SADC instruments, provide the legal framework for cooperation among the SADC members and act as blueprints towards fostering regional integration within SADC.

¹²¹ Ibid.

¹²² Hugh McCullum, "SADC Puts on a New Face as Restructuring Starts," (2001), SADC Today, Vol. 4, No. 4, pp. 1-9.

¹²³ Ibid.

3.3.1 The SADC Treaty

The SADC Treaty was signed on the 17th of August 1992 by the Heads of State and Government of the SADCC in Windhoek, Namibia. The Treaty had the effect of redefining cooperation among the member states by transforming the region from a loose association into a formal organization with a legally binding agreement.¹²⁴ Cooperation has been redefined to include a more integrated approach towards attaining the objectives, which, in terms of the of the SADC Treaty,¹²⁵ are the following;

- to promote peace and security,
- to promote poverty alleviation,
- to enhance the standard and quality of life of the people of Southern Africa, and
- to support the socially disadvantaged through regional integration.

These objectives, as per the SADC Treaty, are to be achieved through increased regional integration built on democratic principles, such as the rule of law and equitable and sustainable development.¹²⁶ In addition, the SADC Treaty as per Article 21 thereof, states out areas in which member states shall cooperate in order to foster regional development and integration.¹²⁷ Moreover, the SADC Treaty mandates member states to pursue cooperation through the appropriate SADC institutions.¹²⁸ Therefore, each institution could be understood as having a specific role to play towards enhancing regional integration, and thus they can be considered as the fundamental organs piloting regional integration in SADC.¹²⁹

With reference to the abovementioned, in accordance with the SADC Treaty, member states have agreed to cooperate on areas such as infrastructure and services.¹³⁰ To that end, cooperation in areas of infrastructural development such as, transportation networks, may promote regional integration in SADC as such cooperation could enhance regional connectivity, and improve access to regional markets. SADC aims at facilitating such cooperation through strategic frameworks

¹²⁴ SADC Secretariat, Status of Integration in the Southern African Development Community (SADC), 2019.

¹²⁵ Article 5 of the SADC Treaty 1992.

¹²⁶ Article 5 of the SADC Treaty 1992.

¹²⁷ Article 21 (1) of the SADC Treaty 1992.

¹²⁸ Article 21 (2) of the SADC Treaty 1992.

¹²⁹ A Saurombe, "the Role of SADC Institutions in Implementing SADC Treaty Provisions Dealing with Regional Integration," (2012), Potchefstroom Electronic Law Journal, 15 (2), pp. 454-569.

¹³⁰ Article 21 (2) (b) of the SADC Treaty 1992.

such as the Regional Infrastructure Development Master Plan (RIDMP) which aims at enhancing cross-border infrastructure projects, such as transport, so as to allow for the ease of trade.¹³¹

3.3.2 SADC Regional Indicative Strategic Development Plan (RISDP) 2020-2030

In addition to the SADC Treaty, another instrument of importance is the SADC Regional Indicative Strategic Development Plan (RISDP) 2020-2030. The RISDP aims to promote infrastructure development in support of regional integration. Complimentary to it is the SADC Vision 2050, which aims at deepening regional integration in SADC by the year 2050. The RISDP, coupled with the SADC Vision 2050, provide a blueprint for the implementation of SADC's regional integration and development agendas.¹³² They both have priority areas, such as industrial development and market integration, which provide guidance for the political leaders of member states to use as frameworks for the adoption and implementation of industrial policies aimed at transforming the SADC economies and encourage trade within the region.¹³³

Although the SADC Industrialisation Strategy and Roadmap 2015-2063 is a strategy by SADC which aims to achieve major economic and technological transformation at both national and regional levels and to accelerate the economic growth of SADC countries, which is in line with SADC pillar towards industrial development and market integration, industrialization, however, does not happen in a vacuum. Rather, industrialization ought to go hand in hand with some level of development which creates a suitable atmosphere for industrialization to happen. Therefore, the RISDP as a roadmap towards infrastructure development is a fundamental strategy as it will create a suitable environment for industrialization to happen.

3.3.4 SADC Protocols

The SADC Protocol on Trade is an agreement between member states to reduce tariff and non-tariff barriers to trade, therefore enhancing the ease of trade between member states. Though its

¹³¹ SADC Secretariat, Status of Integration in the Southern African Development Community (SADC), 2019.

¹³² "Regional Indicative Strategic Development Plan 2020-2030" <http://www.sadc.int/> accessed on the 5th of January 2023.

¹³³ SADC Secretariat, Status of Integration in the Southern African Development Community (SADC), 2019.

provisions aimed at the liberalization of trade, the Protocol seeks to promote regional integration through the creation of a single regional market that is easily accessible.

On the other hand, the primary instrument for the promotion of economic integration of the services market in SADC is the SADC Protocol on Trade in Services. SADC member states signed the Protocol in 2012, with the motive to further deepen integration through the liberalization of trade in services.¹³⁴ The Protocol entered into force on the 13th January 2022.¹³⁵ The objectives of the Protocol are, among others, to progressively liberalise intra-SADC trade in services, create a single market for trade in services, and to enhance the capacity and competitiveness of the services sectors.¹³⁶ The liberalization of trade in services will help to promote development and growth within the region, through trade in services, such as those services that have a significant role in the manufacturing of goods and construction of infrastructures.¹³⁷

All these mentioned strategies are complementary, and they all highlight how SADC has instilled regional integration into its cooperation agenda. The instruments act as a guide or blueprint towards fostering regional integration in SADC by setting goals and objectives, such as infrastructural development and industrialization, with the view that the achievement of such objectives will improve regional integration in SADC. The following section on the opportunities of SADC will discuss SADC instruments and regimes highlight how regional integration has been made part of SADCs cooperation agenda.

3.4 SADC's Opportunities

3.4.1 Participation in regional value chains

The population of SADC is about 379.69 million people.¹³⁸ Itai and Hakuna explain that this provides a large market and potential human resource base within the region.¹³⁹ Taking this into consideration, member states are presented with an opportunity to gain a comparative and

¹³⁴ SADC Secretariat, Status of Integration in the Southern African Development Community (SADC), 2019.

¹³⁵ "SADC Protocol on Trade in Services enters into Force," <https://www.sadc.int> accessed on the 1st May 2023.

¹³⁶ Article 2 of the SADC Protocol on Trade in Services.

¹³⁷ Verna Hlabangana, Will the Southern African Development Community's Protocol on Trade in Services be Effective in Meeting its Objectives of Strengthening the Region's Service Market? 2017.

¹³⁸ "Members of the SADC: Southern African Development Community" <http://www.sadc.int/> accessed on the 5th of January 2023.

¹³⁹ Tanyanyiwa Vincent Itai, and Hakuna Constance, "Challenges and Opportunities for Regional Integration in Africa: The case of SADC," (2014), *Journal of Humanities and Social Sciences*, 19 (12) pp. 103 – 115.

competitive advantage within this large market as states open up their economies to other member states.¹⁴⁰ SADC member states, are mostly producers of raw materials, however, through the use of regional value chains, raw materials for a certain good can be produced in one country, which is endowed with the resource thereafter, they can be processed in another country within the region, which is more technologically advanced, and marketed in another. This, in turn, will allow member states to participate in production by occupying a portion of the production process. This, as a result, will be a win for all member states as the benefits of the production process will be spread across the regional value chain.

In reference to the abovementioned, in an interview with Kabo T. Sebele,¹⁴¹ who is the Research Manager at Botswana Investment and Trade Centre (BITC), a private entity in Botswana responsible for promoting the economic growth of Botswana through attracting investment and through promoting Botswana exports,¹⁴² explains that participating in regional value chains will enable SADC countries, who are primary commodity exporters in mineral resources, such as Botswana, Zimbabwe, Angola and the DRC, to avoid the trap of being exposed to highly volatile commodity prices and economic downturns. However, as it will be shown in the next section, lack of export diversification still remains a challenge in SADC. Even with the idea of developing regional value chains, some countries still seem reluctant to take advantage of this opportunity.

4.4.2 Simplified Trade Regime

In terms of Article VIII of the General Agreement on Tariffs and Trade (GATT), member countries of the World Trade Organization (WTO) are encouraged to simplify trade complexities.¹⁴³ In an interview with Alberto Alexandre,¹⁴⁴ who is a Programme Officer under the Customs, Capacity Building Unit, and is responsible for finance, investment and customs at the SADC Secretariat, based in Gaborone, Botswana, explains that the simplified trade regime is a trade regime that can be used by micro small and medium enterprises (MSMEs) to benefit from trade, through the simplification of certificates of origin. Therefore, a framework has been developed to allow these enterprises, to trade using this regime. However, he explained that this regime is used in customs.

¹⁴⁰ Ibid.

¹⁴¹ Botswana Investment and Trade Center, Gaborone, Botswana, 8th May, 2023.

