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Domestic Economic Freedom and Regional Integration in Sub-Saharan Africa

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DOMESTIC ECONOMIC FREEDOM AND REGIONAL INTEGRATION IN SUB-SAHARAN AFRICA

by

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Abstract

This paper examines the relationship between policies facilitating domestic economic freedom in Sub-Saharan African states and the degree of regional integration of those states into their respective regional economic communities. It conducts a linear regression analysis with data from the *Economic Freedom of the World Report 2017* and the *AFRICA Regional Integration Index* to conduct a quantitative study of Sub-Saharan African states. The regression finds strong evidence that domestic economic freedom is a significant contributing factor, between 5% and 15% causality, to a state's degree of regional integration. The paper hypothesizes that private sector political and economic activity is the causal mechanism for such a relationship. It examines the case study of Botswana to test this hypothesis in a plausibility probe, examining policies across time, and especially the establishment of Botswana's High Level Consultative Council. Finally, it proposes several potential avenues for further research.

Domestic Economic Freedom and Regional Integration in Sub-Saharan Africa

Introduction

The African community has pursued regional integration of various types since the end of colonialism. National, regional, and international actors regularly express support for regional integration, though the effectiveness of integration schemes and the actual commitment of actors to the project have been spotty at best. Nonetheless, regional integration, at least as an ideal, has seen strong and consistent support from the African Union, the African Development Bank, the United Nations, and other important players. Stefan Nelletamby, Acting Vice President of the Infrastructure, Private Sector and Regional Integration section at the African Development Bank, writes that:

> Integration is at the foundation of Africa's future. A future that will be forged by its 1.1 billion citizens and growing young population; a future of opportunities with a marketplace of 54 countries and growing consumer purchasing power; and a future where Africa is open for business with the rest of the world, competing in higher value goods and services.[1]

Up until recently, measures of regional integration were irregular and created a "knowledge gap."[2] However, with the completion of the *AFRICA Regional Integration Index*, a project created by the collaboration of the African Union, the African Development Bank Group, and the United Nations Economic Commission for Africa, we now have the first comprehensive measure of regional integration across every nation and regional economic community in Africa

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[1] "Africa Regional Integration Index Report 2016," African Union Commission, African Development Bank Group, United Nations Economic Commission for Africa, (2015), https://www.integrate-africa.org/fileadmin/uploads/afdb/Documents/ARII-Report2016_EN_web.pdf, 5.
[2] "Africa Regional Integration Index Report 2016," 5.

with which to “identify particular strengths and gaps…[and] follow their progress and changes over time.”[3]

The index, which has defined indicators and dimensions by which integration can be measured, does not make any causal claims as to why some states are more integrated than others. This leaves open the question of what potential causal factors aid or hinder regional integration. While there are innumerable possible angles with which to approach this new wealth of data, this project will focus on an often understudied factor in regional integration: domestic economic freedom.

This quantitative and qualitative study will attempt to answer the following question: do domestic reforms supporting economic freedom facilitate regional integration? This is broad question, but its answer will prove most poignant for states where regional integration and its economic benefits are the least realized. Sub-Saharan African presents a test set with numerous observations and enormous practical application because states similar to the average African state likely have the most to benefit from increased regional integration. For this reason, this study will determine if there is a robust relationship between the degree of regional integration into RECs and domestic policies facilitating economic freedom in Sub-Saharan African states. Even if this is found, however, a purely quantitative study cannot establish the mechanisms for such a relationship. A case study Botswana will be used to resolve this and attempt to draw out the causal links.

As already noted, states in Sub-Saharan African have long espoused the goal of increasing regional and continental integration, but progress has been mixed since the

[3] “Africa Regional Integration Index Report 2016,” 7.

formation of the African Union and the gradual proliferation of regional economic organizations (RECs). Many integration efforts, such as those originating in the 1970s, have focused on regional governmental cooperation, reducing tariffs, and other macro-level integration methods of various kinds. While these factors are no doubt important, this macro-level integration has faced numerous challenges. As De Melo and Tsikata point out, if regional integration efforts are entirely dependent on political actors, then progress will be particularly difficult and sporadic because the issue becomes political in nature.[4] Intergovernmental conflicts have historically been a barrier to regional integration, the most dramatic example being the disbanding of the East African Community in 1977 due to Tanzania and Uganda going to war.

On the economic side, tariffs, currency stability, and freedom of movement have long been the focus of integration advocates. While these are essential factors, the focus on these has arguably marginalized research into the importance of eliminating domestic factors, such as non-tariff barriers (NTBs), which create smaller but crucial transaction costs for the private sector. While regional integration is and must be a project of national governments, private actors (firms and individuals) will necessarily be doing much of the actual work of integration. In addition, should the private sector have the capacity to pursue regional projects and exchanges across national lines due to positive incentives (domestic economic freedom), it could help create a positive feedback loop and put pressure on political actors to overcome other macro-level economic, political, and social barriers to integration.

[4] Jaime De Melo and Yvonne Tsikata, "Regional Integration in Africa: Challenges and Prospects," *IDEAS Working Paper Series from RePEc*, 2015, IDEAS Working Paper Series from RePEc, 2015.

Regional Integration and Regional Economic Communities

Regional integration can be understood in a variety of ways, but it always involves increased interaction and coordination between and among generally geographically proximate states. These interactions can take the form of economic agreements (like the North American Free Trade Agreement) or of more complex governmental structures (like in the European Union). One can identify several levels of regional integration, ordered according to increasing integration commitment: free trade areas, customs unions, common markets, economic unions, and political unions. Sub-Saharan African RECs generally fall into the first three categories.[5] Worldwide, states pursue regional integration…

> …not only to increase cross-border trade and investment but also to raise citizens' living standards and pursue other legitimate national interests such as governance, security, human development, social-cultural exchanges, migration, and raising the country's geopolitical position in the region or globally.[6]

In Sub-Saharan Africa, regional integration and regionalism are often referred to in both political and economic terms and generally are viewed as a response or reaction to the globalizing economy.[7] As previously noted, increased regional integration seems to be a near universal point of agreement among relevant actors.

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[5] Moses Kiggundu and Kaitlyn DeGhetto, "Regional Integration: Review of the Management Literature and Implications for Theory, Policy, and Practice," *Africa Journal of Management* 2015 1 (4): 305. Kiggundu and DeGhetto define the three relevant types as follows: "Free Trade Area: Partner countries agree to remove tariff and non-tariff barriers to trade, but each member decides its own barriers against nonmembers….Customs Union: Partner countries remove all barriers to trade among themselves, erect a common trade policy against nonmembers….Common Market: Combines free trade and customs union by removing all barriers to trade and the movement of labor and capital among members. Members erect a common trade policy against nonmembers…."

[6] Ibid., 304.

[7] Ian Taylor and Fredrik Soderbaum. "Region-Building Beyond the State: Modes of Regional Governance in Africa," in *The New Politics of Regionalism: Perspectives from Africa, Latin America and Asia-Pacific*, Ed. Ulf, Routledge Studies in Globalisation, London ; New York: Routledge, 2017, 134.

A recent expression of this agreement is the 2016 *AFRICA Regional Integration Index*. Resulting from the combined efforts of the African Development Bank (AfDB), the African Union Commission (AUC), and the Economic Commission for Africa (ECA), the index is an extensive quantitative examination of regional integration across Africa. Most simply put, the index measures regional integration in terms of five Dimensions and sixteen Indicators grouped under them (see fig. 1).

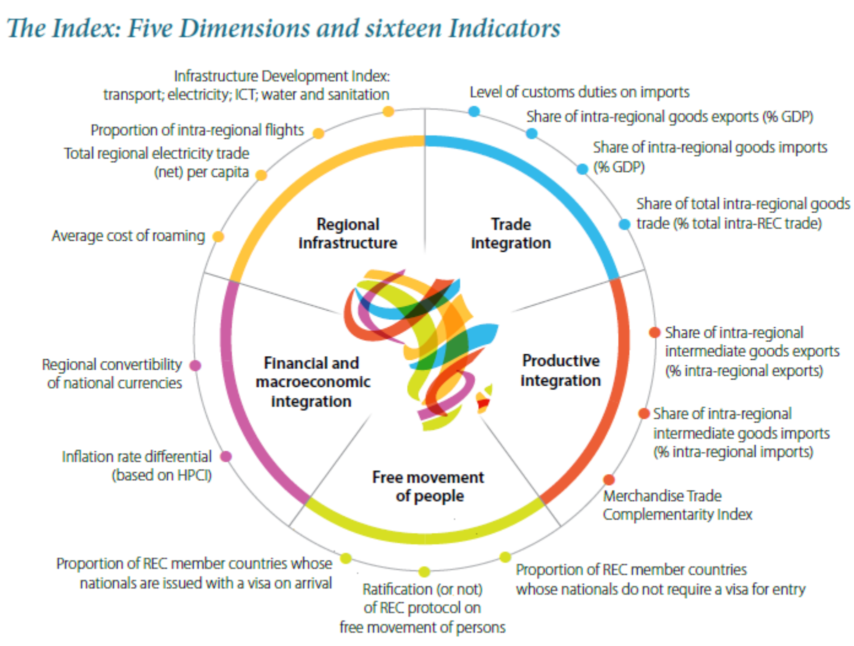

fig.1 (“Africa Regional Integration Index Report 2016,” 11.)

Regional economic communities (RECs), are the primary method by which the African states hopes to increase regional integration. These economic communities, as the name indicates, are intended to initially be regional, with the eventual goal of a continental African economic community. For this reason, the index’s Dimensions and Indicators are measured for each state *qua* member of a regional economic community.

The African Union (AU) recognizes eight RECs in Africa: CEN-SAD (Community of Sahel–Saharan States); COMESA (Common Market for Eastern and Southern Africa); EAC (East African Community); ECCAS (Economic Community of Central African States); ECOWAS (Economic Community of West African States); IGAD (Intergovernmental Authority on Development); SADC (Southern African Development Community); and UMA (Arab Maghreb Union).[8] Most African states are members of more than one REC, and some have memberships in as many as three RECs concurrently (see fig. 2).

