THE ROLE OF THE STATE AND STATES
IN THE PROCESSES TOWARDS DEVELOPMENT COOPERATION AND REGIONAL INTEGRATION IN SOUTHERN AFRICA [1]

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1. INTRODUCTORY

Amongst many other analyses and debates, the more extensive awareness of the active role of the state and of states in the purportedly highly successful 'market economies' in East Asia and South East Asia is bringing discussion of the role of state back into quite mainstream development discourse.

After years of deliberate ideological discrediting of the role of the state in development, and the active dismantling of the state in Africa, even the World Bank is gradually coming around to the recognition of the necessary role of the state; on their argument that this is essential under conditions of underdevelopment and – as yet -weak market forces in most Africa countries. The belated awakening of the World Bank, and its own interpretation as to what 'the role of the state' should be, actually deepen the challenges to independent critical analysts as to their own approaches to the revival of discussions on "the need for a developmental state in Africa" and the long-overdue need to "re-discuss the developmental paradigm of the 1960s and 1970s"[3].

2. NATIONAL AND REGIONAL ACTORS AND AGENCIES

As has been well documented[4] over the recent decades of unprecedented economic expansion and technological advances under the rubric of 'globalisation', this growth has not benefited all economies and all people equally, if at all. In sum

- The current patterns of global economic growth have been characterised by deepening deprivation for large sectors of the world's population and sharply increased inequalities, and by the vast and growing polarisation in material wealth and technological resources between the richest and poorest people, social sectors, countries and regions.
- The current forms and levels of economic growth, of ever-expanding production requiring and stimulating ever-increasing consumption of global resources is fundamentally unsustainable, is creating unprecedented social and environmental stresses and pressures, and posing epochal threats to the equilibrium of the entire planetary ecological system and even the future of humanity.
- The current processes of global economic growth have been carried out by extensively unregulated and deliberately <u>de</u>regulated 'market forces', meaning corporations and companies, banking institutions/ investment funds and other financial and economic operators; although backed up by the direct and indirect economic, political (and military) interventions of their 'home' governments, as required.

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[1] This is a modified version of a paper written for the Institute for Global Dialogue's Workshop in March 2007 on 'poverty eradication and development' within the Helsinki Project. The original paper and others are due to be published in full by IGD as " Poverty Eradication Strategies in Southern Africa as a contribution to the Helsinki Process", ed Michelle Pressende.

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[3] See e-mail mimeo report by Michelle Pressend Institute for Global Dialogue, November 2006, on the meeting within the Helsinki project that took place in Dar es Salaam in April 2006.

[4] UNDP annual Human Development Reports, and UNCTAD's annual Trade and Development Reports, as well as academic analyses by eminent economists, including nobel laureate Joseph Stiglitz of Columbia University, Dani Rodrik of Harvard University, Ha Joon Chang of Cambridge University, and NGO's such as TWN-International, Oxfam, Christian Aid, Friends of the Earth-International, Action Aid International and many others.

In this context, alternative approaches would focus on the following key theoretical and analytical, political and practical challenges.

2.1 Policy interventions to counter imbalances and distortions

The inequalities being created in the global economy and through globalisation agencies and processes are also reinforcing gross imbalances within and between the countries of Southern Africa. These different levels of development/underdevelopment are partly a reflection of the different sizes and resource endowments of the respective countries. But these inequalities have been intensified over decades by the deliberate policies of the colonial/apartheid authorities in the region. More recently, internally or externally imposed trade and investment 'liberalisation' policies and other de-regulatory prescriptions, directly or indirectly emanating from the IMF and World Bank, and global re-regulatory neo-liberal requirements set by the WTO, have exacerbated the existing imbalances.

For these countries to be able to tackle poverty and promote effective human, community, national and regional development: deliberate and deliberated programs and policies are required to counter or undo these pronounced inequalities and inequities. At the most general, this would entail

- investigating and identifying the internal and the external/international causes of poverty and the interactions between these causative sources;
- identifying and prioritising key geographical areas and social/economic sectors for governmental and inter-governmental attention;
- directing national and regional economic and social programs to social groups and areas where they are most required, and/or where they would have most or most immediate economic impact;
- actively (re)distributing production assets more equitably in social and geographical terms within countries and across the region;
- creating other compensatory programs and dedicated development funds and institutions to promote the above.

Such conscious re-balancing efforts within and between the countries of Southern Africa are essential on the grounds of equity and justice …. and for social stability. But such targeted redistributive measures would also serve far-sighted developmental strategies to provide the basis for increasing the productive resources and improving skills towards the creation of rising income levels for the majority. Together, these redistributive measures within national entities create self-reinforcing production-and-consumption development dynamics[5]. And redistribution across borders within immediate regional communities ensures that such developmental dynamics are wider in scope and deeper in impact.

2.2 Public/governmental agencies ….. and private sector 'market forces'

The complexities and challenges of such redistributive and corrective or compensatory developmental strategies within and between the countries of Southern Africa are such that they would require the concerted efforts of all possible public agencies, and effective cooperation and coordination between them [see 2.4 below]. This would not be straightforward. But what is clear is that such processes cannot be left up to the blind forces of the market and discredited "trickle-down" effects to deliver.