¹⁴²“Botswana Investment and Trade Center” <http://www.gobotswana.com>, accessed on the 29th May 2023.

¹⁴³ The General Agreement on Tariffs and Trade (GATT) 1947.

¹⁴⁴ SADC Secretariat, Gaborone, Botswana, 5th May 2023.

Moreover, that, it is not mandatory, because its design allows member states to negotiate what products and which enterprises can take advantage of this. In addition, training is also provided as to how to use the regime.

Taking into consideration that the simplified trade regime is used in customs, perhaps SADC too ought to have a regime similar to that of customs, so as to help the small business economy. This will prove to be important in light of the fact that micro small and medium enterprises contribute to the development of a country's economy. Although evidence in the sense of detailed data on micro small and medium enterprises in SADC could not be obtained, it is however worth noting that even in developed countries these enterprises play quite a pivotal role towards development. For instance Matambalya in a report prepared for the World Intellectual Property Organisation (WIPO) titled *Profile of Small and Medium Scale Enterprises in the SADC Economies*, explains that, micro small and medium enterprises have proven to be significant as they play a fundamental role in the development process of countries.¹⁴⁵ For example, the author shows that micro small and medium enterprises have contributed to the creation of 80% employment in the USA, and on the other hand, they account for about 56% and 48% of employment in the private sector in Northern Ireland and the United Kingdom.¹⁴⁶

In addition, Pedraza explains that MSMEs play a central role in a number of countries' economic development, because of them being a major source of innovation and account for many businesses the world over, representing 90% of businesses and over 50% of employment across the globe.¹⁴⁷ This goes to show how important micro small and medium enterprises are even in developing countries. Therefore, coming up with a framework that will enable them to benefit from regional integration might prove to be fruitful for SADC.

4.4.3 Sub-Regional and Continental Integration

A key part of the SADC regional agenda is the 1996 SADC Protocol on Trade, which came into force in 2001. The Protocol aimed at increasing intra-SADC trade by liberalizing trade amongst the members through the reduction of tariffs, and through the creation of a SADC Free Trade Area

¹⁴⁵ Francis A.S.T. Matambalya, *Profile of Small and Medium Scale Enterprises in the SADC Economies*, 2000.

¹⁴⁶ Ibid.

¹⁴⁷ Jorge M. Pedraza, "The Micro, Small, and Medium-Sized Enterprises and its Role in the Economic Development of a Country,"(2021), *Business and Management Research*, Vol.10, No.1, pp. 33-44.

(FTA). As a result of the implementation of the Protocol, and the establishment of the FTA in 2008, SADC experienced a rise of about 20% in intra-SADC trade, as compared to the 16% prior the Protocol and the FTA.

The proposed COMESA – SADC – EAC Tripartite Free Trade Area (TFTA) is a major regional African trade and development project that aims to create a Free Trade Area and subsequently Customs Union of three African regional economic communities;¹⁴⁸ the Common Market for Eastern and Southern Africa; Southern African Development Community; and East African Community. Twenty two (22) countries have signed the Tripartite Agreement and, in particular, fourteen (14) of these are members of SADC.¹⁴⁹ However, only four (4) countries have ratified the Agreement, whilst it requires a total of fourteen (14) ratifications in order for it to come into force. Through the TFTA and the SADC FTA, larger markets may be created, and member states will benefit from economies of scale.¹⁵⁰

The SADC FTA together with the TFTA are building blocks to the African Continental Free Trade Area (AfCFTA). The AfCFTA aims to promote intra-African trade, enhance regional value, boost industrialization in African economies, and improve competitiveness of African products by integrating the African market into the global economy.¹⁵¹ The AfCFTA was established on the 18th of March 2018 after forty-four (44) out of the fifty-five (55) members of the African Union signed the Treaty establishing the African Continental Free Trade Area (AfCFTA).¹⁵² The AfCFTA is an African liberalized trading regime that will open up access to a US\$3 trillion market of 1.2 billion consumers.¹⁵³ SADC, through the full implementation of its industrialization agenda, can position itself to expand its production capacity to take advantage of the enlarged African market, as member states participate in the AfCFTA.

Although it is apparent that SADC has a number of opportunities presented to it, as shown in the discussions above, it is also noteworthy that SADC faces certain challenges. These are discussed

¹⁴⁸ SADC Secretariat, Status of Integration in the Southern African Development Community (SADC), 2019.

¹⁴⁹ Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Madagascar, Malawi, Mauritius, Namibia, Seychelles, Tanzania, South Africa, Zambia, and Zimbabwe.

¹⁵⁰ Development Policy Research Unit, “What are the Potential Benefits and Pitfalls of a Free Trade Area in the Southern African Region”(2001), DPRU Policy Brief, No. 01/P8.

¹⁵¹ Andrea Cofelic, African Continental Free Trade Area: Opportunities and Challenges, 2021.

¹⁵² Andrea Cofelic, African Continental Free Trade Area: Opportunities and Challenges, 2021.

¹⁵³ SADC Secretariat, Status of Integration in the Southern African Development Community (SADC), 2019.

below, and they pose an impediment to SADC's regional integration agenda and may also have far-reaching consequences on the region's economic resilience as they tend to weaken the regional structure that is intended to buffer countries from economic turmoil.

3.5 Challenges Faced by SADC in its Regional Integration Agenda

SADC has experienced challenges that have affected, and continue to affect, its aspirations for deepening integration within the region. These challenges include:

- multiple memberships in Regional Economic Communities (RECs);
- lack of product diversification;
- multiple non-tariff barriers (NTBs);
- slow implementation of regional integration agreements;
- uneven benefits of integration.

These are discussed in detail below.

3.5.1 Multiple memberships to Regional Economic Communities (REC's)

SADC member states belong to other regional groupings. For example, some members of SADC are also members of the Common Market for Eastern and Southern Africa (COMESA), for example, Zambia, Zimbabwe and Eswatini. COMESA is a regional grouping in Africa with membership from the eastern side of the continent and the southern part. COMESA has a membership composition of twenty-one (21) countries.¹⁵⁴ It was formed from the Preferential Trade Area for Eastern and Southern African States which was established in 1982. The Preferential Trade Area was established to take advantage of a larger southern and eastern market and to make way for economic cooperation between countries in the region.¹⁵⁵

The Treaty establishing COMESA was signed in Kampala, Uganda in 1993 and entered into force on 8 December 1994.¹⁵⁶ As compared to SADC, it is evident that COMESA started off as a regional grouping with economic objectives. Therefore, this could have prompted some of the

¹⁵⁴ Burundi, Comoros, DRC, Djibouti, Egypt, Eritrea, Eswatini, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Somalia, Tunisia, Uganda, Zambia, and Zimbabwe.

¹⁵⁵ Ibid.

¹⁵⁶ Ibid.

SADC member states, such as Zambia, to become members of the grouping, as they could not achieve their economic goals through the then SADCC, as it did not have much economic goals, but rather political goals, as compared to COMESA. However, the multiplicity of membership in different regional groupings poses as a serious challenge.

Tanyanyiwa and Hakuna argue that the multiplicity of membership in RECs makes it difficult to establish a feasible customs union within SADC.¹⁵⁷ Chingono and Nakana add that multiple memberships could lead to confusion because the different RECs may have different approaches to integration; thus it could lead to inconsistency and incoherence in policies.¹⁵⁸ Taking the abovementioned into consideration, and further clarifying the views shared by Tanyanyiwa and Hakuna, in an interview with Dr. Thabo Fiona Khumalo,¹⁵⁹ a Senior Lecturer at the University of Botswana in the Department of Law, specializing in the Law of African Regional Integration explained that, from a legal and technical perspective, it is not possible for a county to apply different common external tariffs. Because of this impossibility, a country can, therefore, not become member of more than one customs union.

The multiplicity of memberships will, become even more of a concern in the even that COMESA and SADC are to become custom unions. With that having been said, it is pivotal that SADC member states come up with initiatives aimed at overcoming this challenge. Such initiatives might include having to give up membership of one of the regional communities. This however will require member states to make an analysis of which regional community is best suited for their individual needs, so as to help them make an informed decision.

3.5.2 Lack of Product Diversification

Another challenge affecting intra-SADC trade is the lack of export diversification within the region.¹⁶⁰ For instance, most SADC members, such as Botswana, Namibia, and the DRC, are exporters of minerals, especially diamonds. It is well known that SADC national economies are

¹⁵⁷ Tanyanyiwa Vincent Itai, and Hakuna Constance, “Challenges and Opportunities for Regional Integration in Africa: The case of SADC,” (2014), *Journal of Humanities and Social Sciences*, 19 (12) pp. 103 – 115.

¹⁵⁸ Mark Chingono and Steve Nakana, “The Challenges of Regional Integration in Southern Africa” (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

¹⁵⁹ University of Botswana, Gaborone, Botswana, 2nd of May 2023.