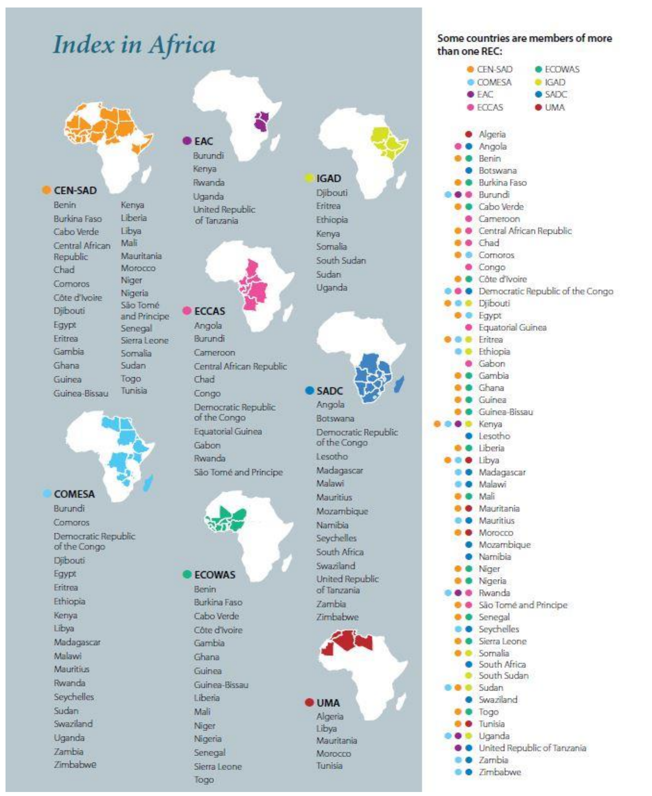

fig.2 ("Africa Regional Integration Index Report 2016," 16.)

However, RECs in Sub-Saharan Africa are not always directly comparable. They often have different foci or emphases, and demand differing levels of commitment from member states.

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[8] While UMA is a REC under the AU, this study will focus on Sub-Saharan Africa RECs—the other seven.

This is reflected in the African Development Bank's measurements of their five dimensions of regional integration. For example, ECOWAS scores the highest of the RECs on Dimension 4, the free movement of people, but relatively low on Dimension 1, trade integration. The EAC, however, scores the highest on trade integration, but the lowest on Dimension 5, financial and macroeconomic integration. Among all RECs, Dimensions 2 and 3, regional infrastructure and productive integration, have the least variation in scores, with average scores fairly close together.[9] That said, the *AFRICA Regional Integration Index* measures all RECs according to the same criteria, and final index scores are combinations of the all Dimension and Indicator scores.

Why Regional Integration?

Regional integration has been a priority for African leadership in part because Sub-Saharan African states are poorly positioned in the global market. To start, Sub-Saharan African states are "not a party to any…mega-regional trade negotiations" such as the Trans-Pacific Partnership negotiations.[10] And with the failure of the World Trade Organization's Doha Round, "the risk for Africa in this is that new rules and market access preferences agreed under the mega-regional FTAs will make it increasingly difficult for African businesses to compete globally."[11] To compensate for this and other historic economic disadvantages, regional integration has long been an attractive prospect. [12] Research consistently shows that regional

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[9] "Africa Regional Integration Index Report 2016," 16-17

[10] Joshua P. Meltzer, "Expanding African Trade: Creating a Comparative Advantage and Strengthening Regional Partnerships," In *Foresight Africa: Top Priorities for the Continent in 2016,* 2016: 91.

[11] Ibid., 91.

[12] Some scholars argue that regional integration efforts that point towards competition global market ultimately undermine the well-being of Africans by making governments facilitators of global capital "rather than the protector against these forces, which is the classical task of mercantilist nation- building and public governance" (Taylor and Soderbaum, 138). Their critique is more specifically of "neoliberalism" and how it results

integration and more open trade policy results in economic improvement both in individual member states of RECs and as a whole.[13]

Regional integration has also been seen as a way to ease the entry of Sub-Saharan African economies into the global economy. African firms could start with "the dynamic but more easily accessible African markets" to prepare "for the greater rigor and competition in global value chains."[14] This could be especially valuable for small and medium enterprises (SMEs), as they "are more likely to succeed in regional markets first, where they are more familiar with the buyers' tastes and the standard requirements."[15]

Another reason regional integration has been a consistent topic studied in Africa economics is that integration, in its various forms, can help overcome geographical struggles. Fifteen states in Sub-Saharan Africa are landlocked, which is "an important contributory factor to high trade transaction costs, and more generally to the high costs of doing business in Africa." [16] These geographical struggles are not the product of domestic politics but were "largely determined by the continent's European colonial powers." [17] All together, these factors make a "compelling case for these economies to integrate regionally to reap efficiency gains, exploit economies of scale, and reduce the thickness of borders."[18]

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in the "commodification of basic material needs and everyday life" and retreat of the conventional welfare and development ambitions of the state" (Taylor and Soderbaum, 138).

[13] Njoroge Kamau, "The Impact of Regional Integration on Economic Growth: Empirical Evidence from COMESA, EAC and SADC Trade Blocs," *American Journal of Social and Management Sciences* 2010, 1(2): 150-163

[14] Soamiely Andriamananjara, "Regional Route to Global Value Chains." In *Foresight Africa: Top priorities for the continent in 2016,* 2016: 94.

[15] Ibid.

[16] Trudi Hartzenberg, "Regional Integration in Africa," WTO Staff Working Paper ERS-2011-14, 2011: 3

[17] Ibid., 4.

[18] De Melo and Tsikata, "Challenges and Prospects," 1.

In addition to economic benefits, regional trade agreements often increase the opportunity cost of war, and thus reduce its risk.[19] In addition, regional trade agreements can "reduce information asymmetries as partners know each other better" and reduce "incentives for countries not to report their true options in an attempt to extract concessions." [20] [21] Finally, regional trade agreements can "provide security and confidence to build supra-national institutions" capable of providing benefits to much larger areas.[22]

Challenges and Prospects

Despite this potential, regional integration efforts face numerous hurdles. First, regional economic communities are not all built alike and vary widely in effectiveness—the *AFRICA Regional Integration Index* scores demonstrate this. In addition, Aryeetey notes that regional organizations in sub-Saharan Africa tend to suffer from numerous detracting features, including the "existence of multiple objectives," "absence of strong supranational institutions," "inadequate sanctioning authority," "lack of political commitment," and "poor private sector participation."[23] Asserting that states in Africa "lack the cultural, political and historical closeness essential to any common endeavor,[24] Chinsinga argues that "the inherent diversity saps or drains any political will, however rudimentary, upon which the eventual success of

[19] Ibid., 8.
[20] Ibid.
[21] See Bruce Bueno De Mesquita, *Principles of International Politics*, 5th ed. Los Angeles: Sage/CQ Press, 2014.
[22] De Melo and Tsikata, "Challenges and Prospects," 7.
[23] Ernest Aryeetey, "Sub-Saharan African Experiences with Regional Integration," In *Regional Integration and Trade Liberalization in Subsaharan Africa*, Ed. T. Ademola Oyejide, Elbadawi Ibrahim, and Paul Collier. 410-11
[24] Sandro Sideri, "Globalisation and Regional Integration," *The European Journal of Development Research* 9, no. 1 (1997): 38-82.

regional integration initiatives depend.[25] Chinsinga also adds that African economies are often ill-suited to build comparative advantages due to similar export portfolios, weak government institutions that cannot deliver basic services and infrastructure, and the aforementioned historically contentious political differences.[26]

In addition, regional integration policy in Sub-Saharan Africa has historically focused on "market access at the expense of outsiders" and often ignored "the importance of tackling behind-the-border impediments to trade". [27] These "behind-the-border impediments to trade" often take the form of non-tariff barriers. These non-tariff barriers (NTBs) "hindering regional trade in the east and southern African region (COMESA, the EAC and SADC) include customs procedures and administrative requirements, technical standards and the lack of physical infrastructure."[28] These raise transaction costs and inhibit business across borders, which is especially problematic because "the private sector will be responsible for the bulk of economic decisions which are the fabric of regional integration."[29]

This shift of focus to non-tariff barriers and the private sector, however, reveals opportunity along with the problem. If political differences between national governments is an strong impediment, as numerous scholars suggest, and if non-tariff barriers within (not just among) states play heavily in preventing further regional integration, then at least a partial

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[25] Ibid., 118

[26] Blessings Chinsinga, "The Challenges of Globalisation and Regional Integration: The Case of the Southern African Development Community," In *Democracy, Human Rights and Regional Co-operation in Southern Africa*, Ed. by Milazi, Dominic., Mulinge, Munyae M, Mukamaambo, Elizabeth, and Africa Institute of South Africa, African Century Publications Series; No. 9. Pretoria, South Africa: Africa Institute of South Africa in Collaboration with SAUSSC, 2002:117

[27] De Melo and Tsikata, "Challenges and Prospects," 19.

[28] Hartzenberg, "Regional Integration," 16

[29] Ibid., 19

solution *may be found in the private sector and in focusing on domestic policy*.[30] If "the private sector will be responsible for the bulk of economic decisions which are the fabric of regional integration," then domestic policy facilitating private sector activity may be key to integration on a larger scale.[31] In concert with this concept, Aryeetey suggests that the "growing the number of firms with an export potential will increase the domestic lobby for further regional trade liberalization," citing the West African Enterprise Network, a "coalition of business people" who lobby to "reduce existing barriers and encourage the flow of capital and service in the region" as an example.[32]

That said, the development of supra-national organizations will, by definition, be essential to regional integration efforts in Sub-Saharan Africa. In fact, the "the region's most significant response" currently to address the many issues facing it is a substantial supra-nation reorganization.[33] This is formation of the COMESA-EAC-SADC Tripartite Free Trade Area—a merging of three RECs. This proposed integration of three of the highest performing RECs[34], if successful, would represent a major continental commitment to regional (and continental) integration projects. It would also address several major issues that have caused regional integration efforts to stumble in the past:

> [The] tripartite FTA among COMESA, EAC, and SADC that should help solve the overlapping membership dilemma by bringing free trade among the 26 members by: (i) removing tariffs and NTBs and implementing trade facilitation…(ii) applying the subsidiarity principle to infrastructure to improve the transport network; (iii) foster industrial development.[35]

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[30] This hypothesis is the focus of this study's quantitative and qualitative work.
[31] Hartzenberg, "Regional Integration," 19
[32] Aryeetey, "Sub-Saharan African Experiences," 414.
[33] Meltzer, "Expanding African Trade," 91.
[34] Hartzenberg, "Regional Integration," 13-14
[35] De Melo and Tsikata, "Challenges and Prospects," 19-20

The Tripartite FTA shows promise: as of February 18th 2018, the agreement has 22 state signatories out of the full 26.[36] But even though this supra-national organization has potential to solve several organizational and bureaucratic issues, each state within it will still likely need to adopt policies to facilitate integration into the Tripartite FTA. Here again, we may see the importance of domestic policy aimed at the private sector—specifically, policy that promotes economic freedom.

