# Threatened with Marginalization
## Is Regionalization in Southern Africa the Appropriate Strategic Response to Globalisation?

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## INTRODUCTION

Regional Integration is synonymous with globalization in as far as both concern processes involving increasing the connectivity of global or regional markets and businesses through the mobility of goods, services, labor, technology, and capital. Neo-classical economics provides the basis for the integration of economies through globalization or regionalization. From a neo-classical economics perspective markets generate competition that causes companies to operate efficiently. With global or regional integration markets increase and expand providing greater access to capital, technology, cheaper imports, and larger export markets. The allocative function of the market is internationalized in this way. Economic theory further cites seven recurring themes in the study of international economics including "gains from trade, the pattern of trade, protectionism, the balance of payments, exchange rate determination, international policy coordination, and the international capital market" (Krugman and Obstfeld, 2000: 3).

Gains accompany integration in each of these areas. In trade for instance a country can export goods whose production makes relatively heavy use of resources that are locally abundant while importing goods whose production makes heavy use of resources that are locally scarce; in finance international exchanges of risky assets such as stocks and bonds can benefit all countries by allowing each country to diversify its wealth and reduce the variability of its income; local firms also benefit from this and the international movement of labor and increased learning through foreign direct investment.

Globalization or regionalization, therefore, enables "countries to specialize in producing narrower ranges of goods, allowing them to gain greater efficiencies of large-scale production" (ibid: 4). The benefits are not restricted to trade in tangible goods but extend to international migration, borrowing (a trade of labor for goods and services), and lending (a trade of current goods for the promise of future goods). To this end international integration is a means, not an end. Its objective is market extension, i.e. replacement of small national markets with supranational markets coupled with a target to achieve economic growth through increased international specialization, economies of scale and expanded trade. But in as far as its objectives are achieved it is also an end. Looked at from these two angles-means and end-Shee (2003) argues that regionalization can thus be considered an ongoing dynamic process by which certain regional goals can be realized.

A key difference between globalization and regionalization is the area each covers. Whereas globalization is worldwide regionalization usually involves a group of nations within, inter alia, a specified geographical area. Globalization and regionalization also have political, cultural, and other connotations. Hettne for instance says of economic globalization that it "would not have been possible, were it not for the relative political stability of the American world order, which lasted from the end of the Second World War and until the late 1960s" (1999: 3).

## INTEGRATION: WORLDWIDE PHENOMENON

Discussion of globalization has taken center stage in various fora. Beyond mere discussion evidence shows that the world is increasingly globalizing. Communication technology has improved to extents where personnel in global organizations like Multinational Corporations (MNCs) for example can teleconference from different locations across the globe. The average MNC is globalizing operations to exploit new and wider markets and increase profits. The benefits to a country from this phenomenon may be reflected in its System of National Accounts and Trade Balance. Indications are that industrial countries are currently the greatest beneficiaries of this process (IMF, 2000).

At regional level the adoption of the Euro as a unit of exchange among European Union states and the proliferation of regional integration schemes worldwide are evidence of increased connectedness in the global political economy. "At last count there were about 33 regional groupings in the world, involving over 120 countries. These consisted of customs unions, free-trade areas…in Latin America, Africa, Asia, the Middle East, Oceania, and Europe" (Kreinin, 2002: 162).

Developing countries contrary to industrial countries are not only getting the least benefit from integrative processes but are also threatened with marginalization altogether from the global political economy. They nonetheless have been playing host to MNC production operations given their rich and cheap labor endowments, ready markets for processed goods, relatively weak laws governing labor, environmental, trade, and other regulations for firms, etc. There is no better place for MNCs to minimize production and related costs and maximize output and profits.

Developing countries are responding to globalization by building regional blocks as a first step towards participating in the global political economy (Pangeti, 1997). Whether this is viable is questionable considering the poor performance of most of these organizations since their establishment. This is also despite regional organizations not being a new phenomenon in Africa. The oldest regional grouping on record on the continent, the Southern African Customs Union (SACU), dates back to 1910 (Oden, 2001; Nshimbi, 2003).