The well informed, more far-sighted, longer term, mutually beneficial and cooperative efforts that will be demanded for (re)distributional and developmental programs towards disadvantaged groups and sub-regions are outside of the *modus operandi* of business agencies and clearly in contradiction to their very *raison d'etre.*. Market forces are intrinsically:

[5] or what orthodox economics refer to as "rising effective demand".

- based on economic competition not political cooperation; on pursuing maximum business advantage, not broader social and socio-economic aims and dis-interested 'general welfare'; notwithstanding the 'whitewashing' and 'greenwashing' and similar 'corporate social responsibility' projects by some more self-enlightened corporations;
- require unequal levels of development and uneven labour, health and safety, environmental and other standards and regulatory frameworks in different countries within which they can locate and strategically relocate their business operations so as to promote their own competitive advantages;
- and, within the currently liberalised investment regimes and competing pursuit of foreign investment by most governments, it is advantageous for investors to be able to conduct simultaneous investment negotiations with separate governments (and skillfully play them off against one another) in order to optimise their own opportunities and maximise the incentives they are offered by such competing governmental 'investment promotion' programs.

In sum, "*(w)hen market forces are let loose on society, their tendency is to reproduce inequalities and widen economic differences between the lesser developed and the more developed areas*"[6]. Without countervailing forces and conscious regulatory interventions by public authorities, the markedly uneven social and geographical distribution of growth, and the accompanying inequality and levels of poverty in Southern Africa will be sustained ….. and reinforced.

2.3 'Enabling' states …. 'regulatory' states…. or activist and interventionist states

Clearly, it is accountable public/governmental agencies that have to carry out the type of crucial developmental programs [as in 2.1 above, and 3 below] that the private sector is not willing to play, and is fundamentally not equipped for. However, the latter are still powerful economic players within all the SADC countries, particularly South Africa, and operating across borders within the region. Thus, a key strategic question resides in the relationship between business and government, between 'states and markets' in promoting not merely quantitative economic 'growth' but the qualitative transformative development programs essential to tackling poverty and ensuring human needs and rights, and social security and stability. Even the World Bank - which for decades energetically discredited and actively dismantled state-led models and institutions in Africa - has been compelled to come around to the belated recognition of the essential role of the state in circumstances of pronounced underdevelopment as in Africa.

However, the challenge to analysts and activists seeking alternative modes and models for development and transformation in their countries and regions is to distinguish clearly between three conceptions of the appropriate role of states. These are all frequently and loosely referred to as the revived "developmental state", and consciously or unconsciously confused and conflated. Whereas there are clear differences between:

- states as mere "enabling" agencies providing supportive policies and programs, legal institutions and investment and property guarantees etc, and physical and other infrastructures for the secure and profitable functioning of private sector operators, domestic and international (which is the World Bank version); **or**
- states as "regulatory" agencies to ensure the observance by private sector agencies of publicly defined standards of financial transparency and operational accountability or, at a more advanced level, the fulfillment of production, environmental, health and safety, job creation and labour rights, gender frameworks for equity, and other performance criteria and responsibilities; **or**

[6] Prof Rok Ajulu , "Revisiting regionalism in SADC", mimeo, paper presented at FES-IGD workshop, Johannesburg, October 2006.

- states as "activist" agencies in and of themselves - within regional inter-governmental structures, or as national or local government authorities [see also 2.5 below], or through public/parastatal enterprises and institutions - as proactive agencies in both strategic sectoral policy planning as well as implementation, including through public investment programs.

The last options and the potential role of public agencies underscore the necessity to re-visit the first generation of state-led economic models in Africa (and elsewhere) in order to unpack their underlying economic/political rationale and motivations, their functioning and their achievements, as well as their shortcomings. And, in the latter regard, it is necessary to investigate rigorously and impartially identify whether the sources of their problems or 'failures' lay in

- basic strategic (mis)conceptions and excessively ambitious aims **or,** more basically, in their operationalisation and practical implementation;
- the relative weight of management weaknesses and other 'subjective' inadequacies, **or** other objective resource constraints and 'market size' (that is popular income) limitations;
- and related to this, the role of internal/national political, economic, social, cultural and other factors **and** the impact of external/international economic and political factors and forces.

Such a comprehensive and rigorous re-evaluation would also have to assess the interactions between all these dimensions and causal factors in the performance, the achievements, the problems and the entire *problematique* of state-led approaches to economic development and diversification..

2.4 Inter-governmental negotiations and mutual accommodations

The role of governments is, however, also essential at another and more explicitly political level. Inter-governmental negotiations are the essential means to secure mutually acceptable regional arrangements and agreements between a large number of 'sovereign' countries. There are, of course, inherited processes of 'functional integration' created by 'history', and more recent processes of *de facto* economic 'integration' being created by the independent initiatives of business forces through their own cross-border ventures, mergers and acquisitions and so on. But for intra-regional relations and interactions to fulfill their developmental potential, these have to be based on formal/formalised

- cooperation - for example in monitoring and dealing with shared water and other common physical resources, metereological/climatic, epidemiological/disease, environmental/'natural disaster', and other such processes that are not confined within political borders;
- coordination - for example in the many inter-linked technical systems and inter-linking infrastructures so fundamental for national and regional development, especially in road, rail, river/maritime, air and other forms of transport and tele/communications;
- harmonisation of the rules and regulations, norms and standards governing such common systems and cross-border relations, including in finances and banking, safety and security, labour regulations and human migrations, human rights, health and environmental standards, and much else.