In short, while most theories of regional integration identify the private sector as an important set of actors, it is often unclear how much of a causal role it theoretically plays in the construction of regional integration. One set of recommendations for regional integration lists numerous causal factors, but focuses on "economic development at the regional level" and policy makers developing "public infrastructure and human capital."[37] While the list does recommend "an increase in the efficiency of the small-scale-production/informal sector," the focus is overwhelmingly on "policy coordination, institutional consolidation and administrative partnerships" at the regional level.[38] In this view, the onus of integration rests on the regional level and successful negotiations between the various states. While pro-business policies are generally a part of such negotiations, in much of the literature they are represented as necessarily taking place in the framework of these regional negotiations with regional oversight and coordination. This project veers from this type of analysis in order to examine *purely*

[36] Phillip Kambafwile. "22 Countries Have Now Signed the Tripartite Agreement." *Common Market for Eastern & Southern Africa.* February 16. http://www.comesa.int/22-countries-have-now-signed-the-tripartite-agreement/.
[37] Norbert Fiess and Marco Fugazza, "European Integration: A Review of the Literature and Lessons for NAFTA," World Bank, December 2003: 2.
[38] Ibid.

domestic policy and the possible causality of organic private sector action fomenting regional integration.

Economic Freedom

Economic freedom is a broad concept, but in general it refers to the ability of individuals and firms to undertake voluntary transactions in a marketplace. In a global world, this simple understanding becomes complicated as forces and actors on multiple levels regulate, facilitate, encourage, and discourage these transactions. The *Economic Freedom of the World: 2017 Annual Report* utilizes data from as far back as 1970 and attempts to define and document "economic freedom" around the globe. The report describes economic freedom:

> The cornerstones of economic freedom are personal choice, voluntary exchange, open markets, and clearly defined and enforced property rights. Individuals are economically free when they are permitted to choose for themselves and engage in voluntary transactions as long as they do not harm the person or property of others. When economic freedom is present, the choices of individuals will decide what and how goods and services are produced. Put another way, economically free individuals will be permitted to decide for themselves rather than having options imposed on them by the political process or the use of violence, theft, or fraud by others.[39]

The *Economic Freedom of the World: 2017 Annual Report* index breaks down economic freedom into five key areas for measurement: "[1] Size of Government, [2] Legal System and Property Rights, [3] Sound Money [4] Freedom to Trade Internationally, and [5] Regulation of credit, labor, and business."[40] There areas are further broken down into set and subsets of 42

[39] Gwartney, James, Robert Lawson, Joshua Hall, Ryan Murphy, Rosemarie Fike, Richard Grant, Fred McMahon, Indra De Soysa, and Krishna Vadlamannati. *The Economic Freedom of the World: 2017 Annual Report*, 2017, Policy File: 1

[40] Ibid., 3

variables. States receive scores in each of the five area as well as an overall score.[41] Overall, the index represents an attempt at a comprehensive analysis of economic freedom in a given state.

This study will focus specifically on domestic economic freedom and will be using scores from two of the five key areas the *Economic Freedom of the World: 2017 Annual Report* measures: “Legal System and Property Rights” and “Regulation.” These two areas would likely directly deal with the transaction costs and non-tariff barriers that preclude regional integration. In addition, these are two factors that a private sector (which is necessary for much of the legwork of regional integrating) would watch closely. With the theory of private sector action as essential to regional integration, policies that facilitate domestic economic freedom and a strong business environment should have a positive relationship with a degree of regional integration.

Area two of the *Economic Freedom of the World: 2017 Annual Report*, “Legal System and Property Rights,” measures the following components to reach its index score:

[41] Ibid., 3. The report describes the methodology as follows: “Each component (and sub-component) is placed on a scale from 0 to 10 that reflects the distribution of the underlying data. When sub-components are present, the sub-component ratings are averaged to derive the component rating. The component ratings within each area are then averaged to derive ratings for each of the five areas. In turn, the five area ratings are averaged to derive the summary rating for each country.”

2. Legal System and Property Rights

- A. Judicial independence
- B. Impartial courts
- C. Protection of property rights
- D. Military interference in rule of law and politics
- E. Integrity of the legal system
- F. Legal enforcement of contracts
- G. Regulatory costs of the sale of real property
- H. Reliability of police
- I. Business costs of crime

fig. 3 (Gwartney, James, Robert Lawson, Joshua Hall, Ryan Murphy, Rosemarie Fike, Richard Grant, Fred McMahon, Indra De Soysa, and Krishna Vadlamannati*, Economic Freedom*, 4)

These components all fall within the realm of domestic politics, and do not necessarily have a direct effect of regional integration—in other words, they are not necessarily connected to policymaking specifically aimed at creating stronger regional ties. Should the data analysis show a relationship between these components and regional integration, then, we may have evidence toward the causal story of private sector actors. If nothing else, a strong score in this category may simply mean that the potential to build capital exists, which would make possible capital investments into regional projects. As Hernando De Soto noted, without strong property rights, capital is "dead"—only with "institutions that give life to capital" can prosperity exist.[42]

Area five of the *Economic Freedom of the World: 2017 Annual Report* index, "Regulation," measures the following components and sub-components to reach its index score:

[42] Hernando De Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, London: Black Swan, 2001**,** 16

5. Regulation

A. Credit market regulations
- (i) Ownership of banks
- (ii) Private sector credit
- (iii) Interest rate controls / negative real interest rates

B. Labor market regulations
- (i) Hiring regulations and minimum wage
- (ii) Hiring and firing regulations
- (iii) Centralized collective bargaining
- (iv) Hours regulations
- (v) Mandated cost of worker dismissal
- (vi) Conscription

C. Business regulations
- (i) Administrative requirements
- (ii) Bureaucracy costs
- (iii) Starting a business
- (iv) Extra payments / bribes / favoritism
- (v) Licensing restrictions
- (vi) Cost of tax compliance

fig. 4 (Gwartney, James, Robert Lawson, Joshua Hall, Ryan Murphy, Rosemarie Fike, Richard Grant, Fred McMahon, Indra De Soysa, and Krishna Vadlamannati, *Economic Freedom*, 4)

In the same vein as the previous area, each of these components and sub-components are shaped by domestic policy and have a significant effect on the private sector. In the context of regional integration, the difficulties of expanding into a regional business and entering new areas and states would entail a significant investment. If domestic policies regarding hiring, administrative requirements, bribes, etc. compound the cost of entering into the market, it would discourage both domestic and regional growth and investment. In addition, several of these components fall into the non-tariff barrier category discussed previously.

Quantitative Methodology

This analysis will utilize linear regression to test the relationship between regional integration and domestic economic freedom in Sub-Saharan African states. While various international agencies define Sub-Saharan Africa (in contrast to "North Africa") as including differing numbers of states, for this study, "Sub-Saharan Africa" will use the World Bank's 48-

state definition. This larger number of states provides more data to analyze (in contrast to the UNDP's 46-state definition). Practically, using this 48-state list includes nearly all members of the African Union-recognized Regional Economic Communities (excluding the Arab Maghreb Union and its members). The sample used in this analysis is the entire population of Sub-Saharan African states, with the exception of three states (Eritrea, Sudan, and South Sudan) which lacked the necessary data to contribute to the analysis. In addition to assessing the population of Sub-Saharan states, this study will also test a subset of the data from three RECs: the SADC, EAC, and COMESA. This appears relevant given the continuing development of the Tripartite Free Trade Agreement between the three RECs discussed in the previous sections.

The Dependent Variable (DV), regional integration, comes from data from the *AFRICA Regional Integration Index*. This index (further defined in section 3), measures each African state's integration into their RECs. The DV is defined as *instances of regional integration* of Sub-Saharan African states in RECs. The 48 states of Sub-Saharan Africa are members of seven RECs, but nearly every state has memberships in two or more RECs. For example, there exist instances, data points, of Kenya's regional integration into the EAC, CEN-SAD, COMESA, and IGAD. In the data analysis, this means that the state of Kenya provides four instances of regional integration to examine. Each of these instances are measured against the same independent variable of *domestic economic freedom*. There are two objections to this method that should be addressed.

The first objection questions the idea of testing instances of integration as opposed to states as a whole. However, there is no way to aggregate a state's integration to RECs or its neighbors as a whole. The purpose of this study is to test if domestic economic policy, specifically policy that supports private actors, has a discernible effect on a state's integration into any and all RECs. The IV is necessarily constant because, for example, Kenya's domestic economic policies (“Legal System and Property Rights” and “Regulation") do not change when testing Kenya's integration into various RECs.

A second objection is that multiple instances of identical IV scores (for Kenya, this would be four identical IV scores) skew the data towards showing a positive relationship. This is not the case. Kenya's IV score may be relatively high (7.11), but its DV scores vary from .344-.773. The *AFRICA Regional Integration Index* notes that

> Countries that are members of more than one REC show differences between their rankings and scores in a particular Dimension in one REC as opposed to another. This can be explained by historical links, comparative advantages, regional policies and geography.[43]

In addition, RECs may have competition objectives and fulfilling one REC's requirements (thus gaining higher integration in one) may lower integration in another. In other words, there are numerous factors that affect a state's integration score that fall outside the scope of this analysis. However, the theoretical framework we are testing would argue that *despite all these intervening variables*, we should still see a relationship between the DV and IV because domestic economic policy would incentivize the private sector. Testing instances of integration actually strengthens this analysis by at least partially controlling for REC scores that can be explained by geographical closeness, historical links, or comparative advantages.