The continent has also witnessed renewed efforts towards integration since the 1990s, and this in response to trends in globalization and regionalism in Europe, North America, and Asia. This renewed interest in regionalization exhibits characteristics similar to those taking place in Asia as noted by Shee (2003). Southern African states have, therefore, for example lately come to realise the importance of integrating their economies to enhance capacities in order to integrate and compete effectively in the global political economy especially in the wake of hightened globalisation coupled with regionalisation elsewhere (Nshimbi, 2005). The process could be used as a stepping-stone for weak and states threatened with marginalization from the global political economy towards integrating into it. Enhanced structural capacities can lead to, say, higher investment enabling states here to increase trade which might in turn lead to development.

Furthermore, the new wave of regionalism also tallies with open regionalism, which to a large extent is imposed on African states than voluntary. Open regionalism "entails progressive integration of…regional economies into the global economy through complementary unilateral and multilateral liberalization in parallel with the adoption and implementation of regional integration initiatives" (African Development Bank, ADB, 2000; 13). Multilateral liberalization is also enhanced by Structural Adjustment Programs (hereafter SAPs) discussed below. Worth nothing here, however, are the *favorable* treatments and *exemptions* given to African and/or all developing countries in the implementation of some of the conditions and requirements of international organizations like WTO and implications on these countries.

## INTEGRATION IN AFRICA

Despite their variety in structure, objectives, sector coverage, and membership, regional integration and cooperation schemes have become a worldwide phenomenon, and are to be found in both industrialized and developing countries. Apart from agreements between and among developed countries a considerable number exist among developing countries. Many of these seek objectives and goals of integration mentioned earlier with the ultimate aim of improving the welfare of the peoples they represent.

Africa is home to perhaps the largest number of regional organizations in the world, with the oldest dating back to 1910. Most of these groupings were formed after just prior to or immediately after independence in the 1960s and 1970s and largely comprised states that shared colonial ties to the same foreign power the colonial ties having had created a host of common institutions, common official languages, and common currencies. Weighed against the objective to improve the welfare of the people they represent, however, indications are that African regional schemes have failed to live up to their objectives. Literature and observations on the ground indicate that Africa is poorer now than ever (Hayami, 2001; Ros, 2000). Continental as well as individual state output has declined since the 1970s. "During this process of [renewed] international economic integration most parts of the third world have seen considerable economic improvements, while Africa stands out as having been left behind" (Bigsten, and Durevall, 2002: 16). This is despite the new wave of, or better still, open regionalism that is proclaimed to have achieved record success in developing countries by its proponents, the World Bank and IMF (hereafter International Financial Institutions or IFIs).

Several factors have been attributed to the failure of regionalization in Africa. Briefly these include lack of political will to establish supranational institutions and to implement agreed treaties and mandates; import substitution policies; reliance on tariffs for fiscal revenue; over-ambitious goals; pervasive weaknesses in regional structures, overlapping membership; inadequate mechanisms for equitable sharing of the costs and benefits of regional arrangements; antipathy to markets; lack of policy credibility; endemic political instability; and lack of rule of law and good governance (Mistry, 2000; Radelet, 1999).

Despite the dismal outcomes of regionalism in Africa the idea behind the phenomenon hails from the immediate pre- and/or post-independence period round about the 1960s in most newly independent states. "The mood then was one of pan-African solidarity and collective self-reliance born of a shared destiny" (COMESA, 2000: 1).Yet this did not truly succeed due to, inter alia, the unsettled political and economic climates of many newly independent African states at the time, import substitution, trade and exchange control, and inward looking policies adopted by most of these states. Also detrimental were the political instability characterized by military coups and civil wars (Nigerian Institute of Social and Economic Research, NISER). Nevertheless the United Nations Economic Commission for Africa (UNECA), the African Development Bank (ADB), and the Organization of African Unity (OAU) were formally established in the spirit of regional and continental integration, in 1956, 1963, and 1963, respectively. As someone has noted "the United Nations Economic Commission for Africa (UNECA) and the Organization of African Unity (OAU) between them share the credit for launching and enhancing regional co-operation for Africa…have over the years collaborated in the setting up of several intergovernmental organizations (IGOs), institutions such as the African Development Bank (ADB) and other mechanisms with the main purpose of ultimately achieving African Unity and economic integration" (Mwale, 2001; 31). Thus did UNECA establish offices in all of Africa's sub-regions, one of which in turn led to the formation of what is today called the Common Market for Eastern and Southern Africa (COMESA), the focus of the present study. As mentioned earlier, however, despite all these ambitions integration in Africa has yielded poor results. Neither has poor performance quenched renewed efforts towards regionalism to the extent that the year 2000 culminated in the transformation of the Organization of African Unity (OAU) into an African Union (AU).