However, inter-governmental agreements could or should go much further than cross-border 'cooperation, coordination and harmonisation'…. towards actual sectoral integrations. This entails modifying or removing complicating political and bureaucratic barriers and boundaries impeding the optimal interactions and coordination, the combination or even the full integration of industrial and agro-industrial production, commerce, trade and tourism, energy generation and distribution, water conservation and distribution, environmental, biodiversity and wildlife management, and much else.

Furthermore, these forms of "market integration" must not be equated or conflated in conceptualisation or in practice with "market-driven" integration. Developmental sectoral cooperation and coordination cannot simply be left up to market forces. These coordinated or 'integrated' regional operations entail comprehensive investigation and planning, and detailed negotiations: not only on the technical details but in order to accommodate the economic, social and cultural specificities of the participating countries, their vulnerabilities, their different capacities and levels of development etc. In this context

- ✓ the 'special and differential treatment' (SDT) principles for countries at different levels of development, as enshrined in GATT and, in principle, in the successor WTO; and
- ✓ the 'common concerns but differentiated responsibilities' between countries with differing financial, technical and other resources; as pursued within the UN-CSD, UNEP and other UN agencies;

which developing country governments argue for at the global level, have to guide and permeate the negotiations between the countries of putative developmental regional communities such as SADC.

2.5 Complementary and counter-balancing popular and public agencies

Essential as are such high-level inter-governmental negotiations and relations on the regional plane, these are, however, not sufficient. At one level, the immediate challenges, reside in the notable "lack of political will" needed to drive regional agreements and the creation of regional processes and institutions. The slow progress in these spheres reflects the complexities of such ground-breaking programs. But the tardiness in reaching agreements within SADC, and the long delays in ratifying even formally agreed protocols reflect many technical insufficiencies and political impediments in the governments involved: on the one hand, a lack of vision and far-sighted understanding of the much greater potential in regional cooperation programs; or, to the contrary, a lack of confidence in, or suspicion of the motivations of fellow regional member states and governments. These concerns may be unjustified or exaggerated, or they may well be valid concerns. Either way, these intra-regional tensions or differences of interest have to be evaluated and weighed against the concerns and interests they have in common. These and other impediments to intra-regional cooperation and mutual confidence have to be acknowledged and analysed, discussed frankly and dealt with collectively.

However, the covert resistance of many governments within regional(isation) processes also reflect in large measure the reluctance of national political players to cede crucial - or any - aspects of their countries' 'sovereignty'. More literally, the use of the concept of 'sovereignty' refers to their own exclusive control over national economic resources and decision-making as bases of their own national political patronage/power and privilege. The political paradox is that many such governments are willing to cede large measures of their 'national sovereignty' to external forces, such as the IMF/WB, in order to access financial resources. But these same governments jealously resist ceding any measure of their national controls to regional institutions; even were these to be negotiated and created democratically with their immediate neighbours. This is most notoriously evident in their reluctance to see the establishment of regional human rights frameworks backed up by dedicated regional human rights courts.

The accompanying challenge is that effective developmental programs have to involve different levels of government in each country. Provincial and local authorities can often be better-placed than central/national governments in identifying the necessary targeted policies and detailed programs for dealing with the economic, climatic, topographical and ecological, social and cultural features that they share with their counterparts across their immediate political frontiers. These cross-border inter-linkages often constitute 'real' geo-economic sub-regions within the overall region. These forms of ‘sub-sub-regional’ cross-border integration can, through conscious interventions and initiatives, constitute important incremental intra-regional building blocks although these have to be pursued <u>within</u> the overarching policy frameworks agreed at the national/regional levels. In this way, regional integration is characterised and driven by both 'top-down' and 'bottom-up' processes.

There is another aspect to bottom-up processes for regional cooperation and integration. All these governmental authorities at different levels have to engage, in turn, with much wider social layers and organised civil society in all the countries of the region. And these latter have, themselves, to cooperate directly in and through their social organisations and movements, sectoral and issue-based networks across the borders of the region. In the context of all the above, such wider public engagement is essential in order to ensure

- the discussion and formulation of the detailed substance of the targeted social and economic development programs that reflect the real needs on the ground and the problems/solutions that invariably cut across political boundaries;
- the democratisation and fuller public identification with regional social and economic programs, which are both the driving means, and the guarantee and very essence of the entire developmental regionalisation project.

3. POLICIES, PROGRAMS AND ALTERNATIVE PARADIGMS

Clearly, policies and programs to deal effectively with inherited imbalances and inequities within and between the countries and populations of Southern Africa have to be comprehensive, and collectively created and implemented, and thus have to be located within a very different paradigm to the neo-liberal assumptions which currently dominate the SADC regional project. Over the past half a dozen years SADC has gone through gradual incremental processes of redirection and transformation, giving a more clearly and unambiguous private sector emphasis and market-driven interpretation to the sometimes ambiguous terms and language of the original SADC treaty.