The IV is defined as *domestic economic freedom* and is represented in two ways using data from the *Economic Freedom of the World Report*, using two sub-scores of “Legal System

[43] “Africa Regional Integration Index Report 2016,” 39.

and Property Rights” and “Regulation" separately. While the EFW provides an "Overall" score for economic freedom which may be the broadest analysis, using that score in this analysis is inherently problematic. This is because some of its sub-scores (such as “Sound Money” and “Freedom to Trade Internationally”) potentially overlap and mix with Dimensions from the *AFRICA Regional Integration Index* (such as “Financial and Macroeconomic integration” and “Trade Integration”).

The EFW report sub-scores of “Legal System and Property Rights” and “Regulation,” however, do not have immediate correlating Dimensions or Indicators in the *AFRICA Regional Integration Index*. In addition, these two measures are extremely important on the theoretical level. Theoretically, secure property rights and a relatively relaxed regulation regime should directly impact the transaction costs and non-tariff-barriers that disincentive the private sector and thus prevent integration.

Data and Regression Results

As noted above, this data uses the 48-state World Bank definition of Sub-Saharan Africa. However, Equatorial Guinea, Eritrea, Comoros, São Tomé and Príncipe, South Sudan, and Sudan are excluded from this analysis due to lack of data in the *Economic Freedom of the World Report*, *AFRICA Regional Integration Index*, or both. The total observations of all other Sub-Saharan states’ instances of regional integration is 77, and for the proposed tripartite union (the SADC, EAC, and COMESA) the observations totaled 33.

Note: The *AFRICA Regional Integration Index* scores states on a 0-1 scale, while the *Economic Freedom of the World Report* scores states on a 1-10 scale. These values were not changed for the analysis.

<u>Section 1: Legal System and Property Rights</u>

The first dataset is all instances of regional integration in Sub-Saharan Africa from the *AFRICA Regional Integration Index* paired with the corresponding "Legal System and Property Rights" from the *Economic Freedom of the World Report*. Instances are grouped by REC and descend in order of most integrated to least within each REC.

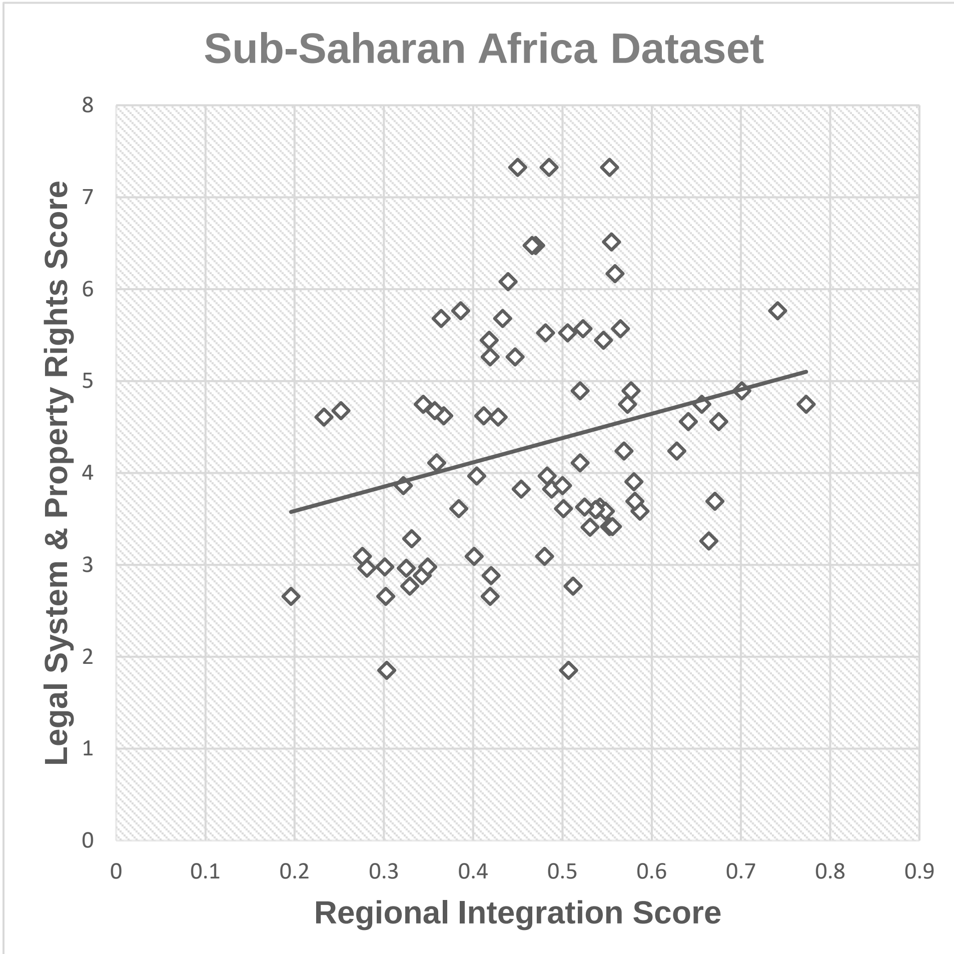
REC	Member State	Regional Integration Score	Legal System & Property Rights Score
COMESA (adjusted)	Kenya	0.573	4.745102997
	Zambia	0.565	5.567048403
	Uganda	0.52	4.891804412
	Seychelles	0.506	5.520896302
	Mauritius	0.47	6.472556637
	Zimbabwe	0.454	3.820360033
	Rwanda	0.45	7.32142152
	Madagascar	0.42	2.881012258
	Dem Rep of Congo	0.419	2.653119211
	Malawi	0.412	4.621099644
	Burundi	0.401	3.09182541
	Swaziland	0.359	4.108752623
	Ethiopia	0.233	4.607092409
EAC	Kenya	0.656	4.745102997
	Uganda	0.577	4.891804412
	Rwanda	0.553	7.32142152
	Burundi	0.48	3.09182541
	Tanzania	0.433	5.678049954
SADC (adjusted)	South Africa	0.741	5.762888284
	Botswana	0.559	6.164800355
	Namibia	0.555	6.511178933

	Zambia	0.523	5.567048403
	Swaziland	0.52	4.108752623
	Zimbabwe	0.488	3.820360033
	Mozambique	0.483	3.96561253
	Seychelles	0.481	5.520896302
	Mauritius	0.466	6.472556637
	Lesotho	0.386	5.762699818
	Malawi	0.367	4.621099644
	Tanzania	0.364	5.678049954
	Madagascar	0.343	2.881012258
	Dem Rep of Congo	0.302	2.653119211
	Angola	0.281	2.960263718
CEN-SAD (adjusted)	Cote d'Ivoire	0.641	4.557106689
	Benin	0.587	3.580765453
	Togo	0.581	3.688572303
	Senegal	0.569	4.237886203
	Niger	0.553	3.414027157
	Mali	0.542	3.626025957
	Burkina Faso	0.538	3.597581138
	Gambia	0.419	5.259634324
	Ghana	0.418	5.44184396
	Nigeria	0.384	3.609768459
	Guinea	0.349	2.976011266
	Kenya	0.344	4.745102997
	Mauritania	0.331	3.280492271
	Chad	0.329	2.76778205
	Guinea-Bissau	0.322	3.860624883
	Central African Republic	0.303	1.849276407
	Liberia	0.252	4.67597891
ECCAS (adjusted)	Cameroon	0.664	3.257379298
	Gabon	0.58	3.900636296
	Rep of Congo	0.531	3.408225775
	Chad	0.512	2.76778205
	Central African Republic	0.507	1.849276407
	Rwanda	0.485	7.32142152
	Angola	0.325	2.960263718
	Burundi	0.276	3.09182541
	Dem Rep Congo	0.196	2.653119211

ECOWAS (adjusted)	Cote d'Ivoire	0.675	4.557106689
	Togo	0.671	3.688572303
	Senegal	0.628	4.237886203
	Niger	0.556	3.414027157
	Benin	0.548	3.580765453
	Ghana	0.546	5.44184396
	Burkina Faso	0.537	3.597581138
	Mali	0.525	3.626025957
	Nigeria	0.501	3.609768459
	Guinea-Bissau	0.5	3.860624883
	Gambia	0.447	5.259634324
	Cape Verde	0.439	6.07731726
	Liberia	0.357	4.67597891
	Guinea	0.301	2.976011266
	Sierra Leone	0.404	3.965239946
IGAD	Kenya	0.773	4.745102997
	Uganda	0.701	4.891804412
	Ethiopia	0.428	4.607092409

Results:

Regression Statistics	
Multiple R	0.257637963
R Square	0.06637732
Adjusted R Square	0.053929017
Standard Error	0.119398552
Observations	77
P-value	0.023689973



The second dataset is all instances of regional integration within the proposed tripartite union of the SADC, EAC, and COMESA from the *AFRICA Regional Integration Index* paired with the corresponding "Legal System and Property Rights" score from the *Economic Freedom of the World Report*. Instances are grouped by REC and descend in order of most integrated to least within each REC.

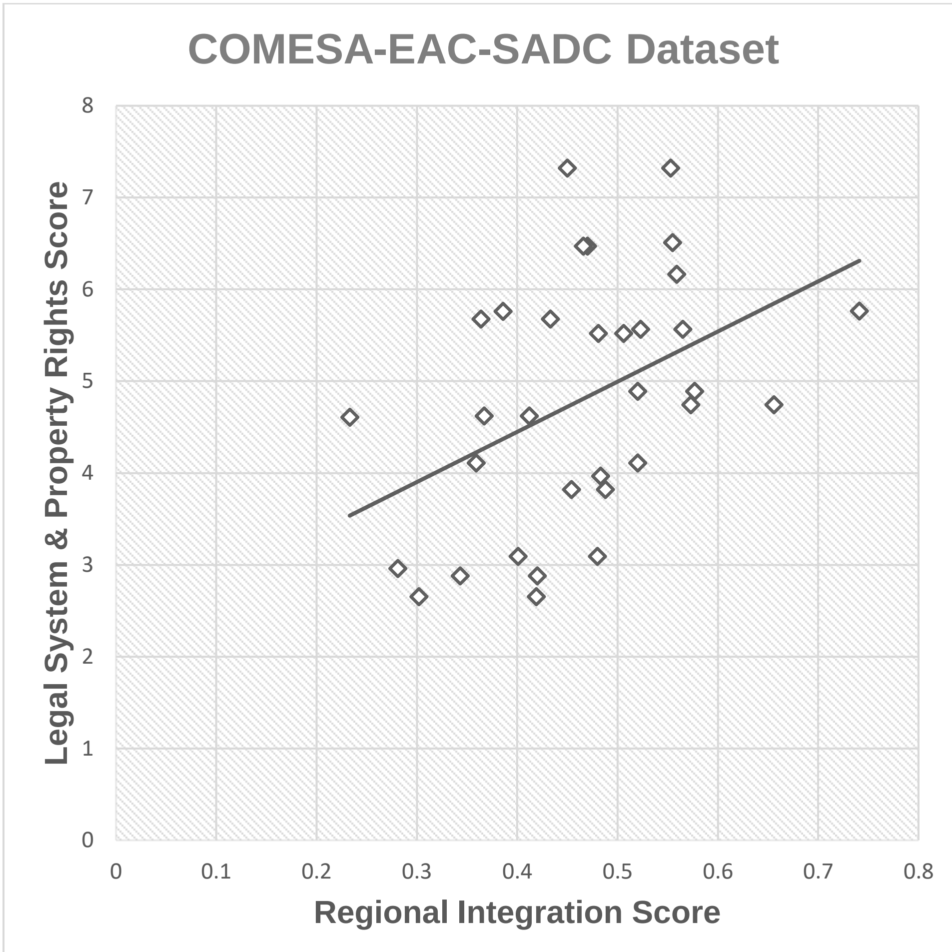
REC	Member State	Regional Integration Score	Legal System & Property Rights Score
COMESA (adjusted)	Kenya	0.573	4.745102997
	Zambia	0.565	5.567048403