## INTEGRATION AND ITS SIGNIFICANCE IN AFRICA

According to Article II of its charter the then OAU was an organization of all 53 independent Africa sovereign states that sought, inter alia,

> "a. to promote the unity, solidarity of the African States;
> b. to co-ordinate and intensify their co-operation and efforts to achieve a better life for the peoples of Africa;
> c. to defend their sovereignty, their territorial integrity and independence
> d. to eradicate all forms of colonialism from Africa; and
> e. to promote international co-operation, having due regard to the Charter of the United Nations and the Universal Declaration of Human Rights." (Internet Modern History Source Book, 1997).

Except for objective (d) the rest have been retained (and slightly rephrased) and together with 10 new ones now constitute Article 3, which outlines the objectives of the AU (African Union, 2000). A closer look at the objectives raises several questions. First, whether the AU is really a new initiative or just old wine in a new wine skin. The AU indeed brings the dream of a common African currency, foreign policy, defense structure, and economic program closer to reality. The pan-African body is, nonetheless, roughly modeled on the European Union (BBC News, 2003). A critic of this arrangement had this to say about it:

> "History has shown us over and over that European models do not work in Africa. We need to model our structures by looking at what works for us the best. Why should we always model ourselves, our structures, governments, societies and cultures after Europe?" (Mbogo, ibid).

This raises questions as to whether Africa has an institutional, cultural, and traditional heritage of its own. Where is the originality in the AU or does it represent colonial legacy or the perpetuation of imperialism? The EU explicitly states that one of its aims is to change the ways "these [African] economies work" (ACP, 2000). Some have said "colonialism subverted hitherto traditional structures, institutions and values or made them subservient to the economic and political needs of the imperial powers. It also retarded the development of an entrepreneurial class, as well as a middle class with skills and managerial capacity" (Department of Foreign Affairs, DFA, Republic of South Africa). Ultimately almost if not all states formerly under colonial rule, especially those in Southern Africa operate on systems and structures established by either their colonizers or institutions representing the colonizers at the time. Zambia for instance continues to operate on an administrative system established by the British South Africa Company (BSA Co.). The system has nonetheless since been modified and developed independently since 1964 (van Loenen, 1999) and following SAPs undertaken in the 1990s under the auspices of Bretton Woods institutions. It follows then from this that Southern African regionalization adopted a form geared towards the full exploitation and manipulation of the region's labour and natural resources for the benefit of colonizers during colonization. It was not market led.

Second, it's questionable whether the AU will live up to its new objectives given its poor performance in the past vis-à-vis the original objectives. Take the issue of security and peace keeping for instance. The continent as a whole has not known total peace since the independence struggles of the 1960s. Currently a total of 15 states (Angola, Burundi, Chad, Democratic Republic of Congo, Ethiopia-Eritrea, Guinea, Liberia, Morocco-Western Sahara, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Uganda (United Nations Regional Center for Peace and Disarmament in Africa, UNREC, 2005 ) and the latest, Ivory Coast) are on record experiencing or just emerging from armed conflict. With the exception of the conflict in Congo D. R. most of the conflicts on the continent are in large part internal rather than between or involving two or more states.

Where conflicts are cross boundary and involving more than one state allegations by rulers in the states facing internal strife, including those in West Africa, Congo D.R., together with Uganda and Sudan, are that neighboring countries support dissident groups fighting incumbents. The conflict in Congo D R has seen the involvement of several nations with Rwanda and Uganda initially backing the uprising that ousted the then incumbent president, Mobutu. The two nations, however, later on turned against the government they helped establish because it did not meet their expectations. With this turn of events Angola, Namibia and Zimbabwe joined the conflict to fight alongside the newly established government. Of interest here is the level of passivity and lack of intervention by the OAU-cum-AU in these conflicts. Only in the Ethiopia-Eritrea and Morocco-Western Sahara conflicts did the organization intervene. Even there, however, the organization relied on UN Peace Keeping Missions to restore order and peace. How is the new initiative going to achieve objectives (b) and (f) of Article 3 of its new Charter then given its poor performance in the past?