This market-oriented and private investment-based approach, backed up by "enabling" regional structures, is most clearly articulated in the latest SADC RISDP (Regional Indicative Strategic Development Plan), as well as in the sectoral programs produced in the respective Directorates in the Gaborone secretarial headquarters of SADC. This process of redirection has also been assisted by the highly centralised and increasingly technocratic nature of SADC policy-design in Gaborone, and with additional 'encouragement' from international 'expert', 'technical' 'consultants' 'provided' to SADC, especially under EU purported regional development assistance[7].

In this regard, the following are some of the key overarching theoretical understandings/approaches and policy frameworks that would distinguish alternative developmental regional paradigm(s) from the now dominant neo-liberal programs being promoted in and through SADC.

3.1 Regional trade facilitation and regulation

The now dominant conceptualisation and economic framework of the current SADC project is that it is primarily trade-based and trade-driven, and located within the assumption that the growth of trade is the necessary condition for national and regional development. At the same time, there is a simultaneous parallel strategy, promoted mainly by the US and the EU, to direct SADC away from even this limited 'economic growth' function, and turn it into a mainly 'stabilisation and security' instrument. This is on the basis of the persuasive argument that no development is possible without regional stability (although this simplistic equation ignores the converse: that regional stability will not

[7] Aware of this concerted neo-liberal transformation and the diversion of SADC away from even its earlier developmental promise and potential, the Peoples Summit parallel to the 2006 SADC Heads of State Summit, was entitled "Reclaiming SADC for Peoples Solidarity and Development Cooperation".

be secure without economic development). But this is posited also on the questionable claim that foreign investment 'will not come to the region without such guarantees of security and stability' [8].

Trade does, indeed, have a certain role to play in all economies and there is a need to facilitate such cross border commercial relations. Furthermore, this must embrace not only large-scale 'formal' company-driven commerce but also small-scale, 'informal' people-based, and largely women-led cross-border trade. However, in addition to 'facilitation', it is also essential to proactively regulate cross-border trade between the countries of Southern Africa. On the one hand, this requires supportive tariff regimes oriented towards the needs of domestic producers; although these

- ✓ have to be applied selectively and to vary according to specific criteria and defined sectoral needs;
- ✓ have to be designed as transitional arrangements and conditional upon productive performance, and
- ✓ cannot be conceived by governments, or perceived and relied upon by producers and traders, as unconditional permanent protections.

On the other hand, trade facilitation also requires measures to deal with inadequate infrastructures, inefficient customs procedures, and other bureaucratic impediments and so on. But, even as trade is being thus encouraged, other requirements, targeted policies and practical production interventions [see 3.2 below] are essential in order to tackle the heavy and growing trade imbalances between South Africa and all the other SADC countries. The most contradictory feature of the current SADC trade system is that SADC governments constantly complain about their trade deficits in SA's favour and are, at the same time, energetically arguing for full regional 'trade integration' …. even though this will inevitably exacerbate such trade imbalances. Such uneven trade flows are widening even under the existing selective and differentiated levels of trade liberalisation being implemented under SADC's Maseru Trade Agreement. The current thrust towards full regional free trade by 2008 is thoroughly ill-advised because it will inevitably favour the stronger companies/exporters from South Africa and a few of the other stronger economies in SADC, such as Mauritius (and, until recent years, Zimbabwe). What is more, such import/export trade imbalances are also adding to the external balance of payments difficulties and current account deficits of these countries ….. in South Africa's favour, as their main trading partner. This will aggravate the existing uneven levels of development between such SADC countries and South Africa, and reinforce their economic exploitation by SA companies and their financial dependence upon public and private South African agencies [see 3.3 below].

3.2 Regional production development and diversification

Even programs of variable and gradual trade liberalisation enshrined within the current regional trade agreement, or possible alternative future and permanent <u>variable</u> and <u>preferential</u> intra-regional trade arrangements, would not *per se* produce more equitable results without many flanking provisions [such as in 2.1 above]. There has to be a range of policy and practical pre-conditions and means to improve the 'supply capacities' of the weaker countries in order to enable them to take advantage of improved market access into their neighbouring countries. Effective productive capacities are the most fundamental underpinning - flanked by secondary 'marketing skills' and other technical capacities - for effective trade, not *vice versa*. It is effective production that most fundamentally drives successful trade rather than the other way round, even though increased trade opportunities can contribute to improved production …. to some degree… in specific sectors ….. and with some products.

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[8] Whereas, of course, the evidence is clear that investors go where the resources are, and where maximum investment returns are available. This is regardless of any other considerations such as peace and stability . To most foreign investors 'stability' and security' are promoted and interpreted in narrow and self-serving terms as: the guarantee and protection of their economic operations and their property and financial transfer rights.