¹⁶⁰ Paul Baker and Victor Deleplancque, “Achievements, Challenges, and Constraints of Trade Integration in SADC,” (2015), *International Trade and Economics Series*.

largely producers of mainly raw materials as they are endowed with a variety of them. An example can be drawn from Botswana and Namibia, which are exporters of raw diamonds, and which they sell through a partnership agreement with a company called De Beers.¹⁶¹ Moreover, primary commodity exports are seen to dominate the trade profiles of other SADC members, with an average of 82% of total SADC exports.¹⁶² Therefore, in light of the aforementioned, intra-regional trade becomes hampered due to the fact that the SADC countries are producers and exporters of the same primary products.¹⁶³ This is further exacerbated by the lack of industrial capacity for diversified manufactured goods.¹⁶⁴

Most SADC economies are not industrialized; they do not have the capacity to manufacture goods that are of value within and outside of the region. Rather, they continue to produce and to export raw materials, which are in most cases similar. This then means that member states cannot trade among themselves because they produce the same primary products. However, in an interview with an operational worker at the DEBSWANA Orapa mine, which is the second largest mine in the world by quantity and quality, after the DEBSWANA Jwaneng Mine; countries like Botswana seem to be working towards product diversification through industrialization. The respondent explained that, after seeing the potential which diamonds have on its economy, Botswana is in the works of developing infrastructure necessary for the production and processing of raw diamonds into polished and finished goods such as jewellery.

3.5.3 Existence of non-tariff barriers

These include infrastructure challenges, cumbersome customs processes, unclear or discriminatory border logistics, and insufficient transportation networks and telecommunication services.¹⁶⁵ Stock explains that most transportation networks in SADC are poorly maintained. In addition, that

¹⁶¹ Siboniso Nkululeko Ralph Mkhize, *Challenges and prospects of Regionalism: The case of SADC and Zimbabwe*, 2019.

¹⁶² Trudi Hartzenberg and Gavin Maasdorp, "Regional Integration Arrangements in Southern Africa: SADC and SADC," in *Trade Reform and Regional Integration in Africa*, 1998.

¹⁶³ Mark Chingono and Steve Nakana, "The Challenges of Regional Integration in Southern Africa" (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

¹⁶⁴ Paul Baker and Victor Deleplancque, "Achievements, Challenges, and Constraints of Trade Integration in SADC," (2015), *International Trade and Economics Series*.

¹⁶⁵ Daniel N. Mlambo, *Unearthing the Challenges and Prospects of Regional Integration in Southern Africa* 2018.

inefficient transport systems cause delays in the facilitation of trade in goods among member states within the region.¹⁶⁶ Consequently, goods cannot be easily movable across the region.

3.5.4 Belief in uneven benefits of integration

Some scholars have argued that another factor that could be contributing to the low levels of intra-regional trade within the SADC region is the belief that there are uneven benefits of integration due to development inequalities.¹⁶⁷ In reference to the latter, Chingono and Nakana argue that the differences in the economies of the SADC member states means that the well advanced economies, such as South Africa and Namibia, may benefit the most from integration due to them being more industrialized and with more diversified economies.¹⁶⁸ Therefore, as a result, some member states may be hesitant to agree to, or to implement agreements that are aimed at further deepening integration within SADC because they believe that some powerful members enjoy a comparative advantage against the weaker partners when trading within the regional bloc.

3.6 Conclusion

Although at the beginning of this chapter, it was advanced that SADC is arguably the most promising REC in a sub-region in Africa,¹⁶⁹ the foregoing has shown that its regional integration agenda faces certain challenges that might raise some element of doubt regarding such sentiments. Moreover, these challenges hinder the region from taking full advantage of the opportunities that it has created for itself towards furthering regional integration through protocols and regional integration strategies. It is, therefore, fundamental that these challenges be addressed expeditiously, so that the region can reap the benefits of regional integration.

This chapter has traced the history of SADC and how it transformed from a coordinating conference, which had a political agenda, to a community, with an economic objective of promoting development and improving the livelihoods of its citizens through regional integration. The chapter has shown that, even though the SADC region faces challenges to its regional

¹⁶⁶ Stock R, *Africa South of the Sahara: A Geographical Interpretation*, 2013.

¹⁶⁷ Langton Mutoya, "Threats and Linkages of Regional Integration. A case of SADC Member States," (2020), *International Journal of Scientific and Research publications*, Vol 10 Issue 11, pp. 545 – 552.

¹⁶⁸ Mark Chingono and Steve Nakana, "The Challenges of Regional Integration in Southern Africa" (2009) *African Journal of Political Science and International Relations* 3 pp. 396-408.

¹⁶⁹ Adrina Lins de Albuquerque and Cecilia Hull Wiklund, *Challenges to Peace and Security in Southern Africa: The Role of SADC*, 2015.

integration aspirations, there are, however, some opportunities that the members can take advantage of, which can help foster the development and economic growth aspirations. However, for this to happen, these challenges ought to first be addressed, so that the region can gain substantially from regional integration.

The idea behind regional integration, among others, is that an integrated economy is able to withstand and or to absorb global economic downturns. Due to the interconnectedness of the global economy countries are affected by external economic shocks which have devastating effects on their economies. As will be shown in the next chapter, SADC is one of the regional economies that is affected by external shocks of an economic nature. This work argues that this proclivity is due, in part, to the weak structure of regional integration caused by the already discussed challenges.

4. Chapter 4 – SADC and the Globalization of Crises in the Twenty-First Century

4.1 Introduction

This chapter discusses the effects of globalized crises on the SADC region. The first section explains the concept of globalization and provides an overview of it, including how it has led to interdependence between countries all over the world. The section further explains how this interdependence can be beneficial and also, conversely, how it can be a disadvantage for countries, especially during times of crises.

The second section of this chapter contains a discussion of different crises that have taken a toll on the world. It focuses on how they have affected the SADC region in particular. The interconnected global economy has made SADC vulnerable to external shocks, and this is evident in how crises, such as the Global Financial Crisis (GFC) of 2008, the trade war between the United States of America (USA) and China, the COVID-19 pandemic, and the Russia-Ukraine war, have had negative impacts on the SADC economies and on their regional integration project.

4.2 Globalization and the Interdependent World Economy

Fischer, in his article *Globalization and its Challenges*,¹⁷⁰ defines globalization as a continuous process of greater economic interdependence among states. The author further explains that this interdependence is reflected in the increasing amount of cross-border trade in goods and services, the increasing flow of labour, and the increasing volume of international financial flows.¹⁷¹ Thirlwall, in his book *Economic Development*, shares the same sentiments as Fischer and explains that the increase in free trade, the growth of the capital markets, foreign direct investment, the growth of global value chains, increase in Information and Communication Technologies (ICT), free movement of people, and organizations, such as the World Trade Organization (WTO), are forces operating in the global economy which drive interdependence among countries.¹⁷²

In addition to the abovementioned, Thirlwall explains that interdependence among countries can be seen in the relationship between developing and developed countries, where developing countries depend on developed countries for technological transfer, while developed countries

¹⁷⁰ Fischer, S, "Globalization and its Challenges," (2003), *American Economic Review*.

¹⁷¹ *Ibid.*

¹⁷² A. P Thirlwall, *Economic Development* 2011.

depend on developing countries for raw materials and as markets for their industrial goods.¹⁷³ Ioan, on the other hand, explains that globalization is characterized by economic forces, which determine the idea of an interdependent global economy, which manifests itself mainly by an interdependence of markets, and economic sectors, where borders are no longer constraints.¹⁷⁴ Further, that this is globalization in the economic sense and defines it as the internationalization of trade in goods and services, capital and labour.¹⁷⁵ Therefore, globalization, reflects the continuous expansion and mutual integration of markets and is an irreversible trend in the world.¹⁷⁶

The impact of globalization can be perceived to be positive as it is often assumed that the increasing interdependence of economies, as a result of the internationalization of trade in goods and services, capital, and labour etc., will improve market efficiency and accelerate economic growth.¹⁷⁷ Therefore, it is often argued that countries, especially developing countries, need to adopt structural reform measures that will enable them to participate in the globalized economy.¹⁷⁸ This, in turn, it is advanced, will allow them to utilize their comparative advantages, introduce them to advanced technologies, and strengthen their market competition.¹⁷⁹

However, conversely, globalization, as manifested by the interdependence of global economies, may make countries more vulnerable to external economic shocks.¹⁸⁰ External economic shocks can be understood as unexpected events originating from a certain country, or countries, and are transmitted through international trade or financial linkages to other countries.¹⁸¹ They have the effect of disturbing the normal functioning of these countries' economies.¹⁸² For example, external shocks, such as global recessions, downturns in global trade, financial and banking crises etc., become contagious and affect not only the countries of origin but also other countries too through international trade and financial linkages.¹⁸³ It should be, further, noted that countries are

¹⁷³ A. P Thirlwall, *Economic Development* 2011.