Individual former or incumbent leaders like the late Julius Nyerere, Nelson Mandela, Ketumile Masire, Kenneth Kaunda, and Tabo Mbeki have occasionally tried to broker peace in some of the continent's war torn states. Also noteworthy are some efforts and successes of the West African regional peacekeeping force, the Economic Community of West African States (ECOWAS) Monitoring Group (ECOMOG) in helping bring about peace in that part of Africa. The West African Regional integration organization is apparently more successful in fostering peace within and between nations there. Among its successes in peace keeping are the restoration of peace in Liberia and Guinea Bissau, and constitutional rule in Sierra Leon (see for example Dennis & Brown, 2004 on ECOWAS and peace keeping in Liberia).

ECOWAS success in this respect probably owes to Nigeria's active participation in its activities. Nigeria is apparently the force (or hegemony) behind the region. Without the involvement of hegemony to advance peace in a region such efforts are worthless. This could explain why peace has been elusive in Congo D. R. Without South Africa's (the sub regional economic heavy weight) involvement in COMESA/SADC peace initiatives efforts to achieve the public good are hampered by the inability of the rest of the states' lack of economic muscle to finance peace keeping. Nigeria in West Africa for instance accounts for 51% of ECOWAS GDP, has the strongest military force in the region, and with a population of roughly 130 million, accounts for more than half the West African population of 210 million (ECONDAD, 2005).

West Africa has also known some level of success in economic integration and monetary union to the extent that it had earlier envisaged a single currency for ECOWAS plus the established CFA franc zone states by 2004.[1]

At continental level, however, a third question centers on whether the AU or its constituent member states have enough financial resources to implement programs aimed at realizing setout objectives? A casual look at the trade balances of African nations reveals massive deficits in their Capital Accounts. States here over borrow from outside in terms of capital flow. One of two scenarios is possible given the situation. First as is the case in the United States, heavy borrowing results in high investment in the country leading to higher output and growth. Second, the situation could lead, as is the case in Africa, to heavy indebtedness with low levels of development. Africa is least among all continents in attracting foreign direct investment (FDI). A few African nations like Egypt, Libya, Nigeria, and South Africa do indeed have considerable resources but the extent to which they are willing to use their economic strengths to influence intra Africa economic and politics development leaves much to be desired. Suffice it to say though that so far these states' leaders have been instrumental in pioneering the work and creation of the New Partnership for Africa's Development (NEPAD), Africa's equivalent of the Marshal Plan. NEPAD's opening clause states

> "This *New Partnership for Africa's Development* is a pledge by African leaders, based on a common vision and a firm and shared conviction, that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development, and at the same time to participate actively in the world economy and body politic. The

[1] The CFA Franc zone is a regional zone of West African Franco phone states that use the Franc as a medium of exchange. Earlier plans then were for these to have a monetary union with ECOWAS by 2004. This also included a protocol on free movement of people and goods.

> Programme is anchored on the determination of Africans to extricate themselves and the continent from the malaise of underdevelopment and exclusion in a globalising world" (DFA, 1).

The recurrent theme for the motivation for regionalization in this paper is that integration efforts in Africa are like elsewhere, economic—attaining self-reliance and sustenance—and aimed at resolving structural economic problems on the continent. The SAPs mentioned earlier, initiated by the infamous "Washington Consensus", are programs designed to resolve these problems. Whether they have been successful or not is a matter of wide debate in both economic and political forums. Whichever position one takes in the argument what is clear is that the situation in Africa leaves much to be desired. Despite numerous integration efforts the continent currently attracts the least FDI among the others (a fact that may be attributed to high levels of security risk given the conflicts mentioned earlier). Due regard should, however, also be given to recurrent natural calamities such as floods and droughts that have since the early 1990s had adverse effects on the continent's growth. Yet one wonders why the continent, as is the case elsewhere, hasn't been able to develop measures to mitigate the effects of such natural calamities elements like development and widespread use of irrigation systems in the event of droughts particularly owing to its rich endowments in water resources.

## INTEGRATION: SOUTHERN AFRICA

Southern Africa hosts a total of six regional organizations the largest are the Common Market for Eastern and Southern Africa (hereafter COMESA). The 20 member state organization stretches from Namibia in the southwest across the continent to Egypt in the North.[2] It is currently the largest regional economic body in Africa with nine countries participating in the Free Trade Area (hereafter FTA) while other members have pledged to join later. The other regional schemes in the region include the Cross Border Initiative (CBI), East African Community (ECA), Indian Ocean Commission (IOC), Intergovernmental Authority on Development (IGAD), Southern African Development Community (SADC).