Improved and transformed productive capacities would also have to be structured in such a way as to encourage the redirection of certain sectors of the production within SADC countries towards their own markets and not only towards the regional market, and certainly not as heavily towards international markets, as at present with most of the countries in SADC. Regionally-oriented production-and-trade is important for more balanced and higher levels of mutual development within the larger combined regional market, and especially for selected sectors. This, in turn, would require

- greater national production development and diversification away from the current focus on a very narrow range, and very similar areas of manufacturing and processing industries in most of the national economies in the region;
- encouragement of new areas of national 'specialisation' or certain agreed forms of 'division of labour' between the countries of the region, taking into account local resources and skills, but not confined within or dictated by their current so-called 'comparative advantages' ;
- the promotion of intra-regional complementarities in national production profiles/patterns, reflecting the need to change existing production patterns and ensure wider distribution of higher-value added and employment creating production programs across the region.

Such strategic production coordination and complementary 'divisions of labour' are not simple to devise even within national economies, and this is much more complex between unevenly developed members of a regional economy. Such an approach would have to be agreed through specific negotiated inter-governmental programs and agreed production restructuring and redirections, and would have to incorporate the kind of mutual accommodations and the coordination and cooperation indicated in 2.2 and 2.4 above. This will not be easy to conceive or operationalise, but is the essential basis to create coordinated or combined and complementary industrial, agro-industrial and other regional production strategies[9]. This is the far-sighted alternative to viewing as immutable givens the wastefully duplicated and competing programs in the same sectors and products between 'national' producers, or the continued domination of them all by the already strong companies and economies - mainly South Africa, of course.

Similarly, in so far as SADC countries maintain a proportion, or specific identified sectors of their production to be oriented towards international trade, this should be based on higher levels of local and national processing and greater beneficiation than currently characterise their predominant, and predominantly unprocessed, commodity exports. This, too, requires proactive production programs and governmental policy and practical interventions to ensure greater internal returns from higher value added to Southern African agriculture, forestry and fisheries and mineral products and exports, and greater external earnings. All of which would simultaneously be designed and orientated also towards the generation of greater internal employment opportunities. But, all of this, in turn, presupposes multi-governmental financial resources and public investments.

3.3 Regional development resources and investment

SADC has long had on the drawing board various financial and investment proposals and draft protocols. Many have not been tabled, let alone agreed. But, even if they were to be agreed and implemented, the more fundamental problem is that they are based on neoliberal macro-economic 'principles' and highly tendentious assumptions. Inflexible prior macro-economic targets set within national economies are even more difficult to prescribe and apply to a group of economies at very different levels of development and confronted by differing and difficult production and supply

[9] Such regional complementarities and coordinations would have to be very different to the cross-regional 'chains of production' referred to in conventional economics, which could resemble in form and effect the transnational 'chains of production' being created across the world by global corporations

challenges ….. and not merely 'money supply' issues and instruments. Furthermore, amongst the many other questionable economic prescriptions, the neo-liberal approach includes injunctions about the importance of such macro-economic criteria as the overriding necessity to reassure and attract private investment ….. with anticipated quantitative flows and assumed qualitative gains deriving from both internal and international liberalised capital flows. These, in turn, will only be forthcoming or reassured by strong guarantees on full capital market openness and the 'transfer' or 'repatriation' rights of such investments.

Whereas, developmental investment regulations - for national, regional or international investors - would, to the contrary, and at the very least, have to be located within an agreed regional financial framework with a joint regional investment code, including

- conditionalities for capital movements across the borders within the region, and controls on rapid and speculative capital movements into and out of the region;
- criteria on the levels and time-frames for profit re-investments by all local and international companies operating in the region;
- requirements for local inputs into such ventures, encouraging the creation of backward and forward linkages to existing or newly stimulated local companies;
- technology and management skills transfers, labour and gender rights and training, and social and environmental responsibilities, as well as formal accountability and accounting obligations and so on.

Despite much rhetoric by African governments on the necessity to "mobilise internal financial resources" towards greater "self-reliance", SADC's approach is heavily oriented towards attracting international capital and facilitating foreign investors' interests. Even in-so-far-as internal/regional investment sources are targeted, these too are to be encouraged within regional financial liberalisation frameworks. As with trade liberalisation, such regional investment promotion policies will serve the interests of more powerful financial/investment agencies, mainly in/from South Africa. With guaranteed profit repatriations and capital flows back to South Africa, this will contribute towards further accumulation within South Africa and the further polarisation of growth and benefits towards the richer country, for the more powerful investment entities, and for the already affluent social sectors.

A different development approach would not only seek to regulate and achieve a more balanced spread and greater qualitative returns from private investment. It would also conceive of development resources as embracing much more than only formal capital sources. Such development resources would be seen as including national(ised) natural resources, above all land, forests, mineral and maritime resources**,** as well as human/skills resources. And, in this, it would mobilise and prioritise public over private investment. Although orthodox economic theory deplores the supposed effect of public investment in 'crowding out' private investment, the opposite is actually the case under conditions of weak private investment, and in the context of active and urgent development requirements. Public investment, appropriately planned, can even play the important role of 'leading in' private investors', either in joint PPP (public-private partnership) ventures, or through the creation and implementation of specifically state investment programs *per se*.

Furthermore, from the perspectives of progressive developmental NGOs, trade unions and other popular organisations, the more appropriate and genuinely 'public' role of public investment would be located within democratically and transparently negotiated processes, creating more varied and more inclusive <u>public-public</u> partnerships. These would be

- between the respective - and properly accountable - inter-governmental financial agencies, such as regional development funds/banks

- between national parastatal enterprises and institutions and other appropriately democratised and transparent public funds/trusts, and
- between all such public agencies, on the one hand, with 'public' cooperatives, worker/employee collectives, community-based and other forms of popular collective productive self-organisation, and other joint development initiatives.