¹⁷⁴ Gina Ioan, "Globalization and the Current Economic Crisis," (2012), *Journal of Accounting and Management*, Vol. 2, no 1, pp. 5-22.

¹⁷⁵ *Ibid.*

¹⁷⁶ Gao Shangquan, "Economic Globalization: Trends, Risks and Risk Prevention," (2000), *Journal of Economic Law*.

¹⁷⁷ Bhalla A.S, *Globalization, Growth and Marginalization*, 1998.

¹⁷⁸ S.M Wangwe, and Flora Musonda, *The Impact of Globalization on Africa*, 1998.

¹⁷⁹ Gao Shangquan, "Economic Globalization: Trends, Risks and Risk Prevention," (2000), *Journal of Economic Law*.

¹⁸⁰ A. P Thirlwall, *Economic Development* 2011.

¹⁸¹ Simola Heli, "Effects of External Shocks on Russian Economy," (2019), *BOFIT Policy Brief*, No.4, 2019.

¹⁸² Briguglio Lino, Cordina Gordon, Farrugia Nadia, Vella Stephane, "Economic Vulnerability and Resilience Concepts and Measurements" (2008), *WIDER Research Paper*, No 2008/55.

¹⁸³ A. P Thirlwall, *Economic Development* 2011.

vulnerable to external economic shocks when their economies are exposed to these shocks.¹⁸⁴ Lino *et.al* explain that such exposure is characterized by high degrees of export concentration and a high degree of economic openness.¹⁸⁵ In other words, countries whose economies rely mostly on exporting products become more exposed to external economic shocks where there is a sudden drop in demand of these products during economic crisis. Whereas economic openness may expose a country to a larger degree of shocks which it may have no control of.¹⁸⁶

In as much as economic openness may expose countries to external economic shocks, it should, however, be noted that economic openness can also help cushion countries from the effects of external economic shocks. For instance, countries may implement policies aimed at trade liberalization, which can be associated with economic openness, and such policies may then lead to an increase in trade and promote diversification. To that end, a diversified economy would be able to withstand the effects of external shocks, where these shocks only affect a particular industry or product in the diversified economy.

Rodin, in her book *the Resilience Dividend; Managing Disruption, Avoiding Disaster and Growing Stronger in an Unpredictable World*, explains that the interconnectedness of a globalized world results in one disturbance being a trigger for another kind of shock.¹⁸⁷ For example, the Russian-Ukraine war has significantly damaged infrastructure in these countries. As a result, businesses are crippled, and the global trade chain has become disrupted. Consequently, livelihoods are disturbed and the result thereto, there is a widespread economic shock, which is triggered by the geopolitical disturbance.¹⁸⁸

For developing countries, external economic shocks have brought along enormous impacts on their economic safety and financial stability.¹⁸⁹ The economic safety of developing countries is jeopardized where these external economic shocks affect the economic growth drivers of these

¹⁸⁴ Briguglio Lino, Cordina Gordon, Farrugia Nadia, Vella Stephane, “Economic Vulnerability and Resilience Concepts and Measurements” (2008), WIDER Research Paper, No 2008/55.

¹⁸⁵ Ibid.

¹⁸⁶ Ibid.

¹⁸⁷ Judith Rodin, *The Resilience Dividend; managing disruption, avoiding disaster and growing stronger in an unpredictable world* 2014.

¹⁸⁸ Ibid.

¹⁸⁹ Gao Shangquan, “Economic Globalization: Trends, Risks and Risk Prevention,” (2000), *Journal of Economic Law*.

countries.¹⁹⁰ Since most developing countries base their economic growth on exports, their economic safety is affected negatively where there is a substantial decline and fall in demand for, and price of, export commodities during economic crises.¹⁹¹ As far as financial stability is concerned, developing countries may not have the financial capacity to deal with these external economic shocks and, as a result, seek financial assistance from advanced economies, or financial organizations. As a result, some developing countries may end up drowning in debt.

In addition to the abovementioned, Pretorius *et.al*, in their article *Evidence to Inform Resilience Policy in the SADC: Current Limitations and Future Research Areas*, explain that these external disturbances have the significant potential to affect the long-term socio-economic development objectives of developing countries and the regional bloc at large.¹⁹² This is true for SADC as evidence shows how external shocks, such as the 2008 financial crisis, the US and China trade wars, the Covid-19 pandemic, and the Russian and Ukraine war have impacted the internal economic development objectives of its member countries.

4.3 The Impacts of External Crises on SADC

Throughout the years, it has become evident that countries in the SADC region are vulnerable to multiple economic crises originating externally. Such crises have the significant potential to disrupt internal production systems in the countries. This section discusses the economic impacts of external crises on the SADC region. It identifies four external shocks that have had negative economic impacts on the SADC region. These external crises are:

- the Global Financial Crisis (GFC) of 2008;
- the USA-China Trade war;
- the COVID-19 pandemic; and
- the Russia-Ukraine war.

¹⁹⁰ Kesekende Louis, Ndikumana Leonce, Rajhi Taoufik, “Impact of the Global Financial and Economic Crisis on Africa,” (2009), African Development Bank Group Working Paper Series No.96.

¹⁹¹ Naude Wim, “The Financial Crisis of 2008 and developing Countries,” (2009), WIDER Discussion Paper No.2009/01.

¹⁹² Ockert Pretorius, Mariske van Aswegen and Gerard Malan, “A Policy Approach towards Achieving Regional Economic Resilience in Developing Countries: Evidence from SADC,” (2021) Sustainability 13, 2674.

4.3.1. The Global Financial Crisis (GFC) of 2008

The Global Financial Crisis of 2008 was the result of downturns in the financial and housing markets in the United States of America and other developed countries in 2008. These downturns came about after the housing bubble burst. The housing bubble was a situation created by a rapid increase in housing prices, caused by irrational decisions. Such irrational decisions included banks offering subprime mortgages to their clients. These subprime mortgages were available to people with low income and low credit. However, high interest rates were attached to them. The crisis erupted when the prices of houses spiked, and borrowers couldn't afford to pay. This meant that more houses became available on the market, whereas demand was low. The crisis quickly spread throughout the world. The aftermath was job losses, enterprise bankruptcies, and cuts in the incomes of millions of people.

Rani and Torres are of the opinion that the growth model of developing countries, which overly relies on the export of few products to developed countries, is a factor that caused disruption to their economies during the Global Financial Crisis.¹⁹³ The authors explain that, where demand in these products drops, developing countries become negatively affected, since there is no export diversification, in terms of markets.¹⁹⁴ For instance, countries in SADC, such as Namibia, experienced a decline in output of the mining sector, and many people lost their jobs in the period 2008-2009. Namibia was affected by the crisis quite vigorously. The crisis affected the countries key sectors such as the mining sector which were predominantly export oriented.¹⁹⁵ NAMDEB is a partnership between Namibia and De Beers Group and is the biggest diamond producer for Namibia. Due to the crisis, NAMDEB had to suspend its operations in 2008, in around October. It only then reopened 3 months later in February 2009. In addition, it had offered more than 800 employees voluntary retrenchment packages. A total of 1, 900 jobs were consequently lost in the mining sector in the period 2008-2009.¹⁹⁶ Demand for Namibian exports declined during the crisis, which led to a decline in output of the mining sector, whose output declined by 62.5 % by 2009.¹⁹⁷

¹⁹³ Uma Rani and Raymond Torres, "The Global Crisis: Causes, Responses and Challenges," (2011), International Labour Organization.

¹⁹⁴ Ibid.

¹⁹⁵ UNDP Strategy and Policy Unit, "Impact of the Global Financial and Economic on the Namibian Economy; a Preliminary Assessment," (2010) Working Paper Series, No.01/10

¹⁹⁶ UNDP Strategy and Policy Unit, "Impact of the Global Financial and Economic on the Namibian Economy; a Preliminary Assessment," (2010) Working Paper Series, No.01/10

¹⁹⁷ Ibid.

Thus, as a result of reduced export demand, the export sector of countries, such as Namibia, experienced a drop in production, reduction in trade, and job losses.

4.3.2 USA-China Trade war

Another economic disturbance that has affected the world, and SADC in particular, is the ongoing trade war between the United States of America (USA) and China, which has intensified economic risks to the global economy. A trade war is an economic conflict where one country imposes different forms of trade restrictions against one or more countries. Consequently, the targeted country, or countries, retaliate with proportionate or disproportionate restrictive measures.¹⁹⁸

The trade war between the USA and China emanated from concerns raised by the USA policy makers regarding the unbalanced, unfair, and damaging trade policies that China implemented against the USA.¹⁹⁹ These concerns included China's cyber economic espionage against USA technological firms, discriminatory innovation policies, and continuous interventions in the foreign exchange market to influence the value of the Chinese currency, among others.²⁰⁰

China's economic growth rate has been quite dramatic over the years. In 1978, its GDP was only 6% of the USA's; but it has since risen. In 2018, its GDP was 66% of America's.²⁰¹ After joining the World Trade Organization (WTO) in 2001, China became an economic superpower. Seeing China's economy rising, America started claiming that China's economic success was the result of it not playing fairly.²⁰² During Donald Trump's administration, China's economic practices were investigated by the USA to find out if whether it was doing anything that could frustrate the American economy. To that end, the investigations found the abovementioned concerns. As a result, the USA imposed tariffs on over \$360 billion of Chinese goods.²⁰³ Consequently, China retaliated with tariffs on more than \$110 billion of American products.²⁰⁴ This resulted in a trade

¹⁹⁸ Lesego Molefhe and Tlotlo Nkile, "Global Trade Tensions: Opportunities and Risks to the SADC Region," (2022), *The Research Bulletin*, Vol 35, No.1, pp. 1-22.