COMESA began as a Preferential Trade Area (hereafter PTA) in 1982. Its Treaty envisaged its transformation into a Common Market and, as such, the Treaty establishing COMESA was signed in 1993 and ratified a year later. COMESA views the process of economic integration in Eastern and Southern Africa as having been systematic, following a logical progression on a step-by-step basis. Firstly, a Preferential Trade Area was established and operated for over a decade, which was then transformed into a Common Market. The third phase will involve the eventual establishment of an Economic Community (COMESA, 2000).

COMESA envisions a fully integrated, internationally competitive regional economic community within which there is economic prosperity as evidenced by high standards of living for its people, political and social stability and peace, and a community in which goods, services, capital, and labor are free to move across national borders (COMESA, ibid). The targeted attainment of this vision was set at 2025.

Market integration in Southern Africa in the present day is closely linked to the SAPs of the late 1980s and early 1990s whose underlying objective was to put in place conditions for growth; to improve the basis for long-term social and economic development; and to allocate resources efficiently. The attainment of these objectives involves reshaping and redirecting policies and institutions and eliminating macroeconomic imbalances and microeconomic distortions that pervade the economy largely due to government intervention (Mwencha *et al*, 2000) Most COMESA states implemented these programs under the auspices of the Bretton Woods institutions. That these reforms have not been

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[2] Current signatories to COMESA include Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe (See Appendix for map of member states).

successful in achieving their objectives in individual African states is subject to debate. But as the foregoing discussion has highlighted much leaves to be desired. A few issues need particular attention.

### Peace and Security

As mentioned earlier, COMESA's principle objective is economic and social development through integration and not peace and security per se. Yet military conflicts and economic development cannot co exist. COMESA member state leaders seem to have of late come to this realization especially following the numerous conflicts that have plagued the Southern African region. Therefore in order to enhance achievement of its principle objective and given that some members are not benefiting from the establishment of a Free Trade Area in the region due to conflict COMESA deemed it imperative to find means to ensure peace in the region. Despite several meetings and workshops to promote peace, however, COMESA has not established a security organization or anything of the sort but rather continues to rely on other regional organizations such as IGD, AU, and SADC to foster peace in the region (Karangizi, 2001). The AU itself has no security council. This is a major set back to the attainment of organizational goals and raises the question of which country is a strong hegemony and willing to push for the formation of a security wing for the organization, as is the case in West Africa.

### Regional Leadership

Can any state in Southern Africa single handily curtail major regional crises? Implications are that such a country should have the hegemonic strength and will to take up the role. Egypt, Zimbabwe and Zambia are potential candidates to for the role. But do they measure up?

Egypt has the highest GDP and number of military personnel in the region and is ranked eleventh among countries with active troops in the world (EBSCO Host Research Database). But the extent to which it is willing to play the role of leader in this venture is questionable especially given its apparent inclination to activities in the Middle East more than with the rest of both the Arab and non-Arab countries in Africa.

Zimbabwe is next in terms of military personnel and expenditure. It however currently faces an internal crisis and sanctions from the international community (which includes some COMESA countries belonging to the Commonwealth) resulting from the internal crisis.

Zambia, though least in terms of GDP, and fourth with respect to both military expenditure and personnel among the countries cited, is a special case and needs special attention. It played an instrumental role in the formation of COMESA whose headquarters are in its capital, Lusaka. The pioneering meeting for the creation of COMESA was also held here.

## CASE: ZAMBIA

### 1964-1991

Zambia had a strong copper based economy at independence and operated on a structure inherited from the colonial government; a structure primarily designed to extract economic resources to colonial metropolitan centers. This all provided the basis for the new government's import substitution industrialization policies upon realizing independence. The mines, nationalized in the 1970s, also boasted of a strong labor movement that influenced the state's wage and employment policies (Bigsten and Kayazzi-Mugerwa, 2000).

At the regional level struggles for independence in neighboring countries prompted Zambia to commit herself to establishing and supporting the regional liberation movement. Being land locked hopes were that independence in neighboring and surrounding states would allow for easy access to ports and help promote trade. Domestic policy, however, continued to be inward looking with high tariffs to protect manufacturing, overvalued exchange rates, price controls for major commodities, government control over production (government owned 51% shares in all firms operating in the country), agricultural marketing, etc. The command economy regulated consumer prices and expanded subsidies on basic commodities resulting in subsidies to loss making parastatals.