But equally significantly, the mobilisation of such diverse internal and public development resources would create greater self-reliance and would reduce the current external dependency, vast capital outflows and continuing international exploitation. This could contribute towards changing the nature of the current deeply exploited insertion of African countries into the global economy. This, in turn, would contribute also to changing the nature of that economy. But this poses broader questions about the relationship between regionalisation strategies and 'globalisation'.

4. EXTERNAL COUNTER-PRESSURES AGAINST REGIONALISATION STRATEGIES

Although strategic developmental regionalism would aim to

- achieve a greater degree of internal self-sufficiency, and higher levels of self-reliance in investment resources and in productive and even technological capacities;
- encourage the redirection of specific sections of national production towards supplying national/local and regional needs and markets ; and
- facilitate the redirection of major proportions of national commerce and trade towards nearer and more accessible regional markets;

none of these aims suggests a total self-sufficiency let alone autarchic development. The aim would be to reduce external dependencies and avoid dangerous susceptibility to external economic and political pressures and their excessive exposure to external economic shocks which have disproportionate negative effects upon them and over which such countries have little influence.

A significant point to emphasise is that a strategically conceived, state-led, publicly regulated and protected economy is not the same as a "closed economy". This latter is what proponents of one open neo-liberal globalised economy insistently and aggressively argue; even at the slightest indication of intentions by any governments to introduce policies that would in any way impede the unfettered operations of transnational exporters, investors and financial speculators. The counter-argument to such forces is that the 'single, integrated, open global economy' is essentially a mere theoretical construct and a useful ideological instrument. Although extensive de-regulation and liberalization does, in large measure, characterise the emerging globalised economy, the ‘free market’ and ‘free trade’ model is contradicted in practice by the selective protectionism within, and the fiercely mercantilist rivalries between, powerful national economies, such as the US and EU and from within their regional power bases.

And these blatant inconsistencies operate simultaneously with the insistence of ‘globalist’ theorists, powerful governments and the institutions they dominate on extensive liberalisation and openness in weaker or competing economies. Furthermore, there is a world of difference between

- on the one hand, the exclusionary <u>protectionism</u> of the strong against the weak(er), especially where the latter have some small areas of relative strength; and,
- on the other hand, the <u>protective</u> policies of the weak to defend themselves against the strong.

In the context of selective - if often skillfully disguised - protectionism of the strong and their simultaneous aggressive liberalisation demands on others, it is similarly significant that both national and regional strategies between developing countries in Africa (and elsewhere) face a number of multilateral, bilateral and 'regional' counter pressures and constraints.

4.1 Multilateral constraints against regional agreements

Any regional agreements or intra-regional trade and investment preferences between cooperating economies that "discriminate" (in standard IMF/WB and WTO terminology) against external actors are energetically opposed by neo-liberal theorists and institutions.

The IMF and World Bank's "open regionalism"

The IMF/WB, for example, argue energetically for "open regionalism" to allow all international players equal access into such regions. Attempts to create preferential trade arrangements between member countries within regional groupings are depicted as being "discriminatory" against international agencies, as raising unacceptable 'barriers' and 'market distortions', and as creating self-defeating "trade diversion". This latter central formula from classic liberal economic theory fails to recognise that

- what is depicted as being "trade diverting" from the point of view of international players can be actively "trade creating" for weaker players - given appropriate developmental preferences within their own national economies and regions; and
- conversely, trade liberalisation policies, that are viewed as being "trade creating" from the point of view of powerful international players, may be destructive of the production and trade prospects and potentialities of weaker players within less developed countries and regional groupings.

Furthermore, the so-called "efficiency" gains from trade openness, and claims about 'consumers interests', are off-set in broader economic and societal terms, and are contradicted by

- the quantifiable costs, on the one hand, in the job losses and, on the other hand, ever-increasing financial outflows that accompany such liberalization; and
- in the much greater qualitative 'costs' in social development options that are thereby foregone, and in the longer-term economic and social transformations that are permanently lost.

In this context, measures that are condemned as being unacceptably "protectionist", from the viewpoint of globalist agencies and neo-liberal theorists, should to the contrary be defined and defended as "protective" or "supportive" within developing economies and regions. The related internal - national and intra-regional - issues that are posed revolve around the levels and forms, the developmental requirements, and conditional time-frames to be attached to such protective/supportive policies for national/regional and local producers [as outlined in 3.1 above]. But these complex internal issues do not and must not reside within the remit of the IMF/WB to decide or dictate.

The World Trade Organisation (WTO)

The WTO's similar "anti-discrimination" conditionalities and the coverage and time constraints it places on regional projects are enshrined in its notorious Article XXIV on Regional Trade Arrangements (RTAs). This clause prescribes what is 'permitted' for governments to implement within RTAs. These are viewed as being unfortunate departures from the drive to reinforce and advance the single integrated global economy. Thus any RTAs favouring regional members have to be seen to be temporary exemptions, and have to move within a prescribed period towards becoming full open free trade areas[10]. Article XXIV also requires that such agreements have to cover "substantially all" trade in order to prevent unacceptable 'protectionist' exemptions and exceptions for specific sectors or products.

