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

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DECLARATION

I declare that:

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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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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.
# TABLE OF CONTENTS

- Title page: i
- Acknowledgements: ii
- Declaration: iii
- Abstract: iv
- TABLE OF CONTENTS: vi
- LIST OF TABLES: xiii
- LIST OF FIGURES: xiv
- KEYWORDS: xv

## CHAPTER 1: INTRODUCTION AND METHODOLOGY

1.1 Introduction: 1
1.2 Hypothesis: 3
1.3 The importance of the study: 4
1.4 The objectives of the study: 5
1.5 Overview of previous research: 7
1.6 Confining the area of the study: 8
1.7 Research procedures and methodology: 9
1.8 Outline of the study: 9

## CHAPTER 2: THE THEORETICAL BACKGROUND OF ECONOMIC INTEGRATION

2.1 Introduction: 12
2.2 The types and forms of economic integration: 14
2.3 Regional economic cooperation as a step towards economic integration in southern Africa: 18
  - 2.3.1 Sectoral economic cooperation in southern Africa: 20
  - 2.3.2 Economic cooperation in the financial sector: 21
    - 2.3.2.1 Banking sector cooperation: 22
    - 2.3.2.2 Insurance sector cooperation: 23
2.3.2.3 Capital market cooperation  
2.3.2.4 Money and debt market cooperation  
2.3.2.5 Intra regional currency convertibility  
2.3.2.6 External debt management cooperation  
2.4 Economic integration around the world  
2.4.1 Economic integration initiatives in Africa  
2.4.1.1 West African sub region  
2.4.1.2 East African sub region  
2.4.1.3 North Africa sub region  
2.4.1.4 Central Africa sub region  
2.5 Economic integration in southern African regions  
2.5.1 The benefits of economic integration for southern Africa  
2.5.1.1 Trade development and diversification  
2.5.1.2 Economies of scale  
2.5.1.3 Benefits arising from externalities  
2.5.1.4 Greater economic competitiveness  
2.5.1.5 Inflow of foreign direct investment  
2.5.1.6 Better policy coordination  
2.5.2 The impediments to economic integration in southern Africa  
2.5.2.1 Political instability  
2.5.2.2 Limited and undiversified production  
2.5.2.3 Acute shortage of foreign exchange in southern Africa  
2.5.2.4 Lack of trade finance and investment capital  
2.5.2.5 Labour market problems  
2.5.2.6 Overlapping functions of regional economic integration initiatives in southern Africa  
2.6 Measuring economic integration in southern Africa  
2.6.1 The Optimum Currency Area (OCA) criteria  
2.6.2 African integration index method  

CHAPTER 3: FINANCIAL INTEGRATION IN THE SOUTHERN AFRICAN REGION  
3.1 Introduction
3.2 Macro economic overview of the southern African region
3.2.1 The size and structure of the economy
3.2.2 Economic growth performance in the region
3.2.3 Exchange rate performance in the southern African region
3.2.4 Inflation performance in the southern African region
3.2.5 Budget deficits in the southern African region
3.2.6 Degree of openness on current and capital account
3.2.7 Level of indebtedness
3.2.8 Level of real interest rates
3.3 The concept of regional financial integration
3.3.1 Regional financial integration and capital mobility in the southern African region
3.3.2 Resurgence of capital flows in southern Africa
3.3.3 The structure of capital flows in southern Africa
3.3.4 Net transfers of long-term debt
3.3.5 Foreign direct investment
3.3.6 Portfolio equity flows
3.3.7 Grants
3.4 Factors influencing capital flows in southern Africa
3.4.1 Structural changes in the international financial markets
3.4.2 Domestic and regional changes in southern Africa
3.4.3 Growing investment opportunities
3.4.4 Deregulation in the financial sector
3.4.5 Financial innovation
3.4.6 Technological and infrastructural development and advances