¹⁹⁹ KwaZulu-Natal Provincial Treasury, *Trade Tensions and its Implications to the Global Trade and Economic Climate*, 2018.

²⁰⁰ Lesego Molefhe and Tlotlo Nkile, "Global Trade Tensions: Opportunities and Risks to the SADC Region," (2022), *The Research Bulletin*, Vol 35, No.1, pp. 1-22.

²⁰¹ "A quick guide to the US-China trade war," <http://www-bbc-com.cdn.ampproject.org>, accessed on the 28th of May 2023.

²⁰² *Ibid.*

²⁰³ *Ibid.*

²⁰⁴ *Ibid.*

war between these two economic powers which began in 2018. Since then, the two countries have been exchanging blows through tariffs on goods.

The trade war between the two countries has had far reaching implications on their economies and on the economies of other countries; especially those of their trading partners,²⁰⁵ such as SADC members, like South Africa, who have strong trade relations with them. China is the largest market for South African exports. China accounts for approximately 9.2% of total South African export market share.²⁰⁶ America, on the other hand, accounts for 7.4% of South African export market share.²⁰⁷ In addition 17.1% of total South African imports originate from China, whereas 5.4% are imported from the USA.²⁰⁸ Making China the largest source of South African imports. South Africa has experienced substantially slow economic activity due to a significant fall in demand for exports as a result of a slowdown in the global economy prompted by the trade war.²⁰⁹ For instance, South Africa witnessed an increase in its balance of trade deficit in 2018 at the start of the war.²¹⁰ A balance of trade deficit highlights that imports exceed exports between countries.²¹¹ Regarding the balance of payment deficit, South African exports decreased by 1.3% while imports increased by 6.8% in April 2018.²¹²

Be that as it may, Molefhe and Nkile write that the trade war presents itself as a double-edged sword for African economies because, although it has some negative effects on African economies, it can still be used as an opportunity. African countries, through the right policies, can take advantage of the tension and improve their competitiveness and deepen their regional integration.²¹³

²⁰⁵ KwaZulu-Natal Provincial Treasury, Trade Tensions and its Implications to the Global Trade and Economic Climate, 2018.

²⁰⁶South African Revenue Services: “2018 Merchandise trade statistics,” <http://www.sars.gov.za/ClientSegments/Customs-Excise/Trade> , accessed on the 28th of May 2023.

²⁰⁷ Ibid.

²⁰⁸ Ibid.

²⁰⁹ Lesego Molefhe and Tlotlo Nkile, “Global Trade Tensions: Opportunities and Risks to the SADC Region,” (2022), The Research Bulletin, Vol 35, No.1, pp. 1-22.

²¹⁰ Collins C. Ngwakwe and Mokokop. Sebola, “The US-China Trade War and the Economic Ripple on South Africa,” (2020), Global Trade and Customs Journal Vol.15, Issue 11/12, pp. 543-552.

²¹¹ KwaZulu-Natal Provincial Treasury, Trade Tensions and its Implications to the Global Trade and Economic Climate, 2018.

²¹² Ibid.

²¹³ Lesego Molefhe and Tlotlo Nkile, “Global Trade Tensions: Opportunities and Risks to the SADC Region,” (2022), The Research Bulletin, Vol 35, No.1, pp. 1-22.

4.3.3 The COVID-19 pandemic

The genesis of the COVID-19 pandemic can be traced back to the City of Wuhan in China. On the 1st of December 2019, a patient in the city of Wuhan was said to be exhibiting some symptoms of viral pneumonia, which included a fever, difficulty in breathing, and a dry cough. Throughout the month of December 2019, a series of pneumonia emerged in the city of Wuhan. After an investigation, Chinese scientists traced the pneumonia infections to a new strain of coronavirus (a large family of viruses that include the common cold).²¹⁴ On January 11, 2020, the first death related to the virus was reported. On the 13th of January 2020, the first case of the new virus was reported outside of China when a tourist visiting Bangkok, Thailand from China, was found to have the virus.²¹⁵ In about a week, new cases were recorded across Asia and the USA. On the 30th of January 2020, given the rapid spread of the virus across the globe, the World Health Organization (WHO), declared the virus a global public health emergency.

COVID-19 resulted in cities being quarantined and transportation routes, such as train and air travel, being closed, in an effort to contain the spread of the virus. These measures were taken to try and contain the virus the world over. However, they distorted the normal operations of countries' economies. For example, lockdown restrictions, such as the closure of borders that were implemented in SADC, like in Botswana and South Africa, had an impact on trade through supply chains. Since supply chains comprise the processes involved in movement and handling of goods and services to the end consumer,²¹⁶ trade came to a halt as industries involved in the movement and handling of goods and services were closed due to lockdown restrictions.

The Covid-19 pandemic had negative effects on small and medium enterprises (SMEs) in particular. Angula and Nekuilo, in their article *An Investigation into the Impacts of Covid-19 on the Economic Growth: A Case Study of Southern Africa*, explain that SMEs are one of the largest sectors in the SADC region that carry the economy. Therefore, if they are affected, the regional economy will also be significantly affected. The authors explain that SMEs did not have enough capital to keep them afloat during the pandemic. As a result, they had to let go of some of their

²¹⁴ The Independent panel for Pandemic Preparedness and Response, How an Outbreak Became a Pandemic; the Defining Moments of the COVID-19 Pandemic, 2021.

²¹⁵ Ibid.

²¹⁶ R. Richardson, G Quinet, U Kitajma, "Supply Chain Risk as a Barrier to Trade: A Concise Exploration," (2021), *International Management Review*, Vol 17, No.2, pp. 48-53.

employees and some had to shut down. Consequently, this contributed to shortages in supplies of goods and services, thus leading to excess demand.²¹⁷

4.3.4 The Russia-Ukraine war

Just as the SADC countries were starting to recover from the economic effects of COVID-19, the war between Russia and the Ukraine began. This has scaled down the COVID-19 recovery efforts in the region. History dictates that, Russia and Ukraine were under one nation called the Soviet Union, commonly known as the Union of Soviet Socialist Republics (USSR). During the period from 1946 to 1991, the USSR and the United States of America (USA), together with its allies,²¹⁸ fought for global dominance in what is referred to as the cold war. The North Atlantic Treaty Organization (NATO) was created during this period of the cold war. It was a military alliance between America and its allies,²¹⁹ with the aim of providing collective security against the Soviet Union. By 1991, the cold war had ended, and the USSR was dissolved as a result of new political movements in the various USSR states which wanted to become independent from the Soviet Union.

Since the dissolution of the USSR, the President of Russia, Vladimir Putin, has been trying to gain control of the region. Moreover, some of the former USSR states have become members of NATO, and this has threatened Russia. To this end, Vladimir Putin has been concerned about the Ukraine joining NATO. In 1994, the Ukraine became a NATO partner, which brought it closer to becoming a member of NATO. Seeing that, if Ukraine was to become a member of NATO, NATO's military would consequently expand closer to the Russian border, Putin demanded the West to move its military borders away from Russia. That is, to where they were before the former USSR countries joined NATO. However, Putin's demands were rejected. Hence on the 21st of February, Putin decided to invade the Ukraine. The invasion of the Ukraine by Russia marked the beginning of the ongoing war between these two countries.

²¹⁷ Nikodemus Angula and V.N Neliwa Nekuilo, "An Investigation into the Impacts of Covid-19 on the Economic Growth: A Case Study of Southern Africa," (2021), *International Journal of Financial Market and Corporate Finance*, Vol 1, No.1, pp. 42-45.

²¹⁸ Canada, Denmark, Iceland, Italy, Norway, and, Portugal.

²¹⁹ Belgium, Canada, Denmark, France, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, United Kingdom.