The WTO's Article XXIV also carries negative implications for specifically intra-regional trade arrangements by restricting the time frames to ten years within which these can be sustained. This *a priori* limit constricts the flexibilities and adjustments that may be required within regional programs as they progress, since these cannot be predicted in advance. Similarly, the high levels of product coverage for such rapid tariff liberalisation also contradict the need for differentiated and variable tariff reductions for different products and within differing economies within regional groupings, according to their own calculations and identified priorities and sectoral sensitivities.

The even more questionable issue about Article XXIV is that it is utilised to impose such terms on intra-regional arrangements as if they are merely 'trade' agreements. This ignores the fact that regional integrations between developing countries have to be multi-dimensional processes. Within such multifaceted regional processes - including political, financial, economic, environmental, social and cultural dimensions - trade arrangements are not the only, or necessarily the most important, aspect [see page 6-7 above]. Specifically trade aims and interests have to be evaluated, related and accommodated within a much wider range of intra-regional agreements. At times, mere 'trade' aims or interests have be part of compensatory sectoral 'trade-offs' or concessions by one government in relation to other sectoral needs of another neighbouring government and in the interest of promoting broader balance, stability and greater equity. It may, for example, be necessary for South Africa to make trade concessions to other weaker SADC countries 'in return for' access to their water resources. Conversely, weaker countries could provide or withhold trade or investment access for South African companies into their countries in return for improved financial and technical support from South Africa, and so on.

Such 'trade-offs' between intricately inter-linked neighbouring economies are both necessary and more feasible than between them and the highly developed rich countries elsewhere in the world. In the perspective of the richest countries, weak and unstable countries tend to be viewed as relatively remote problems. And the governments of lesser and least developed countries have little influence or direct leverage over the strong and rich[11]. In contrast, the inter-dependent dynamics and interactions between ‘developed’ South Africa and its lesser and least developed neighbours are much more immediate, direct and potentially damaging. As is often pointed out, South Africa cannot indulge in the illusion that it can be ‘an island of prosperity in an ocean of misery and instability around it’ ….. unlike those in distant richer countries across the seas that indulge in such illusions. In this ‘realist’ scenario, negotiated ‘trade-offs’ or concessions by South Africa to its much weaker regional ‘partners’ would be very much in the strategic, long-term interest of the most developed country in the region. The overall development of these close neighbours would, on the one hand, inevitably work in South Africa’s own direct economic interest; and, conversely, their continuing underdevelopment and attendant instabilities will inevitably ‘overflow’ across their common borders into South Africa[12].

Thus, simplistic sweeping regional liberalisation offensives imposed from the outside constitute pre-emptive challenges to multiple programs for regional cooperation and development and, such external designs would have to be actively countered by African and other governments if they seriously aim to create complex, comprehensive and flexible regional development and integration programs

[10] Any interim customs unions may, similarly, only create common external tariffs if these do not unduly raise such border defenses beyond a weighted average of all the external tariffs currently in operation in the countries participating in such regional arrangements.

[11] Other than 'moral' persuasion and appeals…. or the migration and environmental 'threats' posed to the rich by the desperate survival struggles of the poor.

[12] As has been accelerating with the deepening of the economic, social and political crises in Zimbabwe

4.2 Specific counteractive bilateral and 'regional' agreements

The terms posed within the WTO's RTAs and other WTO trade and trade-related agreements are also now being actively invoked, and carried even further**,** by powerful international players in the bilateral and 'regional' agreements that they are trying to foist upon individual countries and regional groupings in Africa (and elsewhere). The most significant of these are:

The African Growth and Opportunities Act (AGOA) of the United States

Washington is enticing individual African governments into comprehensive bilateral agreements with the US under the umbrella of its so-called the African Growth and Opportunities Act. In return for (some, conditional and qualified) improved access into the US market, dozens of African governments have signed onto a package of policy undertakings on

- trade and investment liberalisation and the rights of entry, operations and exit for foreign capital,
- guaranteed foreign property ownership and enhanced intellectual property rights in their countries;
- opening up of foreign corporate access to privatised services, infrastructures and natural resources,
- the opening up of government procurement to the same, and much else.

Furthermore, these demanding AGOA terms go beyond economic conditionalities to include security and foreign policy undertakings to Washington. In addition to the dangerous national implications of such extensive economic and political undertakings, AGOA is diverting the attentions of such African governments away from alternative strategies and orientations to regional markets. This is also effectively tying their hands in advance of any possible regional agreements that might run counter to such external commitments. In the eyes of Washington strategists, AGOA also offers the possibility, through such bilaterals, to gradually 'integrate' the whole of Africa into one vast free trade area with the US[13].