Attempts to reform from the mid 1970s to 1985 under the auspices of IFIs failed due to domestic social unrest and political pressure and government's failure to stick to pronounced policy resulting in inward looking homebred solutions and a severance of links with the IFIs in 1987.The attempted reforms of 1989-91 paved the way for multiparty elections in 1991. Events in this period have been described thus,

> "it is clear that dependence on copper had become a source of economic inflexibility and external shock. The culture of subsidies, ranging from food to housing, which the large mineral incomes had helped to sustain, become a serious liability in the era of economic disruption and diminished growth…The import-substitution industry, which had thrived on high tariffs, became a major victim of the decline of the copper sector. Rationing of goods and services became the order of the day, and a powerful committee was set up to allocate foreign exchange to 'priority' sectors and needs. As a result, rent-seekers became a powerful group, able to exercise their veto on any prospective reform (Mwencha *et al*, 2000; 5-6).

### 1991-Present

That economic and political restructuring was inevitable was evident from the food riots following attempts at reform in 1989 and 1991. The Movement for Multiparty Democracy (MMD) capitalized on this and won elections in 1991 on a campaign ticket of reform. The new government introduced an Economic Reform Program (ERP) aimed at arresting economic decline through stabilization (to arrest accelerating inflation) and structural reform (to open up the economy to the outside world through exchange rate liberalization, trade liberalization and capital account liberalization). Thus ensued rapid liberalization of external trade and the payments system along with a movement towards market-determined exchange rates. Donors responded to government's efforts by resuming aid to Zambia. Over a period of five years all licensing and quantitative restrictions on imports and exports were removed, and the tariff structure was rationalized. By 1994 Zambia had one of the most liberal foreign exchange regimes in Sub-Sahara Africa (Bigsten and Person, 2001). Internally, subsidies were removed, prices decontrolled, and parastatals commercialized or privatized. This implied Zambia's conformity to the prescriptions of open regionalism.

## DISCUSSION

Granovetter says of economic actors that their "attempts at purposive action are…embedded in concrete, ongoing systems of social relations" (Granovetter, 1985: 53). He sees social relations rather than institutional arrangements as responsible for the production of trust in economic life. Trust is generated through concrete personal relations and structures. In the sense that Granovetter sees social relations and trust, I argue that the role Zambia played in the liberation struggles and achievement of peace in surrounding nations gave her confidence that reforming her economy would serve as an example and therefore be followed by states she had helped liberate. This was an urgent matter for the state given her landlocked position and need for easy access to ports for trade. Also being among the first states to attain independence in the region and an ardent supporter of political reform including her role (and the resulting responsibility and obligations) in the creation of COMESA, Zambia sought to be pioneer in the area of economic reform as well. This coupled with the trust and confidence the new government placed in IFIs or the set of institutions suggested by the latter set the nation on a path of unilateral liberalization and democratization. The results have been far divorced from expectation.

Unilateral and unreserved removal of trade, financial, and capital flow restrictions and controls by the Zambian government characterized by totally yielding to IFI conditions in a geographic environment surrounded by states whose industries, for example, were/are protected has adversely affected the country's productive capacity. Thus has

> "…the collapse of the manufacturing sector…been dramatic. Companies operating behind high levels of protection have been unable to withstand the simultaneous shocks of trade liberalization and the removal of subsidized credit. The impact has been particularly pronounced in the textile industry which has almost collapsed. By December 1993, 8,500 workers had lost their jobs in the textile industry alone. 47 clothing manufacturing firms in Livingstone closed down due to competition from imported textile products and second-hand clothing" (Simutanyi, 1996 cited in Bigsten and Person 2001).

Trade theory suggests that trade liberalization gives rise to hardship for import substituting industries particularly where industries are relatively inflexible and therefore unable to adjust quickly to new circumstances. Whether the policy makers in both government and IFIs were acting as bounded rational agents with respect to liberalizing Zambia's economy would be interesting to know. It is common knowledge in the country that on their part Zambian policy makers had limited choices as they were pressured into effecting liberalization policy. For example "the drawn up process for the privatization of the mines had serious consequences for the economy, including the aid embargo imposed by donors in a bid to elicit progress on privatization" (Bigsten and Kayazzi-Mugerwa, 2000). Demands that government meet her obligations with respect to implementation of policy and other benchmarks such as accountability, good governance, debt servicing, combating corruption, etc. have led to goal displacement. This has had a negative effect on the economy. A case in point here could be that

> "…the large increase in poverty between 1991 and 1996 resulted in part from the devastating droughts of 1992 and 1994. However, the effect of the drought was made worse by the implementation of strict stabilization measures. In addition, the government pressed ahead with the reform of the maize marketing system. While stabilization measures were clearly necessary to control inflation, they undermined the success of the measures to reform the marketing system and resulted in unnecessary additional hardship for poor rural households" (Bigsten and Kayazzi-Mugerwa, 2000).