Russia's share in the global oil market is substantially enormous. Russia is the third largest crude oil exporter in the world and produces a capacity of 5 million barrels of crude oil per day. Russia has approximately 12% share of global trade of crude oil. Around 60% of Russia's oil exports are to Europe, and approximately 20% is exported to China.²²⁰ After Russia invaded the Ukraine, NATO took action to impose sanctions on Russia's oil exports. In addition, the USA banned gas and oil imports from Russia. The European Union (EU) also imposed sanctions on specific imports from Russia, such as cereals and fertilizers.²²¹ Altogether, these sanctions on Russia caused shockwaves across the globe, causing prices in cereals, fertilizers, gas and oil to increase. With reference thereto, SADC relies on both Russia and the Ukraine as major suppliers of cereals and fertilizer. For instance, South Africa imported approximately \$131.9 million worth of Russian cereals and about \$57.8 million worth of fertilizer from Russia, all in 2020.²²² Ever since the war, South Africa has consequently faced cascading effects on their food prices,²²³ as a result this could lead to an exacerbation of food insecurity in the country.

4.4 Conclusion

This chapter has highlighted that, owing to globalization, the interdependence of global economies has caused many forms of crises to become globalized. As a result, the effects of certain economic crises originating from outside SADC have been felt within the region. The vulnerability of SADC to these economic shocks is due to its weak levels of integration, which are caused by the different challenges that it has not managed to surmount. Resilience to economic shocks needs for member states in a region to come up with integration strategies that will help the region to withstand and to recover from external economic shocks. Regional economic communities such as the Association of Southeast Asian Nations (ASEAN) are a good example of such. It has come up with integration strategies that have strengthened its resilience to economic shocks.

²²⁰ Duho, K.C.T., Abankwah, S.A., Agbozo, D.A., Yonmearu, G., Aryee, B.N.A. and Akomanin, O, "Exploring the Russo-Ukrainian Crisis and Its Impact on African Countries: A Cross-Regional Analysis", (2022), Dataking Policy Brief 5, Accra, Dataking Consulting.

²²¹ Duho, K.C.T., Abankwah, S.A., Agbozo, D.A., Yonmearu, G., Aryee, B.N.A. and Akomanin, O, "Exploring the Russo-Ukrainian Crisis and Its Impact on African Countries: A Cross-Regional Analysis", (2022), Dataking Policy Brief 5, Accra, Dataking Consulting.

²²² Ibid.

²²³ Ibid.

5. Chapter 5 - Regional Integration and Economic Resilience: A Case Study of the Association of Southeast Asian Nations (ASEAN)

5.1 Introduction

The Southern African Development Community (SADC) and the Association of Southeast Asian Nations (ASEAN) vary in numerous ways. Such variations can be seen from the ethnic, linguistic, and religious identities between the two regional groupings. Furthermore, ASEAN has almost double the population of SADC, with a population size of about 666.19 million inhabitants.²²⁴ ASEAN is located between China and India. The geographical location of the region has enabled it to take advantage of the opportunities incidental thereto. For instance, one can make an argument that the proximity between ASEAN and China, has enabled the region to expand its market by exporting some of its products to the large Chinese market. Further, that the costs of doing business between the two are reduced due to close proximity. The same can, however, not be said for SADC, as its geographical location puts it at a distance from large economic powers, such as China.

Be that as it may, the two regions have both emphasized the need for regional integration as underpinned in their different protocols, and policies, and as discussed at inter-ministerial meetings. For instance, Mapuva explains that both the regions have greatly emphasized the need for regional cooperation in different areas such as politics, economy, and trade.²²⁵

Deepening regional integration has been at the forefront of ASEAN as seen in the urgency of the ASEAN Member States (AMS) in ensuring that the ASEAN community is a reality. Mlambo explains that such urgency is reflected by the quick implementation and ratification of protocols aimed at deepening regional integration in the ASEAN region.²²⁶ From the SADC perspective, there seems to be lack of will and commitment when it comes to the implementation of regional protocols aimed at further deepening integration.

The principal point of this chapter is to assess the regional integration strategies adopted by ASEAN which are aimed at strengthening members' resilience to economic shocks. The chapter

²²⁴ Muhammad Z. B. Abdullah, *Economic Resilience and the Role of Fiscal Policy in the ASEAN – 5 Countries*, 2018.

²²⁵ Jephias Mapuva, "the SADC regional bloc: what challenges and prospects for regional integration," (2014), *Law, Democracy & Development*, Vol 18, No.1, pp. 22-36.

²²⁶ Victor H. Mlambo, "a Comparative study of Southern African Development Community (SADC) and the Association of Southeast Asian Nations (ASEAN)," (2019), *African Renaissance*, Vol. 16, No. 4, pp. 177-201.

begins by providing an overview of the Association of South-eastern Asian Nations (ASEAN). Thereafter, it will discuss some of the ASEAN integration agreements, and how they are aimed at building the regions resilience to external economic shocks.

5.2 ASEAN overview

The Association of South-eastern Asian Nations (ASEAN) was established on the 8th of August 1967 by the five original member countries namely, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, commonly known as the ASEAN-5.²²⁷ Today, the ASEAN membership composition consists of all 10 South-eastern Asian countries.²²⁸ The progress of regional integration in ASEAN can be attributed to the steps that member countries have taken towards ensuring that the ASEAN community becomes a reality. The first major step in this quest was the installation of the ASEAN Free Trade Agreement (AFTA). The AFTA was established in 1992 as a multilateral free trade agreement between the ASEAN countries, with an objective to promote the region's competitive advantage as a single production unit.²²⁹ The fundamentals of the Agreement were the implementation of a process of gradually reducing tariffs to 0-5%, gradually eliminating non-tariff barriers, and harmonizing custom procedures.²³⁰

In October 2003, ASEAN adopted the Declaration of ASEAN Concord II, and decided to establish the ASEAN Community. The ASEAN Community has three pillars:

- The ASEAN Political-Security Community (APSC),
- The ASEAN Socio-Cultural Community (ASCC), and
- The ASEAN Economic Community (AEC).²³¹

The AEC was the ultimate goal of deepening economic integration in ASEAN. This would be achieved by transferring the region into one with free movement of goods, services, investment, skilled labour, and freer movement of capital. Further to, the AEC would establish ASEAN as a

²²⁷Pushpanathan Sundram, "Building Regional Resilience: ASEAN Charter, ASEAN Community Blueprints and ASEAN Community," (2009), Conference Paper.

²²⁸ Brunei joined in 1984, Vietnam in 1995, Laos and Myanmar joined in 1997, and Cambodia joined in 1999.

²²⁹Rosabel B. Guerrero, "Regional Integration: the ASEAN vision 2020," (2010) IFC Bulletin No. 32.

²³⁰Geoffrey B. Cockerham, "Regional Integration in ASEAN: Institutional Design and the ASEAN Way," (2010), East Asia, No. 27, pp. 165–185.

²³¹ Ibid.

single market and production base, a highly competitive economic region, an equitable economic development region, and a region fully integrated into the global economy.²³²

The AEC was initially targeted to be established by 2020. However, ASEAN agreed to move the target year closer, and took the decision that the AEC will be established in 2015.²³³ Maia *et.al* explain that the decision to move the target year for the establishment of the AEC to 2015 from 2020 was due to the economic leaders of ASEAN being comfortable with the progress that the region had achieved under the AFTA.²³⁴ ASEAN countries, thus, adopted the Declaration on the ASEAN economic Blueprint 2015 (AEC Blueprint 2015) at the 13th ASEAN Summit held on November 2007. The AEC Blueprint 2015 can be described as the foundation on which the guiding framework for building a successful regional economy in ASEAN has been built. This is because, when taking into consideration the establishment of the AEC in 2015, such has been achieved though gradually implementing the measures aimed at deepening economic integration set out in the AEC Blueprint 2015.

As a follow-up, to finish the business started by the AEC Blueprint 2015, the ASEAN countries, in November 2015 at the 27th ASEAN Summit, issued the Kuala Lumpur Declaration on ASEAN 2025 and adopted the ASEAN Economic Community Blueprint 2025 (AEC Blueprint 2025). The AEC Blueprint 2025's objective is to complete implementing the unfinished measures of the AEC Blueprint 2015, and to further deepen the integration process with new reforms and cooperation initiatives consistent with the dynamic changing international environment. To this extent, the AEC Blueprint is a continuation of the AEC Blueprint 2015, which was the genesis of the ASEAN Economic Community.

The AEC Blueprint 2025 envisions an AEC that takes the form of open regionalism. This is evident in the wording of the AEC Blueprint 2025 which highlights that ASEAN shall work towards further integrating the ASEAN Economic Community (AEC) into the global economy. Further, that it shall do so by developing more strategic and coherent approaches towards external

²³² Ibid.

²³³ Siow Yue Chia, "The ASEAN Economic Community: Progress, Challenges, and Prospects," (2013), ADBI Working Paper 440.