	Uganda	0.52	4.891804412
	Seychelles	0.506	5.520896302
	Mauritius	0.47	6.472556637
	Zimbabwe	0.454	3.820360033
	Rwanda	0.45	7.32142152
	Madagascar	0.42	2.881012258
	Dem Rep of Congo	0.419	2.653119211
	Malawi	0.412	4.621099644
	Burundi	0.401	3.09182541
	Swaziland	0.359	4.108752623
	Ethiopia	0.233	4.607092409
EAC	Kenya	0.656	4.745102997
	Uganda	0.577	4.891804412
	Rwanda	0.553	7.32142152
	Burundi	0.48	3.09182541
	Tanzania	0.433	5.678049954
SADC (adjusted)	South Africa	0.741	5.762888284
	Botswana	0.559	6.164800355
	Namibia	0.555	6.511178933
	Zambia	0.523	5.567048403
	Swaziland	0.52	4.108752623
	Zimbabwe	0.488	3.820360033
	Mozambique	0.483	3.96561253
	Seychelles	0.481	5.520896302
	Mauritius	0.466	6.472556637
	Lesotho	0.386	5.762699818
	Malawi	0.367	4.621099644
	Tanzania	0.364	5.678049954
	Madagascar	0.343	2.881012258
	Dem Rep of Congo	0.302	2.653119211
	Angola	0.281	2.960263718

Results:

Regression Statistics	
Multiple R	0.431303391
R Square	0.186022615
Adjusted R Square	0.15976528
Standard Error	0.097606123

Observations	33
P-Value	0.012209444



Section 2: Regulation

The first dataset consists of all instances of regional integration in Sub-Saharan Africa from the *AFRICA Regional Integration Index* paired with the corresponding "Regulation" score from the *Economic Freedom of the World Report*. Instances are grouped by REC and descend in order of most integrated to least within each REC.

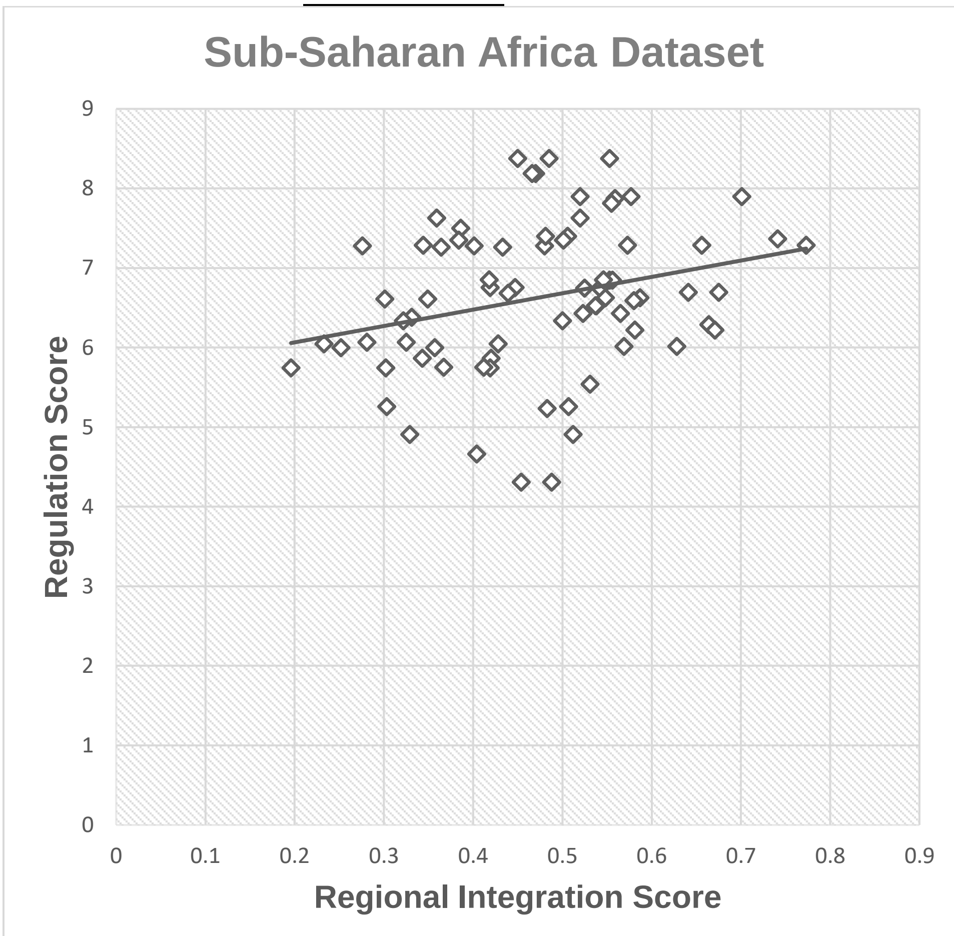
REC	Member State	Regional Integration Score	Regulation Score
COMESA (adjusted)	Kenya	0.573	7.285672899
	Zambia	0.565	6.427933792

	Uganda	0.52	7.894807884
	Seychelles	0.506	7.39581686
	Mauritius	0.47	8.186706935
	Zimbabwe	0.454	4.308080892
	Rwanda	0.45	8.37415247
	Madagascar	0.42	5.864701176
	Dem Rep of Congo	0.419	5.743211571
	Malawi	0.412	5.750041671
	Burundi	0.401	7.274866867
	Swaziland	0.359	7.625161417
	Ethiopia	0.233	6.046571454
EAC	Kenya	0.656	7.285672899
	Uganda	0.577	7.894807884
	Rwanda	0.553	8.37415247
	Burundi	0.48	7.274866867
	Tanzania	0.433	7.26060323
SADC (adjusted)	South Africa	0.741	7.366127744
	Botswana	0.559	7.870525791
	Namibia	0.555	7.811357447
	Zambia	0.523	6.427933792
	Swaziland	0.52	7.625161417
	Zimbabwe	0.488	4.308080892
	Mozambique	0.483	5.23079357
	Seychelles	0.481	7.39581686
	Mauritius	0.466	8.186706935
	Lesotho	0.386	7.499251603
	Malawi	0.367	5.750041671
	Tanzania	0.364	7.26060323
	Madagascar	0.343	5.864701176
	Dem Rep of Congo	0.302	5.743211571
	Angola	0.281	6.065583361
CEN-SAD (adjusted)	Cote d'Ivoire	0.641	6.6948113
	Benin	0.587	6.626199593
	Togo	0.581	6.218544758
	Senegal	0.569	6.014800903
	Niger	0.553	6.847945767
	Mali	0.542	6.74588757
	Burkina Faso	0.538	6.524377079
	Gambia	0.419	6.75185889

	Ghana	0.418	6.849823589
	Nigeria	0.384	7.349102039
	Guinea	0.349	6.608530123
	Kenya	0.344	7.285672899
	Mauritania	0.331	6.380096816
	Chad	0.329	4.906243704
	Guinea-Bissau	0.322	6.334990223
	Central African Republic	0.303	5.255901557
	Liberia	0.252	5.997896268
ECCAS (adjusted)	Cameroon	0.664	6.288674279
	Gabon	0.58	6.590276872
	Rep of Congo	0.531	5.536996435
	Chad	0.512	4.906243704
	Central African Republic	0.507	5.255901557
	Rwanda	0.485	8.37415247
	Angola	0.325	6.065583361
	Burundi	0.276	7.274866867
	Dem Rep Congo	0.196	5.743211571
ECOWAS (adjusted)	Cote d'Ivoire	0.675	6.6948113
	Togo	0.671	6.218544758
	Senegal	0.628	6.014800903
	Niger	0.556	6.847945767
	Benin	0.548	6.626199593
	Ghana	0.546	6.849823589
	Burkina Faso	0.537	6.524377079
	Mali	0.525	6.74588757
	Nigeria	0.501	7.349102039
	Guinea-Bissau	0.5	6.334990223
	Gambia	0.447	6.75185889
	Cape Verde	0.439	6.679492305
	Liberia	0.357	5.997896268
	Guinea	0.301	6.608530123
	Sierra Leone	0.404	4.660122023
IGAD	Kenya	0.773	7.285672899
	Uganda	0.701	7.894807884
	Ethiopia	0.428	6.046571454

Results:

Regression Statistics	
Multiple R	0.267934064
R Square	0.071788663
Adjusted R Square	0.059412512
Standard Error	0.119052028
Observations	77
P-Value	0.018477561