The Zambian government has also since independence received pressure from the general population and civil society especially in instances where it has affected austere policy. Such pressure explains the first (1964-1990) government's continued wavering with reform. Though not strong, immediately following the change of government, pressure from civil society has of late mounted largely due to the negative impacts of SAPs on the poorest that constitute the majority in the country. This pressure has been a major contributor to government inconsistency to stick to economically optimal policy before and after reform. The sources of pressure have been slightly different however.

Before 1991 it rose from the powerful labor unions and was sparked by inflation. In response as said earlier government, which was socialist at the time abandoned the program and even cut relations with the IFIs. Of late it has been coming from civil society, which emerged after reform, in 1991. Civil society in Zambia views itself as "the voice of the voiceless". Thus given that the labor movement was greatly weakened following reform because of job losses following restructuring and massive retrenchments, civil society is the only movement that has had the ability to organize itself to lobby and pressure government and the donor community into making sure that policies have a 'human face'.

There are other factors that have "frustrated" reform like persistent droughts. However, the nation's failure to develop appropriate drought resistant crops along with the inability to harness its rich water resources that it is endowed with goes to show the inadequacy of the national system of innovation to generate adequate knowledge for improving the production system. Part of the explanation for this lies in the nation's history of low investment in education. Knowledge takes time to accumulate, but also the incidence of HIV/AIDS has adversely deprived the nation of its human resources.

Zambia also continues to broker peace in and host refugees from warring neighboring states. This apparently embedded role is a strain on her meager resources that would otherwise be used for development. These circumstances mirror themselves in the region as a whole, save for the countries bereft with war and unable to progress or benefit from regionalism.

## CONCLUSION

A given institutional structure of a country profoundly influences the operation and performance of its economy (North, 1990; Di Maggio and Powell, 1991). The structure of trade unions influences the operation of labor markets for instance (Hirsch and Addison, 1986), the structure of capital markets influences investment and growth and the legal arrangements underpinning an economy influences its growth and developments (La Porta *et al.*, 1999). Institutions are, therefore, crucial to the operation of a market economy and facilitate business operations (Clague, 1997; Bevan, *et al*, 2000).Yet on the part of Zambia and her surrounding region the contrary seems true. The unilateral and unreserved removal of all trade, financial and capital flow restrictions and controls by the Zambian government has adversely affected her productive capacity. In effect Zambia opened herself to external shocks that no economy could handle whatsoever by her adoption of the SAP. Even the most open economy in the world has tariffs and other restrictions that protect its industries.

Zambia's case is also compounded by other external shocks which might take time to handle like drought, changes in export prices, HIV/AIDS, etc. The lesson to policy makers is that caution ought to be taken in planning and implementing policy as opposed to accepting conditions without carefully understanding their probable consequences. There is need to be rational. Policy makers also ought to accept the discipline imposed by policy restrictions and not derail optimal policy.

Donors on their part ought to realize that domestic institutions and politics determine policy implementation. Not only so, but that the development process will not become self-sustaining unless there is "ownership", i.e. the recipient country ought to have a degree of control over policy design and implementation.

Civil society is doing well in filling the gap between the masses and government by stepping in to pressure government into ensuring a human face in policy. Clearly it needs to step up its campaigns and brace itself up for harder times to come in light of rapid and increasing integration of economies on a worldwide scale on the one hand and threats of marginalization on the other.

What comes out clearly with respect to African regionalism is that IFI policies and open regionalism seem to be more influential than locally grown ideas of development. The impression this gives is that regional organizations in Africa have no back bone and lack originality. To this end African regionalism and countries have very minimal influence in the international political economy. They worse still fail to curb conflicts on the continent. Much as regionalism may be a correct strategy for African development, therefore, much more needs to be done to realize its goals.

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