²³⁴ Siow Yue Chia, "The ASEAN Economic Community: Progress, Challenges, and Prospects," (2013), ADBI Working Paper 440.

economic relationships with a view of adopting a common position in regional and global economic fora.²³⁵ Such strategic approaches may be in the form of an FTA-Plus arrangement, which will be of no surprise, given the fact that, unlike the European economic integration, which is geared towards an inward-looking approach to economic integration, ASEAN has, in contrast, been geared towards an outward-looking approach towards economic integration. This is evident in the proliferation of FTA's in the region, for instance, the FTA between ASEAN, China, Japan, and the Republic of Korea, which is commonly known as the ASEAN+3. Another example of ASEAN's outward-looking approach is the Regional Comprehensive Economic Partnership Agreements (RCEP) between ASEAN, Australia, China, Japan, New Zealand, and the Republic of Korea. The RCEP is the largest FTA in the world, with over 30% of global Gross Domestic Product (GDP) and 30% of world population.²³⁶

These FTAs and the RCEP highlight ASEAN as an open and inclusive region. It is, therefore, anticipated that the AEC 2025 will also be a community that is open and inclusive given the nature of the ASEAN integration model. Moreover, as it will be shown in the discussion below, this outward-looking approach to regional integration has also shaped ASEAN's approach to building resilience through regional integration.

5.3 Building Resilience through Regional Integration in ASEAN

The history and development of the concept of resilience in ASEAN is quite fundamental to enable one to comprehend how the region is geared towards building resilience through regional integration. The principle of regional resilience in ASEAN can be traced back to the Indonesian term "*Ketahanan Nasional*."²³⁷ This term was used by ASEAN member states to address the socio-economic vulnerabilities facing the region. In its original meaning, *Ketahanan Nasional* emphasized the need for strong and stable governance and economic performance based on the nationalist belief that security could be achieved through domestic socio-economic development.²³⁸ ASEAN leaders believed that regional resilience could be achieved through processes of regional consultations, which excluded or limited external interference from major

²³⁵Ponciano S. Intal, *The Economic Transformation of the ASEAN Region in Comparative Perspective*, 2009.

²³⁶ *Ibid.*

²³⁷Pennisi di Flonstella and Xuechen Chen, "Building Resilient Supply Chains in Uncertain Times: a Comparative Study of EU and ASEAN Approaches to Supply Chains," (2022), *Asia Europe journal*, 20, pp. 457-475.

²³⁸*Ibid.*

powers.²³⁹ Therefore, in its early conceptualization, resilience in ASEAN adopted an inward-looking approach to security and reflected the autonomous nature ASEAN.

However, due to global developments, such as the interconnectedness of the global markets, which have caused the effects of certain economic crises, like the USA-China trade war to become trans-border in nature, have reshaped ASEAN's approach to regional resilience. Although the traditional approach, as discussed above, might seem not to be adequate to address the challenges that have come as a result of global developments, some elements of the traditional conception of regional resilience which focus on the internal aspects of resilience building have been intertwined with a new outward-looking approach to resilience. This new approach to regional resilience is reflected in a number of ASEAN documents.

At the 32nd ASEAN Summit in 2018, the ASEAN leaders adopted the ASEAN Leaders' Vision for a Resilient and Innovative ASEAN (hereinafter referred to as the Vision). The Vision highlights the commitments by ASEAN leaders towards building a resilient and innovative ASEAN by effectively, and in a coordinated manner, deepening economic integration, and through entering into quality agreements with external parties. The fact that the ASEAN leaders believe that, for ASEAN to be resilient and innovative, there ought to be some engagement with external parties shows a transition from the traditional approach to resilience, which was based on principles such as the exclusion of external interference in regional matters.

The transition from the traditional approach towards regional resilience and to a more outward-looking approach has also been identified by Flonstella and Chen. In their article titled *Building Resilient Supply Chains in Uncertain Times: a Comparative Study of EU and ASEAN Approaches to Supply Chains*, explain that the Vision reflects a concept of resilience rooted in both internal and external perspectives.²⁴⁰ To that effect, resilience is sourced internally through deepening integration, whereas it is sourced externally through fostering agreements with external parties. Given that due to the aforementioned global developments, countries tend to be faced with similar issues of concern, modifying the traditional approach of resilience to include an outward-looking

²³⁹Ibid.

²⁴⁰ Pennisi di Flonstella and Xuechen Chen, "Building Resilient Supply Chains in Uncertain Times: a Comparative Study of EU and ASEAN Approaches to Supply Chains," (2022), *Asia Europe journal*, 20, pp. 457-475.

approach will enable ASEAN to engage with key external partners who are faced with the same issues of concern, to work together in responding to and overcoming these issues of common concern.

The Regional Comprehensive Economic Partnership (RCEP) is one of the examples of ASEAN's outward-looking approach towards building resilience through regional integration. The RCEP aims to contribute to the RCEP Participating Countries (RPCs) recovery from the economic effects of the COVID-19 pandemic through measures such as the elimination of tariffs and non-tariff barriers on goods traded among the RPCs. In addition to the RCEP, the ASEAN Plus Three Plan of Action on Mitigating the Economic Impact of the COVID-19 Pandemic (APTPA) also highlights that ASEAN is determined to foster regional resilience through cooperating with external parties.

The APTPA was adopted by the ASEAN+3 countries²⁴¹ on the 20th of August 2020. The APTPA came as a result of the ASEAN+3 Leaders Statement on Strengthening ASEAN+3 Cooperation for Economic and Financial Resilience in the Face of Emerging Challenges, which was reaffirmation by the ASEAN+3 countries that they are committed to work together to fight and control against the COVID-19 pandemic and address its impact on their economies. Consequently, the APTPA was adopted as an action taking forward the Statement into action.²⁴²

The ASEAN Plus Three Plan of Action on Mitigating the Economic Impact of the COVID-19 Pandemic (APTPA) identifies measures that ought to be adopted by the ASEAN+3 countries. These measures are founded on two main objectives, which are keeping markets open for trade and investment, under which, the ASEAN+3 countries will adopt and implement measures which *inter alia*, are aimed at improving the smooth flow of goods and services through addressing non-tariff barriers to trade. The second measure is strengthening the region's economic resilience, which the ASEAN+3 countries will do by supporting businesses, especially MSMEs economic sectors adversely affected by COVID-19.

²⁴¹ These include China, Japan, and the Republic of Korea.

²⁴² ASEAN Plus Three Plan of Action on Mitigating the Economic Impact of the COVID-19 Pandemic

The abovementioned shows ASEAN's motive to source resilience through engagement with external partners by taking advantage of its FTA and CEP Agreements with external parties. Another example to this effect is the ASEAN-Japan Resilience Action Plan which, among others, aims to strengthen economic resilience through a financial support program for the purposes of strengthening overseas supply chains. Moreover, the financial support program is to help promote the diversification of the supply the supply source.

As explained earlier, this outward-looking approach to resilience has been reconciled with an internal approach to building economic resilience for the region. This is reflected by some of the internal Agreements that ASEAN member states have entered into among themselves. These include, *inter alia*, the Master Plan on ASEAN Connectivity (MPAC) 2025, and the ASEAN Comprehensive Recovery Framework (ACRF) 2020. This is however, not to say that other internal agreements, such as the ASEAN Economic Blueprint (AEC) 2025, do not have provisions that aim at sourcing resilience from within the region.

Although it was suggested that the AEC would take an outward-looking approach, some of its provisions still highlight the need for ASEAN autonomy. For instance, the AEC 2025 envisions to create a deeply integrated and highly cohesive ASEAN economy that will support, among others, resilience, in the face of global economic shocks.²⁴³ Moreover, it should be emphasized that, although the internal Agreements are aimed at sourcing resilience from within the region, they still recognize and emphasize the need for collaborating with external parties.²⁴⁴ This goes to show, further, how resilience in the ASEAN perspective can be built from within through internal agreements and also how it can be sourced from without, through promoting cooperation with external parties.

ASEAN's close proximity to China has enabled the region to access the global markets. ASEAN products, such as electronics, are imported by China and consequently to the USA through supply

²⁴³ ASEAN Economic Community Blueprint 2025

²⁴⁴ Pennisi di Flonstella and Xuechen Chen, "Building Resilient Supply Chains in Uncertain Times: a Comparative Study of EU and ASEAN Approaches to Supply Chains," (2022), *Asia Europe journal*, 20, pp. 457-475.

chains.²⁴⁵ To that effect, ASEAN is dependent on China and the USA through supply chains.²⁴⁶ As a result of the relationship that ASEAN has with China and the USA, the region has been affected through supply chains by the USA-China trade war. For instance, increased tariffs on the top 10 USA imports from China include those on segments of the electronics industry, such as telecommunications equipment, of which some are ASEAN products.²⁴⁷

Against this backdrop, strengthening supply chains through deepening economic integration in ASEAN has become a fundamental issue for the region. This is reflected in a number of strategies put in place by ASEAN aimed at building resilient supply chains in order to promote regional economic resilience and recovery. In a bid to strengthen its economic resilience, ASEAN has, among others, agreed to strengthen long tie supply-chain resilience.²⁴⁸ Although strengthening the resilience of supply-chains may also require some level of engagement with external parties, it is fundamental to note that ASEAN has strategies aimed at strengthening supply-chain resilience from within the region. The Master Plan on ASEAN Connectivity (MPAC) 2025 is one of those strategies. One of the strategic objectives of the MPAC 2025 is to promote reliability of supply chains in each ASEAN member state.²⁴⁹ The MPAC aims to reach this objectives through initiatives that seek to strengthen ASEAN competitiveness through enhanced trade routes and logistics and enhance supply chain efficiency through addressing key chokepoints.²⁵⁰ For instance, the initiatives laid out by the MPAC, such as identifying bottlenecks in key priority trade routes in ASEAN, will enable the region to prioritize actions aimed at addressing these bottlenecks so as to promote the smooth flow of products,. As a result, supply chain connectivity would be strengthened; consequently making these supply chains more resilient. Therefore, taking this into consideration, resilience is sourced within the region through these MPAC initiatives aimed at strengthening the regions supply chain connectivity.