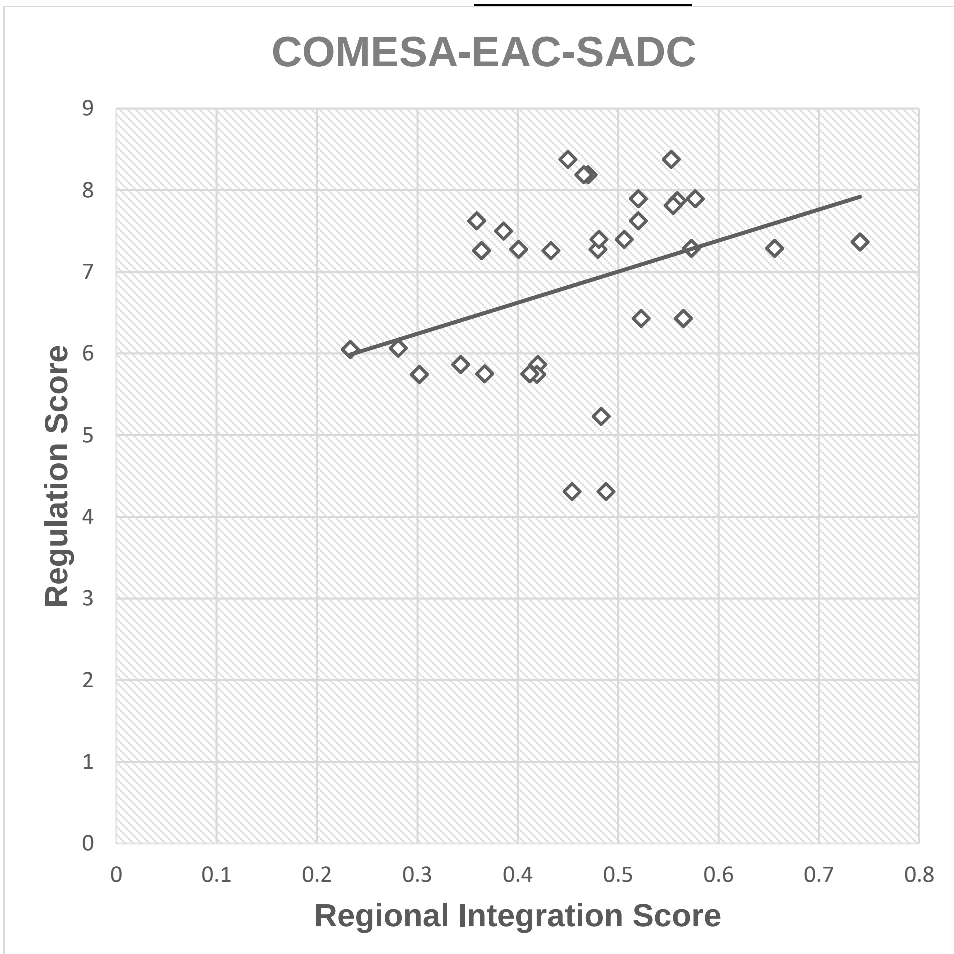
The second dataset includes all instances of regional integration within the proposed tripartite union of the SADC, EAC, and COMESA from the *AFRICA Regional Integration Index* paired with the corresponding “Regulation” score from the *Economic Freedom of the World*

Report. Instances are grouped by REC and descend in order of most integrated to least within each REC.

REC	Member State	Regional Integration Score	Regulation Score
COMESA (adjusted)	Kenya	0.573	7.285672899
	Zambia	0.565	6.427933792
	Uganda	0.52	7.894807884
	Seychelles	0.506	7.39581686
	Mauritius	0.47	8.186706935
	Zimbabwe	0.454	4.308080892
	Rwanda	0.45	8.37415247
	Madagascar	0.42	5.864701176
	Dem Rep of Congo	0.419	5.743211571
	Malawi	0.412	5.750041671
	Burundi	0.401	7.274866867
	Swaziland	0.359	7.625161417
	Ethiopia	0.233	6.046571454
EAC	Kenya	0.656	7.285672899
	Uganda	0.577	7.894807884
	Rwanda	0.553	8.37415247
	Burundi	0.48	7.274866867
	Tanzania	0.433	7.26060323
SADC (adjusted)	South Africa	0.741	7.366127744
	Botswana	0.559	7.870525791
	Namibia	0.555	7.811357447
	Zambia	0.523	6.427933792
	Swaziland	0.52	7.625161417
	Zimbabwe	0.488	4.308080892
	Mozambique	0.483	5.23079357
	Seychelles	0.481	7.39581686
	Mauritius	0.466	8.186706935
	Lesotho	0.386	7.499251603
	Malawi	0.367	5.750041671
	Tanzania	0.364	7.26060323
	Madagascar	0.343	5.864701176
	Dem Rep of Congo	0.302	5.743211571
	Angola	0.281	6.065583361

Results:

Regression Statistics	
Multiple R	0.362788352
R Square	0.131615388
Adjusted R Square	0.103602981
Standard Error	0.100815417
Observations	33
P-Value	0.037987447



The data above and the regression analysis shows a robust and significant relationship between domestic economic freedom and regional integration independent of other variables. Domestic reforms supporting economic freedom do play a causal role in regional integration in Sub-Saharan African states. This also suggests that protectionist reforms toward regional integration, while historically part-and-parcel of building RECs, is likely counterproductive.[44] For the "Legal System and Property Rights" scores, the regression suggests a 5.3% causality for regional integration in Sub-Saharan Africa states as a whole and 15.9% for the COMESA-SADC-EAC bloc. For "Regulation," scores, the regression suggests a 5.9% causality for regional integration in Sub-Saharan Africa states as a whole and 10.3% for the COMESA-SADC-EAC bloc. It can also be noted that the number of observations and the p-values of the various analyses support rejecting the null hypothesis.

These significant relationships are even more important when one considers the other major factors affecting regional integration, such as roads and infrastructure, stable currency, presence of complementary industries, etc. In other words, despite the influence of factors without which regional integration would be virtually impossible (lack of quality infrastructure, for example), purely domestic reforms toward economic freedom have between 5.3% and 15.9% causality for regional integration as a whole. The possible causality outlined in the introduction, as well as the case study to follow, suggests that economic freedom also works in a complementary fashion with other pro-regional integration reforms and policies on the political level by empowering the private sector to influence state decision-making.

In addition to this strong quantitative evidence, this study requires a descriptive theory of how the relationship manifests in actual political and economic history. There are still questions as to paths of causality, which actors play significant roles, and the precise role of the private sector relative to the public sector. A case study, taking into account both theoretical and historical evidence, can contribute to filling these gaps and reveal the potential causal

[44] De Melo and Tsikata, "Challenges and Prospects," 19.

mechanisms between economic freedom and regional integration—in other words, how economic freedom and an empowered private sector actually contribute to regional integration. This project will therefore utilize one, using the “plausibility probe” method to uncover potential evidence and patterns for further research.[45]

Case Study Methodology

The second part of this project offers a case study exploring possible causal explanations for the regression results, which in instances show a significant relationship between domestic economic freedom and regional integration. While the introductory literature review suggests some general possible causal paths, it does not explore any specific scenario in detail. Specific case studies, as McNabb argues, can be integral in developing causal explanations to predict future behavior.[46] Case studies, if well-designed, can be used to test specific theories and develop new ones. In addition, the methodology of a case study should be cross-applicable to other situations to allow for further testing of a theories. According to George and Bennett, this data gathering proceeds by asking general questions that can be applied to any relevant case.[47] These questions, if they can be asked of any case a theory is purported to explain, facilitate external validity through comparative cases.

While there are several possible methods that case studies can employ to uncover relevant information, only a few promise the potential to contribute to this analysis. This

[45] Alexander George and Andrew Bennett. *Case Studies and Theory Development in the Social Sciences*. BCSIA Studies in International Security. Cambridge, Mass.: MIT Press, 2005, 75
[46] David McNabb, *Research Methods for Political Science : Quantitative and Qualitative Approaches*, 2nd ed. Armonk, N.Y.: M.E. Sharpe, 2010, 227.
[47] George and Bennett, *Case Studies*, 86

current project does not attempt a multivariate analysis nor does it attempt to form a comprehensive causal theory. In many case studies, the focus is on exploring or explaining a primary causal variable key to a theoretical framework. The quantitative data upon which this case study will be built only finds the causal relationship from economic freedom to regional integration to be between 5.3% and 15.9% (for both measures). Because of this, it is likely that economic freedom is not the single largest causal factor of regional integration success, but only a significant contributing factor.

The struggle with all case studies is controlling for alternative causes and focusing on the most likely causal story.[48] While researchers may focus on a single case in theory development or testing, George and Bennett suggest that the traditional single case study is limited and that comparative work is more likely to yield externally valid results and address the problem of alternative causes.[49] Though a comparative study would be more advantageous, this paper will only examine the single case of Botswana. This does not mean this particular example is useless. The methodology (specifically the questions asked of this case and the indicators found) can be cross-applied to other Sub-Saharan cases. In addition, Botswana can be considered a version of what George and Bennett call a "crucial case."[50] The crucial case study methodology argues that in the event that a theory is sufficiently precise in its predictions, a "crucial-case study" can be relevant despite the "n=1 problem".[51] Harry Eckstein argues that "crucial-case studies…may permit sufficiently precise theories to be refuted by one

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[48] Ibid., 207.
[49] Ibid., 230.
[50] Ibid., 253.
[51] King, Gary, Robert O. Keohane, and Sidney Verba, *Designing Social Inquiry : Scientific Inference in Qualitative Research*, Princeton Paperbacks, Princeton, New Jersey, 1994, 208-9

observation."[52] While Eckstein's original conception of the crucial-case study has serious methodological issues, his logic regarding the limits of single crucial case studies can be utilized to frame this project's case study. Henry Brady and David Collier, in *Rethinking Social Inquiry*, have a more favorable view of the crucial case study, arguing that "what matters…is that a causal mechanism has been identified, and the researcher has some framework within which to begin to investigate the validity of the causal claim."[53]

Since this project examines a smaller variable than typical crucial case studies, it will not attempt to justify a monocausal explanation, but will present a "plausibility probe." These are described as "preliminary studies on relatively untested theories and hypotheses to determine whether more intensive…testing is warranted."[54] With the quantitative portion as a foundation, this case study will attempt to tease out evidence supporting the contention that economic freedom's facilitation of the private sector supports regional integration.