The Economic Partnership Agreements (EPAs) of the European Union

The European Union is, similarly, promoting its offensive interests in relation to most African (and Pacific and Caribbean-ACP) countries through its so-called Economic Partnership Agreements, which are supposedly aimed at supporting regional cooperation and development between these countries. On the one hand, the terms of EPAs don't go as far as AGOA[14]. On the other hand, EPAs include promises of financial and technical assistance and other 'partnership' terms that Washington adamantly eschews. However, the fundamental thrust of the EPAs is towards reciprocal trade liberalisation between the gigantic EU, on the one hand, and groupings of the minute ACP economies on the other hand. EPAs also incorporate many WTO and WTO+ demands similar to those of AGOA. These terms include not only the reduction of tariffs and restrictions on trade policies, but also investment liberalization, market-based ‘competition’ policies, the opening up of government procurement (public tenders) and all services to EU companies, as well as the increased ‘rights’ of EU ‘intellectual property’ owners. The multiple liberalisation thrust of these EPAs holds out serious threats against the surviving industries in ACP economies, against their ‘infant industries’ and future industrial development; against their small agricultural producers and against their own intra**-**regional trade potentials and cooperation programs.

In fact, Brussel's EPA offensive has already undermined regional integration in Africa by splitting the SADC countries apart. This is building on and aggravating the already existing multiplicity of overlapping and competing regional groupings in East and Southern Africa. The EPA processes and

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13 Along the lines of the FTAA with the whole of Latin America that has been thwarted.

14 Which includes 'security' undertakings and commitments not to act counter to US international policies !!

outcomes are actively intervening into and re-configuring these and other existing African regional groupings. This has not only divided SADC - from which five members states have been hived off to join a newly-contrived East and Southern African (ESA) negotiating group - which is not even a formally constituted region in itself. But the ESA initiative is also dividing COMESA (the Common Market of East and Southern Africa), which the EU had long favoured as the most appropriate model for liberalised trade integration in Africa. It is also overriding and undermining the East African Community (ECA) whose differentiated intra-regional trade strategies and Customs Union face being confounded and contradicted by separate and individual reciprocal trade liberalisation being negotiated by some of its member states with the EU.

Above all, by reinforcing the traditional orientation of these countries towards the EU, rather than towards other African regions and other regions of the South, the EPAs are also reinforcing the dependence of such countries upon the EU. In so doing, they are also threatening the possibilities for the kind of regionally driven and regionally focused alternative development strategies that African governments should and could be pursuing. As the SADC preparatory review of the proposed EPAs states, these agreements with the EU will *"compete with the regional processes by reinforcing the economic linkages of the sub-region with the EU to the detriment of the local partnerships"*.

South-South FTAs

It must also be noted, however, that many of the stronger 'emerging' economies/countries of the South - such as China, India, Malaysia, and Brazil - are also promoting their own interests in relation to weaker economies in Africa, Asia and Latin America. Opportunistically expressing this in terms of promoting 'South-South' relations, they are in fact, using the theories of 'trade-driven growth', and the purportedly win-win advantages of bilateral free trade agreements, to encourage weaker countries, especially in Africa, to enter into individual/bilateral trade and investment agreements with them. The disaparities in levels of economic power between such 'emerging' economies and most other 'developing' countries may not be as great as those between the most highly industrialised economies of the North, one the one hand, and the developing countries of the South on the other hand. Nonetheless, the gains from the proposed South-South free-trade are very imbalanced and, under conditions of liberalised trade and investment agreements, the greater advantages will undoubtedly accrue to the stronger and reinforce the polarisation of development between countries within the South as in the global economy as a whole

5. SYSTEMIC CHALLENGES OF REGIONALISATION AGAINST 'GLOBALISATION'

The broadest global or systemic strategic challenges facing more effective, more self-sustaining and more independent regional development projects between countries in Africa reside in three main overall questions

- What would be the appropriate areas, levels and forms of relations between of regional groupings with other external economic entities/institutions and other regional groupings ?

- What are the challenges posed to alternative regional development strategies by the current *laissez faire* free trade and free market globalised economy *per se* ?

- And, conversely, what are the challenges that regionalisation strategies pose or could pose to unfettered sweeping 'globalisation', with all the attendant risks that this poses to these countries/regions and to the world ?

The earlier visions, from the development era of the 1970s, for regional regroupment and development programs within and between African economies were that these would allow for an - advanced or relative or transitional - "de-linking" or "disengagement" from the internationalised capitalist economy[15]. Within the even more advanced forms of capitalist globalisation and profound systemic challenges posed today, current arguments and proposals revolve around

❖ "selective strategic engagement" with and (still) within the global economy and with global forces …. but from positions of greater collective economic and political strength within regional groupings, in order to improve gains and minimise disadvantages;

❖ "strategic re-positioning" in relation to the global economy, with a view to contributing towards the gradual erosion of the hegemonic system, and the creation of *de facto* processes of incremental "de-globalisation" through regional and inter-regional alternatives within, and between, strategic regional groupings of countries of the South;

❖ strategic re-direction and re-focusing of national economic activities within regional groupings, (and even at very local levels), and particularly the re-definition and actual reduction of international trade as part of a broader strategic response to the systemic challenges and planetary economic and ecological threats posed by the currently dominant global paradigm and *laissez faire* globalised economic system..

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[15] See Dot Keet "Globalisation and Regionalisation: contradictory tendencies, counteractive tactics or strategic possibilities?", Occasional Paper #18, Institute for Global Dialogue, Johannesburg, April 1999.