



UNIVERSITEIT VAN PRETORIA  
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**THE CONCEPT OF ECONOMIC INTEGRATION WITH SPECIFIC REFERENCE TO  
FINANCIAL INTEGRATION IN SOUTHERN AFRICA**

**BY**

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## DECLARATION

I declare that:

**THE CONCEPT OF ECONOMIC INTEGRATION WITH SPECIFIC REFERENCE TO  
FINANCIAL INTEGRATION IN SOUTHERN AFRICA**

is my own work, that all the sources used or quoted have been acknowledged by means of complete references and that this thesis was not previously submitted by me for a degree at another university.

**Signed:**

**Date:**

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**SHIMA HENOCK NOKANENG**

## ABSTRACT

### **THE CONCEPT OF ECONOMIC INTEGRATION WITH SPECIFIC REFERENCE TO FINANCIAL INTEGRATION IN SOUTHERN AFRICA**

The objective of the study is to establish how original financial integration could be attained in southern Africa in order to attract more foreign investment and develop a financially robust and stable region in the southern part of Africa; also to deal with the challenges, risks and remedies of prospective future financial crises.

Financial markets are rapidly integrating into a single global market. Developing countries of various regions are drawn into the process with little choice, and without having sound financial infrastructure and policies in place. It is against this background that countries and regions of global integration choose policies that would benefit their regional economy and avert potential economic shock.

The challenges posed to countries and regions by the progressive global integration of financial markets are becoming more urgent by the day. These challenges need to be addressed more effectively, either nationally or regionally, as demonstrated by the 1998 financial turmoil in Asia.

Private capital flows are becoming intra regionally concentrated, particularly in the USA, Europe, Asia and Latin America. Be that as it may, failure in one market is likely to have immediate and large regional repercussions. Globalisation also marginalises Africa and other Least Developed Countries (LDC), leaving them more impoverished and with greater disparities in terms of income, GDP and FDI.

Regional financial integration has to be efficient and sound in order to prevent or contain currency and capital market crises in the southern African region. This study identifies macro economic challenges and risks associated with financial integration. Recommendations are made about methodologies of addressing these issues in

order to realise the benefits of regional financial integration in southern Africa, which could be a building block in realising the dream of an African Monetary Union.

The study contributes greatly to the debate around the most appropriate criteria that are to be met by the SADC countries, before monetary integration can become a reality. A comparison of the benchmark macro economic convergence criteria of the EU and of the African Monetary Union is done and the performance of SADC countries is assessed in terms of both sets of benchmarks. Southern African states are found to not even be at a comparable level with regard to the EU targets of 1997. The thesis is also critical to the impact of the political instability in the SADC region on prospective monetary integration. Most importantly, SADC would be at a permanent disadvantage and face a long-run depreciation of its common currency, should it continue to integrate financially at macro economic benchmark levels inferior to those of its major trading partner, the EU.



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