Widely considered one of the most economically free states in Africa, Botswana also scores high on the *AFRICA Regional Integration Index*. Because of its *prima facie* correlation of the hypothesis, Botswana can be considered an alternative version of the crucial case study that does not attempt to disprove the hypothesis by testing a precise theory, but still has the potential to suggest the null hypothesis. If no qualitative evidence of policies promoting economic freedom and the facilitation of the private sector leading to increased regional integration can be found, then the theoretical causal mechanism will be "strongly impugned."[55]

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[52] Ibid., 209.
[53] Brady, Henry E., and David Collier, *Rethinking Social Inquiry: Diverse Tools, Shared Standards*, Lanham, Md; Oxford: Rowman & Littlefield, 2004, 163.
[54] George and Bennett, *Case Studies*, 75.
[55] Ibid., 253.

If a relationship can be found, however, then further study into the precise mechanisms on a larger scale may be warranted and the theory will have passed a small, but important test of legitimacy.

This brief case study tests the plausibility of the hypothesis that a partial solution to regional integration may be found in the private sector. As noted in previous sections, if it is true that “the private sector will be responsible for the bulk of economic decisions which are the fabric of regional integration,” then domestic policy facilitating private sector activity may be a part of the causal story of regional integration.[56] With domestic economic freedom (which can be understood as a proxy for private sector facilitation) already shown to be a quantitatively likely causal factor in regional integration, this case study will tease out the some of the historical causal mechanisms and actions by which this happens. It will specifically look for patterns and observations concerning private-public coordination on policy measures and data regarding NTBs (which, as shown, feature heavily in discussions of the private sector and regional integration). [57]

Case Study: Botswana

Botswana has long been an interesting exception to many of the pathologies that have plagued post-colonial African states. Since independence in 1966, Botswana has enjoyed “uninterrupted civilian leadership, progressive social policies, and significant capital investment.”58 It boasts a multi-party democracy, though the Botswana Democratic Party has

[56] Hartzenberg, "Regional Integration," 19.
[57] De Melo and Tsikata, “Challenges and Prospects,” 19.
[58] *The World Factbook*. Washington, DC: Central Intelligence Agency. Continually updated. https://www.cia.gov/library/publications/the-world-factbook/

controlled the government since independence.[59] Its judiciary is considered relatively independent, and is considered one of the least corrupt states in Africa. It is a relatively small parliamentary republic of just over 2 million people, but "maintained one of the world's highest economic growth rates since independence" until the 2008 financial crisis. While a significant portion of its economy depends on diamond and other mineral exports, Botswana has generally avoided the governance issues associated with dependence on natural resources (referred to as the "resource curse").[60] The government of Botswana has made repeated efforts to invest in human capital and education to diversify its economy, to mixed success. A landlocked state, Botswana has made regional cooperation and trade a priority, and even hosts the headquarters of the SADC.

Unlike most African states, Botswana is a member of only one REC, the SADC. The *AFRICA Regional Integration Index* gives Botswana's integration with the SADC a score of .559, second to only South Africa, the largest economy in the SADC (and depending on the year, Africa). The *AFRICA Regional Integration* Index further notes:

> At 8 percent of GDP, Botswana has the sixth-highest share of intra-SADC exports to GDP (excluding re-exports) among the 13 members of the bloc for which data was available. It also has the third-highest share of intra-SADC imports to GDP among the 15 members, amounting to 37 percent of GDP. Indeed, given that SADC appears to be the most trade-integrated regional economic community on the continent, Botswana scores strongly in this dimension overall relative to other African countries. However, trade between Botswana and other SADC member States may not be as high as it could be because of limited complementarity of goods.[61]

[59] U.S. Department of State. "Country Reports on Human Rights Practices for 2011: Botswana." Bureau of Democracy, Human Rights and Labor, 2011. https://www.state.gov/documents/organization/186379.pdf
[60] See S. Erdem Aytaç, Michael Mousseau, and Ömer Faruk Örsün. "Why Some Countries Are Immune from the Resource Curse: The Role of Economic Norms." *Democratization* 23, no. 1 (2014): 1-22.
[61] "Botswana." Africa Regional Integration Index. Accessed April 20, 2018. https://www.integrate-africa.org/rankings/country-profiles/country/botswana/.

In terms of economic freedom, Botswana is an exceptional case. The *Economic Freedom of the World: 2017 Annual Report* gives Botswana an overall score 7.37, and on the sub-scores of "Legal System and Property Rights" and "Regulation" Botswana scores 6.16 and 7.87, respectively. These scores place Botswana at 50th worldwide and 3rd in Sub-Saharan Africa, behind only Mauritius at 7th worldwide and Rwanda at 31st worldwide.[62]

Despite placing behind Mauritius and Rwanda in economic freedom, Botswana is the preferable state of study. Both Mauritius and Rwanda have unique issues that make them less than ideal for examining regional integration policy over time. In the case of Rwanda, the 1994 genocide during which close to a million Tutsis were killed by the Hutu government represents something like a critical juncture, which severely complicates any political analysis. Any examination of Rwanda would necessarily take into account the genocide and reforms that followed from it as central to Rwanda's current state. In short, Rwanda represents an atypical situation from which little comparative data is likely to be useful for the question of this study. The other possible case, Mauritius, is an island state 1,200 miles off the African Coast. While technically included in analyses of Sub-Saharan Africa, as an island not part of the African continent proper, it also is an exception to the more typical Sub-Saharan state. For this and other reasons, suffice it to say that conclusions drawn from a study of Mauritius would not likely be cross-applicable to continental African states. On the other hand, Botswana represents an excellent case with a high economic freedom score, a landlocked status on continental

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[62] Gwartney, James, Robert Lawson, Joshua Hall, Ryan Murphy, Rosemarie Fike, Richard Grant, Fred McMahon, Indra De Soysa, and Krishna Vadlamannati*, Economic Freedom.*

Africa, and a relevant policy pattern that can be, as will be shown, traced back to the early 1990s.

In late 2013, the Republic of Botswana published an article entitled "Government Partners with Private Sector" on their official website. It detailed the remarks of the Vice President of Botswana, Dr. Ponatshego Kedikilwe, at a conference in Botswana. The Vice President's speech included references to several important current and historical elements that directly pertain to policies promoting economic freedom and business, to the political representation of private industry, and to private-public coordination on policy measures.

Regarding policies promoting economic freedom, one of the most notable political events is the passage of Incomes Policy of 1990, which "was aimed at improving the growth of the private sector by removing red tape and promoting free markets."[63] This policy reform specifically removed price controls for wages implemented in the 1972 Incomes Policy under the idea that "the private sector had…grown and needed to be de-linked from the government pay structure to encourage its growth and competitiveness."[64] While some minimum wages laws were retained for specific classes of workers, the 1990 Policy represented a major shift in a previously highly-regulated market. In addition, this policy is also remarkable because it was implemented domestically and "voluntarily" (in contrast to structural adjustment programs or

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[63] "Government Partners with Private Sector," Republic of Botswana - Government Portal. February 12, 2013, Accessed April 20, 2018, http://www.gov.bw/en/News/GOVERNMENT-PARTNERS-WITH-PRIVATE-SECTOR/.

[64] Happy Kufigwa Siphambe, "Development Strategies and Poverty Reduction in Botswana," In *Poverty Reduction and Changing Policy Regimes in Botswana*, Ed. Onalenna Selolwane, Developmental Pathways to Poverty Reduction, Basingstoke: Palgrave Macmillan, 2012: 52.

other international intervention).[65] This voluntary adoption seems to be a product of Botswana's governing economic philosophy. Happy Kufigwa Siphambe writes that Botswana's…

> …development strategy has been based on the philosophy of free enterprise and a market economy, and successive national development plans have always emphasised that the role of the government in the economy is that of a facilitator of economic growth and development rather than an active participant.[66]

The themes of economic freedom, open markets, and government non-interference have been consistent across time in government rhetorical signaling, in addition to the data already presented. Take the following quote as a further example:

> "The government's approach towards economic development is to have the private sector as the engine of growth and we have formulated privatisation policy which should enable the private sector to play an increased role in the various sectors of the economy," he said. …"Our decision has been vindicated by evidence that economies prosper and lift people out of poverty when government focuses on good regulation and creation of an enabling environment, while the private sector is allowed to get on with the business of business," the vice President said.[67]

The Vice President's speech at the conference closely correlates Siphambe's assertion of the government's stance toward the private sector and economic freedom.

Botswana has a demonstrable positive stance toward economic freedom and the private sector, but has this stance resulted in the robust (and political) private sector that the hypothesis would predict? It seems so—the report of the conference mentions positively two institutions that facilitate public-private conversation and policy-making in Botswana: the High

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[65] Happy Kufigwa Siphambe, "Botswana's Economy and Labour Market: Are There Any Lessons for SADC Regional Integration?" *Development Southern Africa* 21, no. 2 (2004): 355
[66] Ibid., 355.
[67] "Government Partners with Private Sector."

Level Consultative Council (HLCC) and the Botswana Economic Advisory Council (BEAC). This paper will focus on the HLCC.

The HLCC, founded in 1996 as part of the "Vision 2016" document and "described as a 'people's manifesto' for long-term development of the country, argues that Botswana '*cannot afford an adversarial relationship between Government and business*'."[68] The Vision 2016 "was itself a particularly inclusive process in which the private sector was given considerable opportunity to shape thinking," resulting in lasting public-private dialogue and partnerships, the final form of which was the HLCC.[69]

The HLCC, which is chaired by the president and filled with representatives from various industries and businesses, has the goal of facilitating private sector growth, which often means removing government-imposed obstacles. As a forum for the private sector to propose dialogue and push policy, the HLCC boasts numerous documented successes over the years:

> A number of policies and initiatives are thus now in place that arose from the National Business Conference and the HLCC. Significant examples include the following:
>
> - establishment of the HLCC itself;
> - *establishment of the Botswana Export Development and Investment Agency (BEDIA)*;
> - *the decision to scrap foreign-exchange controls*;
> - promotion of citizen economic empowerment which led to creation of the Citizen Entrepreneur Development Agency;
> - *initiation of the debate on privatisation which led to the adoption of a policy on privatization*….[70] [emphasis added]

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[68] Anthony Land, "Structured Public-Private Sector Dialogue: The Experience from Botswana," European Centre for Development Policy Management, 2002: 7

[69] Ibid., 9.

[70] Ibid., 12.

While not a complete list, the emphasized portions illustrate a significant commitment on behalf of Botswana political forces to policies that facilitate business and foreign engagements (the foreign-exchange controls being one). The HLCC has certainly seen historic success, though recently some concerns have been raised about the effectiveness of the HLCC after the retirement of long-reigning President Festus Mogae.[71] Regardless, in making a case for causal mechanisms, the positive feedback loop of the economic freedom, private sector political participation, and Botswana's economic performance are only supported by this evidence.