CHAPTER 4: THE CONSTRAINTS, COSTS AND BENEFITS OF REGIONAL FINANCIAL INTEGRATION IN SOUTHERN AFRICA

4.1 Introduction
4.2 Regional constraints to financial integration in southern Africa
4.2.1 International constraints to regional financial integration
4.3 The costs for regional financial integration in southern Africa
4.3.1 Macro economic instability
4.3.2 Volatility and capital flows
4.3.3 Regional financial contagion
4.3.4 Increase in depth of systemic risk
4.3.5 Loss of national financial sovereignty
4.4 The benefits of regional financial integration in southern Africa
4.4.1 The macro economic benefits of regional financial integration
4.4.1.1 An increase in trade
4.4.1.2 Production
4.4.1.3 Consumption
4.4.1.4 Economic growth
4.4.1.5 Transfer of technology and managerial skills
4.5 The financial sector benefits of regional financial integration
4.5.1 Price stability
4.5.2 Increase in savings and investment
4.5.3 Efficiency and financial system stability
4.5.4 Financial sector development and enlargement
4.5.4.1 Mobilisation of financial resources
4.5.4.2 Enhancing financial sector competitiveness

CHAPTER 5: INTEGRATION OF THE FINANCIAL SECTOR IN SOUTHERN AFRICA
5.1 Introduction
5.2 Integration of the banking sector in southern Africa
5.2.1 The size and structure of the banking sector in southern Africa
5.2.2 The integration costs of the banking sector
5.2.3 Supervisory and regulatory framework in the southern Africa region
5.2.4 Regional integration of bank regulation and supervision in southern Africa
5.2.5 The role of South African banks in integrating the banking sector in southern Africa
5.3 Overview of clearance, settlement and payment system in
southern Africa

5.3.1 Barriers to integrating clearance, settlement and payment systems in southern Africa

5.3.1.1 Legal framework

5.3.1.2 Communication and power supply infrastructure

5.3.1.3 Effects on inflation costs

5.3.1.4 Dominance of the banking system by few large South African banks

5.3.1.5 Great disparity in technologies used by banks in the region

5.4 Integration initiatives on the clearance, settlement and payment systems in southern Africa

5.5 Integration strategy for the clearance, settlement and payment systems in southern Africa

5.6 Integration of the equity market in southern Africa

5.6.1 Overview of the equity market in southern Africa

5.6.1.1 Market size

5.6.1.2 Market liquidity

5.6.2 The integration obstacles in the equity markets in southern Africa

5.6.2.1 Slow pace of privatisation

5.6.2.2 Openness and market barriers

5.6.2.3 Regulation and supervision

5.6.2.4 Market Infrastructure

5.6.3 The regulatory framework of the stock markets in the region

5.6.4 Cooperation on equity markets in the region

5.6.5 Integration strategy for equity markets in the southern African region

CHAPTER 6: MONETARY POLICY INTEGRATION IN SOUTHERN AFRICA

6.1 Introduction

6.2 The concept of monetary policy integration

6.2.1 The benefits of monetary policy integration

6.2.2 The costs of monetary policy integration
6.3 Global experiences of monetary integration
   6.3.1 The European monetary integration
   6.3.2 History of European integration
   6.3.2.1 Phases of European monetary integration
   6.3.2.2 The EMU institutional structures
   6.4 African experience of monetary integration
   6.4.1 The West African Monetary Union (UMOA)
   6.4.2 Institutional framework of the UMOA
   6.4.3 UMOA and monetary policy
   6.4.4 The UMOA and seigniorage
   6.4.5 UMOA and external reserves
   6.4.6 UMOA and external convertibility
   6.5 Monetary integration developments in southern Africa
   6.5.1 The institutional framework of the MMA
   6.5.2 The MMA and monetary policy
   6.5.3 The MMA and seigniorage
   6.5.4 MMA and external reserves
   6.5.5 MMA and currency convertibility
   6.6 Macro economic convergence in the European Monetary Union (EMU)
   6.6.1 Choice of macro economic convergence targets in the EMU
   6.7 Performance of the European Union (EU) prior to the establishment of the EMU
   6.8 Macro economic convergence development in southern Africa
   6.8.1 Performance of member countries on the targets
   6.8.2 Choice of macro economic convergence targets in southern Africa
   6.8.3 The criteria for selection of macro economic convergence targets
   6.8.4 Performance of SADC countries in terms of macro economic convergence targets
   6.8.5 Performance of CMA countries against the SADC targets
   6.8.6 Performance of SADC countries against the EU targets
   6.8.7 Prospects of achieving the SADC targets
## LIST OF TABLES