²⁴⁵ Denny Roy, “China and Southeast Asia: ASEAN Made the Best of the Inevitable,” (2002), Asia-Pacific Center for Security Studies, Vol 1, No. 4.

²⁴⁶ Mala Raghavan and Evelyn S. Devadason, “How Resilient Is ASEAN-5 to Trade Shocks? A Comparison of Regional and Global Shocks,” (2020), Global Journal of Emerging Market Economies Vol 12, No.1, pp. 93–115.

²⁴⁷ Mala Raghavan and Evelyn S. Devadason, “How Resilient Is ASEAN-5 to Trade Shocks? A Comparison of Regional and Global Shocks,” (2020), Global Journal of Emerging Market Economies Vol 12, No.1, pp. 93–115.

²⁴⁸ ASEAN Leaders’ Vision for a Resilient and Innovative ASEAN.

²⁴⁹ Master Plan on ASEAN Connectivity 2025.

²⁵⁰ Ibid.

In addition to the MPAC as an internal plan for building resilience in ASEAN, the ASEAN Comprehensive Recovery Framework (ACRF) 2020 is an internal framework that seeks to strengthen ASEAN resilience through strategies like keeping ASEAN markets open for trade and cutting down non-tariff barriers to trade.²⁵¹ The ACRF is a guide for ASEAN member states towards strategic actions for COVID-19 recovery. It comes in line with the ASEAN Economic Ministers (AEM) Statement on Strengthening ASEAN Resilience in Response to the Outbreak of the Coronavirus Disease-COVID-19. The Statement was issued on the 10 of March 2020. It highlights that ASEAN member states have agreed to work together to mitigate the economic impact of COVID-19 by remaining committed in keeping ASEAN market open for trade and investment and address non-tariff barriers which impede the smooth flow of goods and services.²⁵² To this effect resilience is built within the region through strategies aimed at enhancing the region's recovery from economic shocks by way of opening their markets to trade.

5.4 Conclusion

Given the interconnected nature of the global economy, when major economies, such as the USA and China, experience economic meltdowns, the economic systems of regional communities, and to a significant extent, the global community will collapse, as the effects of such economic meltdowns will make their way into their economies.

ASEAN has however come up with an outward looking approach towards regional integration which is motivated by the regions understanding that resilience from the effects of such economic meltdowns can be sourced from outside the region, through cooperating with external partners who are faced with similar challenges. The ASEAN region has done so through free trade agreements such as the ASEAN+3 free trade agreement. In addition, the region still believes that resilience can also be sourced from within, through strengthening regional integration by advancing policies aimed at trade liberalization.

Regional economic communities, therefore, need to come up with strategic approaches which can help them withstand or recover from such economic effects. To that end, as it has been shown in

²⁵¹ ASEAN Comprehensive Recovery Framework 2020.

²⁵² ASEAN Economic Ministers Statement on Strengthening ASEAN Resilience in Response to the Outbreak of the Coronavirus Disease-COVID-19.

this chapter, the Association of Southeast Asian Nation (ASEAN) is an example of a regional economic community which has managed to forge such cooperation strategies, and, therefore, SADC may perhaps learn from ASEAN.

6. Chapter 6 – Conclusion and Recommendations

6.1 Introduction

The main aim of this study was to determine whether regional integration can strengthen the resilience of SADC to economic crises. SADC's cooperation regime has transformed over the years from a politically driven agenda, which was motivated by the SADC member states' past experiences with Apartheid South Africa, to a more economically-motivated, comprehensive and robust regional integration agenda. Through this transition, member states have held the view that regional integration will be advantageous for the region as it may enhance their economic growth and development.

To this end, SADC member states found it fitting that the new regional architecture needs to emphasize more on how it can achieve its objectives through enhancing regional integration. In so doing members have ratified a number of regional instruments, such as the SADC Protocol on Trade, and have implemented strategies, such as the Regional Indicative Strategic Development Plan. These two regional instruments are among a plethora of regional agreements which encompass SADC's regional integration agenda.

Promoting regional integration has proven to be beneficial for countries in a regional grouping. Taking advantage of the mutual inter-dependence fostered through regional integration has allowed countries to benefit in ways such as increasing productivity. Moreover, through banding together, countries in a regional grouping can be able to resist or recover from economic shocks of an external nature. By integrating their economies, countries can be in a position to face and tackle common challenges. Therefore, regional integration can help build members' resilience to external economic shocks. However, although SADC has established encouraging agreements aimed at fostering regional integration, the region seems to continue to lack resilience to economic shocks. It is against this background that this study was undertaken.

6.2 Summary of Findings

The study found that resilience to economic shocks can be strengthened through regional integration. However, for countries to build resilience to economic shocks through regional integration, they need to come up with regional agreements which promote cooperation in economic policies. These will enable countries to come up with ways of dealing with common

issues of interest. Further through cooperation arrangements with external partners who face the same economic challenges.

The research has further found that SADC is not resilient to global economic shocks, and this is due to the challenges that it faces. These have the effect of weakening its regional integration agenda. Therefore, that the vulnerability of SADC to external economic shocks is partly due to its weakened regional integration. However, the study has also discovered that the region is moving towards deepening integration, through policies aimed at infrastructural development and industrialization. Implementation thereof, will bring the region closer to deepening regional integration and building resilience to external economic shocks.

Thirdly, it has been discovered that the architecture of SADC's free trade regime is built on ensuring that there is well developed infrastructure which can enhance the ease of trade among member states. Although, unlike regions such as ASEAN, which have the concept of resilience embedded within the integration structure, SADC, has in a manner, incorporated the concept of resilience through its strategies aimed at promoting regional development. Enhancing development within the region will, thus, make SADC more connected, enhance product and industry diversification, and promote productivity within the region. Consequently, this may lead it to become more resilient to external economic shocks.

Lastly, the study found that SADC has the potential to increase its resilience to external economic shocks. This is, however, to the extent that there is commitment towards the implementation of the regional agreements. This is because the implementation of these agreements will pave the way for a deepened regional integrated community, which would be more resilient to economic shocks.

6.3 Recommendations

Based on the findings, this study makes the following recommendations;

1. SADC ought to put more effort towards strengthening its objectives aimed at deepening regional integration. Its Regional Indicative Strategic Development Plan (RISDP) 2020-2030 and other strategies, such as the Industrial Development and Market Integration, lay down the foundation which SADC can work on towards building a highly developed and industrialized region. Therefore, it is for SADC member states to commit towards the achievement of the objectives thereunder. This can be done through establishing strategies

that are aimed at monitoring the progress of each member state in the implementation of regional agreements.

2. SADC also needs to consider incorporating the ‘outward looking approach’ in their integration model. This will require it to identify and engage with its external key partners. This outward looking approach can be in the form of a free trade agreement between SADC and one of its trading partners, such as China. The model can be influenced by SADC objectives and strategies, which will safeguard the region’s aspirations and agendas in the presence of an external partner. An outward looking approach towards regional integration will help the region source resilience from without the region through cooperation with external partners.
3. The study further recommends that SADC ought to take the necessary steps needed towards dealing with the challenges it faces which hinder it from further deepening integration. This can be done through conferences and meetings among member states, where the agenda of such conferences and meetings are mainly aimed at discussing these challenges and the solutions thereto. This further needs to be backed by commitment on the part of the leaders of the member states, in seeing that these challenges are dealt with. Finding ways to deal with the challenges will enable it to take advantage of the opportunities it is faced with, which have the potential to strengthen and deepen SADC regional integration and make it more resilient to external economic shocks.

6.4 Conclusion

The main aim of this study was to determine whether regional integration can strengthen the resilience of SADC to economic crises. The study found that regional integration can strengthen SADC’s resilience to economic crises. To do so, SADC has to commit to its regional integration objectives and further find ways to deal with the challenges it faces. The Association of Southeast Asian Nations (ASEAN) regional integration model has proven to be a success for the member countries as it has contributed to their development and integrated them into the global economy. Therefore, SADC can learn from this region and incorporate some of its outward looking approaches towards regional integration, and most importantly towards building resilience.

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