In regards to the second set of data, the link between policies promoting economic freedom domestically and reducing NTBs is partially axiomatic. As previously noted, NTBs can include a wide variety of phenomena. Wentworth includes a short list of the most common:

> NTBs are restrictions imposed by government policies, private sector practices or protectionist industry actions against foreign companies. They include import bans or product specific quotas; complex or discriminatory rules of origin; complex procedures and administrative requirements; unreasonable technical standards; multiplicity of foreign exchange controls; and lack of adequate physical infrastructure. These impediments increase the cost and complexity of trading and doing business across borders.[72]

Policies supporting domestic economic freedom by definition include addressing several of these issues. Measurement of at least some of these NTB categories is already included in the *Economic Freedom of the World: 2017 Annual Report*. The two categories this study examines ("Legal System and Property Rights" and "Regulation") already measure bureaucracy costs, credit regulations, regulatory and costs of property sale, all of which parallel Wentworth's list to

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[71] "HLCC INDEED NEEDS REVIEW." Sunday Standard. January 28, 2016. Accessed April 20, 2018. http://www.sundaystandard.info/hlcc-indeed-needs-review.

[72] Lesley Wentworth and Cynthia Chikura, "Private Sector Steering of Regional Integration," GREAT Insights 2 no. 7 (2013).

some degree. As an aside, the NTB of a "multiplicity of foreign exchange controls," the elimination of which in Botswana is an accomplishment of the HCLL, represents an example of a significant direct private sector act toward building regional integration.

Perhaps more enlightening than the obvious connection between domestic freedom and the elimination of NTBs is the realized practice of this in Botswana. Thomas and Marandu conducted an extensive study of Small and Medium Enterprises in Botswana and their perspectives on South African trade. Most striking is the frustration of Botswana businesses with the inefficiencies of neighboring states:

> [They found] in interviews with numerous SME in Botswana a consistent frustration at the comparative issues in exporting to surrounding nations—non standardization of permits, visas, etc. duties, vague regulatory standards, [and] arbitrary taxes…[73]

The problems were not unique to any particular sector, but nearly universal. Further, their study correlates previous data that "African manufacturers in countries that have trade restrictions, cumbersome regulations and deficient customs administration, tend to be unlikely to export."[74] The study further suggests that even though Botswana has conducted domestic reforms with potential to aid its export capacity and regional integration (on which it already scores well in the *AFRICA Regional Integration Index*), it is probably held back by inefficiencies in surrounding states. This likely contributes to the upper limit of domestic economic freedom's contribution to regional integration. Even when a state's businesses are ready and willing to form regional connections, if the surrounding states do not already have a domestic

[73] Thomas, A. O., and E. Marandu, "Rhetoric and realities of regional integration: Botswana SME perspectives on Southern African trade," *South African Journal of Business Management* 48, no. 2, 2017: 81.
[74] Ibid., 81.

commitment to economic freedom, it limits private sector movement in all states. So while the causal story of the economic freedom of property rights and regulations leading to political cooperation and facilitation of good domestic policy with private sector feedback, any given state ultimately will be limited by the degree to which its fellow REC members domestically commit to economic freedom. Despite this, the prospect of establishing a virtuous circle that both builds the business networks necessarily for regional integration and the political will to maintain them is an enticing one and is likely worth pursuing.

While there are numerous alternative and complementary factors in regional integration and private sector facilitation (infrastructure featuring high on the list), this study will not attempt to reconcile them with the data and analysis already presented, as their importance is already well-established. This study's purpose has been to determine the degree to which economic freedom can influence regional integration and establish its limits. So while a clear and complete causal pattern is not certain due to the aforementioned overlapping factors, there remains sufficient evidence to support the level of causality that the data suggests, warranting further research into the political effects of strengthening the private sector on policies that support and/or hinder regional integration efforts.

Conclusion and Further Research

While this study has made a foray into the question of domestic economic freedom and regional integration in Sub-Saharan Africa, the question is far from resolved. More precise quantitative measures and differing metrics could add nuance and specificity as to which policies within the broad category of economic freedom carry the most causal weight on each of the various aspects of regional integration. Other permutations and indices could be utilized to conduct broad examinations of under-examined factors. For example, perhaps policies exclusively concerning property rights, possibly measured by the International Property Rights Index, are more relevant than those concerning regulation or other facets of economic freedom.[75] It is also possible that purely pro-business policies, over which economic freedom only partially overlaps, provide a better dataset to examine, perhaps measured with the World Bank's *Ease of Doing Business Index*.

One potential weakness of this study is its lack of multivariate analysis. However, this likely could be constructed rather quickly using the subcategory data from the *Economic Freedom of the World: 2017* and *AFRICA Regional Integration Index*. One also could quibble with the design of the *AFRICA Regional Integration Index* and its designation of equal weight among its factors. Focusing on one or two factors to the exclusion of others also may prove a rich opportunity for research.

As already noted on the case study portion of the paper, a single case provides limited evidence. While enough of a causal pattern was found to justify further examination, that examination, both of cases that seem to fit the hypothesis and those that do not, has yet to be undertaken. While the quantitative analysis and plausibility probe both uphold a strong relationship between domestic economic freedom and regional integration, a precise and nuanced causal theory is less than fully established. This does not mean that one cannot draw implications for development policy and governance. This study's findings are consistent with

[75] For a starting point on this tangent, see www.internationalpropertyrightsindex.org/country/botswana

other scholars who find strong correlations between economic freedom and various kinds of advanced economic development. Domestic policy that removes NTBs and empowers the private sector by improving legal institutions and limiting excessive regulations can be a path to both domestic growth and regional integration. This opportunity for facilitating regional integration through domestic policy—that is, without requiring political cooperation from the various states—is a route less-examined but worthy of further explication. This study offers a useful starting point, but much work remains to be done to tease out the full breadth of the quantitative and qualitative relationship between the variables.

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Appendix 2: On Faith and Learning

I lived in Uganda, East Africa, for five years while my parents worked at an NGO that offered education, housing, medical services, vocational training, and community to orphans, at-risk children, and young adults. Africa was foreign much of the time, but it was still home. And as a kid, living there meant riding through trails surrounded by tall bush, bumping along long red dirt roads, and endless hours under the hot sun. Now, as a student finishing my undergraduate thesis examining economic policy across Sub-Saharan Africa, my gaze has expanded and been informed by the numerous sources of knowledge I have been privileged to encounter. These sources include practicing my Catholic Christian faith, befriending students from diverse and divergent background on SPU's campus, studying under brilliant and generous professors, reading post-colonial literature at Oxford University, building my personal library (beliefs alongside), and learning the complexities of political science, my undergraduate field of study.

The Gospel says "Then you will know the truth, and the truth will set you free." There is a sentiment in the verse that echoes, I think, to both my faith and my profession. Political science has the duty to pursue objective, empirical truth (inasmuch as a social science can), and this honors project has been an attempt to contribute to that. Its goal is to hypothesize and test, seeking to avoid mistakes, manage uncertainty, and seek the best possible solutions to the problems that civilizations face. It also has the duty to explicate what we know of human nature, and to project systems and ideals grappling with its contours.

On the most basic level, then, my attachment to this honors project is both personal (from my childhood) and professional (from my intellectual focus). Underlying both is a commitment to service. As Christians, we are called to use our talents to serve those around us. This project, which aims to contribute to poverty alleviation and forward stable political institutions, is an important and worthwhile task for a Christian to pursue. While much progress still needs to be made, there is (in my experience as one once deeply involved in Christian missionary work and now as a student of political science) an ever-growing recognition of the complexity of both political and mission work and the mistakes that have been made due to simplistic thinking.

But of what nature is this progress? The *Glory Be* is a simple prayer, expressing faith in a triune God, and affirming an eschatological “end” to reality—

Glory be to the Father,
and to the Son,
and to the Holy Spirit.
As it was in the beginning,
is now,
and ever shall be,
world without end.
Amen.

While this prayer expresses confidence, it is not confidence in the future, but in the ever-present now that will not pass from the safety of God’s hand. The world, whatever state it may be in, does not contradict and cannot subsume the larger reality the *Glory Be* affirms. Human progress pales in comparison to the timeless truth the prayer latches onto. *As it was in the beginning, is now, and ever shall be*…

Politics, on the other hand, has always been something closer to constant crisis management. We have found, through decades of experimentation and loss, that some ideas work, and that some ideas do not. While there are no universal axioms by which to perfectly imagine a society, there are rules that have proven by-and-large successful across time and space. These rules only have ever promised limited success, no matter the arena—and this is how it should be. This is the nature of politics, which depends not on an unmoved mover, but the ebbing minds and hearts of the mover's creation. Political science, in its proper expression, is a humble science, accepting a limited understanding of humanity and possibility.

The arrogance of doctrine, theological, political, or otherwise, that treats humans as means to end, humans as simple cogs or forces, and assumes the mantle of wisdom to remake society in its image must always be rejected. Humans are not clay to be molded (only the Potter may do that). Humans cannot write wholly just laws (only the Lawgiver may do that). Humans cannot lead eternally or unfailingly (only the King may do that). Too many post-independence projects in Africa and around the world have promised this utopia and cast its adherents into only greater misery. But what, then, are we left with if we must abandon our worldly hope? Is waiting for death and spiritual renewal all we have? A thousand times, no.

The response is to be humble, to be careful, to be kind. The alternative to this arrogance and wild certainty is to embrace the Christian principle of tension, as Leszek Kolakowski, the eminent political philosopher describes:

> Christianity has neither found nor promised any lasting solution to man's temporal lot. It has thus provided us with a way out of the pessimism/optimism dilemma, if it is seen as a dilemma between belief in the ultimate solutions and despair. The generation into despair is common among those who once believed in a perfect and ultimate solution and later lost that certainty. But it is the tradition of Christian teaching to shield us from both these perils: from the wild certainty of our infinite capacity for perfection on the one hand and from suicide on the other. (*Modernity on Endless Trial*)

My project seeks to walk the line that Christianity itself does, between the twin destructions of utopia and anarchy. My project, informed by faith and humility, hopes to take a step towards limited good.