Table 2.1: Five steps of regional integration 17  
Table 2.2: External debt as a percentage of GDP in SADC, 1997-2007 26  
Table 2.3: Regional integration in West African communities 31  
Table 2.4: Integration aims and objectives of SADC and COMESA 40  
Table 2.5: Areas of cooperation between SADC and COMESA 41  
Table 2.6: Common principles between SADC and COMESA 42  
Table 2.7: Economic integration membership in SADC 44  
Table 2.8: Annual percentage change in consumer prices in SADC 47  
Table 2.9: Exports to other regional economic communities (RECs) 48  
Table 2.10: Composite integration index by RECs 51  
Table 3.1: Demographic and economic indicators for SADC, 2004 55  
Table 3.2: Sectoral contribution to GDP by SADC countries, percentage 57  
Table 3.3: Domestic savings as percentage of GDP in SADC 58  
Table 3.4: Investment as percentage of GDP in SADC, 1997-2007 59  
Table 3.5: Real GDP growth in SADC (Percent), 1997-2007 62  
Table 3.6: Real effective exchange rates in SADC, 1997-2006 63  
Table 3.7: Government expenditure as percentage of GDP in SADC, 1997-2007 67  
Table 3.8: Foreign exchange reserves as percentage of GDP in SADC, 1997-2007 69  
Table 3.9: Grants received by SADC, 1997-2007 78  
Table 4.1: Trade balance as percentage of GDP in SADC, 1997-2007 99  
Table 4.2: Exports as percentage of GDP in SADC, 1997-2007 100  
Table 4.3: Imports as a percentage of GDP in SADC, 1997-2007 101  
Table 4.4: Principal exports as percentage of total exports earnings in SADC, 2001/2002 102  
Table 4.5: SADC trading partners by share of imports and exports, 2001/2002 103  
Table 5.1: International ranking of African banks, 1999 112  
Table 5.2: International ranking of African banks, 2000/1 121  
Table 5.3: Credit ratings of African banks, 1999 121
Table 5.4: Payment systems in SADC
Table 5.5: Number of companies listed on stock exchanges in SADC, 1992-2002
Table 5.6: SADC stock listed on various stock exchanges in SADC and abroad
Table 5.7: Market capitalisation of SADC stock exchanges in US dollars, 1992-2002
Table 5.8: Value of SADC stock traded in US dollars, 1992-2002
Table 5.9: Regulatory institutions of stock exchanges in SADC
Table 6.1: Chronology of European economic integration
Table 6.2: Common Monetary Area milestones
Table 6.3: Macro economic convergence targets for the EMU
Table 6.4: Macro economic convergence performance of the EMU, 1997
Table 6.5: SADC macro economic convergence targets
Table 6.6: Consumer prices (annual percent change) in CMA, 1997-2007
Table 6.7: Budget deficits in CMA, 1997-2004
Table 6.8: Public debt (percent of GDP) in CMA, 1997-2007
Table 6.9: Comparison on macro economic convergence between SADC and EU
Table 6.10: SADC performance against macro economic convergence targets, 2005/2007
Table 7.1: Recommended main macro economic convergence targets
Table 7.2: Recommended secondary macro economic convergence targets

LIST OF FIGURES

Figure 2.1: Real per capita GDP growth in SADC (excluding Angola and Zimbabwe), 2001 - 2005
Figure 3.1: Africa’s share of global GDP, 2001/2
Figure 3.2: SADC share of Africa GDP, 2001/2
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