institute for global dialogue

FRIEDRICH EBERT STIFTUNG

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COMMUNIQUE

The Southern African Forum on Trade (SAFT) provides a platform for critical debate and reflection on trade-related matters in the Southern African Development Community (SADC), bringing together from the region academics, activists, policymakers, and senior officials working in the field. The 5th SAFT meeting was convened in Tshwane, South Africa from 6-7 August 2008, with the aim of exploring the implementation challenges for the SADC free trade area (FTA), to be launched by the Heads of State at their August 2008 summit, as well as the broader road towards customs union in 2010. Participants and panellists from the region shared their views and perspectives on where SADC is heading, and what the future holds for the region's citizens. The following is a broad reflection of concerns and challenges raised by SAFT.

A. Implementation of the SADC Trade Protocol and FTA

Intra-regional liberalisation in SADC has generally been cautious, with member states delaying or back-loading their adjustment in order to protect domestic industries and maintain revenue streams from custom duties. The role of private sector organisations in the negotiation process has also been weak. There appears to be a major disjuncture between political rhetoric in support of deeper integration and the actual situation on the ground. Nonetheless, the Trade Protocol does not require that all the requisite conditions be met, so the FTA will be proclaimed irrespective of readiness by some SADC member states.

B. Trade facilitation in SADC

Levels of intra-SADC trade have seen only little increase during the tariff-phase down period of the SADC Trade Protocol and remain low for most member states. Moreover, most of intra-SADC trade is still taking place under alternative legal arrangements (SACU, COMESA, bilateral trade agreements). The removal of internal tariff barriers under the new FTA alone is unlikely to make a major impact on intra-SADC trade. Less cumbersome rules of origin and enhanced trade facilitation are necessary complements to tariff liberalisation as catalysts for increased intra-regional trade in SADC. Exporters in the region face considerable constraints at the technical level, and the cost of doing business is prohibitively high.[1] SADC member states should invest more in new as well as accelerating the rehabilitation of transport and communication infrastructure. Agreements to reduce non-tariff barriers, and streamlining and harmonisation of policy, regulatory and rules frameworks should be implemented without undue delay.

C. Deepening regional integration

Harmonisation of domestic policy and regulatory frameworks are prerequisites for meaningful regional liberalisation of trade in goods and services. With regard to service sectors, domestic rules of the game, governance policies and regulatory reform currently lag behind actual market liberalisation. Since an efficient services sector will enhance domestic and regional competitiveness, there is need to more strategically and selectively open regional services markets to external trading partners.[2] However, liberalisation should proceed without compromising the right to regulate in the public interest, to ensure affordable access to essential social services.

D. The role of external partners in SADC

The Interim Economic Partnership Agreements (IEPAs) with the European Union were finalised in a rush and reflected the considerable economic pressures on commodity and preference-dependent SADC countries. The IEPA negotiations have exposed major divisions and fractures in the SADC regional integration project. The negotiations have split SADC into different configurations, each with its own separate liberalisation schedule. The current situation is incompatible with a SADC customs union in 2010, which requires a common external tariff. Even under the FTA separate liberalisation schedules with SADC's main external trading partner could undermine SADC trade integration as robust rules of origin and internal customs controls would have to be maintained.

There is also the need to better manage SADC's growing relations with new actors, such as China and India, to ensure genuine developmental outcomes (and not simply resource extraction).

E. The SADC Customs Union (CU)

The launching of the FTA is a step forward to the customs union. Although the Ministerial Task Team has identified several options or models for establishing the SADC CU, the time remaining before 2010 does not seem sufficient to attain the necessary preconditions to ensure its successful launch. Rather than go for a CU in

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1 World Bank data show that it takes on average 91 days to comply with all trading requirements for intra-regional SADC trade, compared with 53 to 60 days for trade between SADC and countries of the Organisation for Economic Co-operation and Development.

2 SADC is in the process of liberalising six services sectors within the region: construction, communication, transport, energy, tourism and finance.

2010, a move which has no real intra-regional trade benefit, the region would be served better by delaying the CU project whilst focusing on deepening trade facilitation.

Moreover, without an agreement regarding a number of fundamental issues there can be no customs union. The most critical factors are the requirement for establishing a common objective and rationale for the customs union and its external tariff regime; common trade and industrial policies; a framework for customs revenue management and administration of the customs union institutions; and the willingness of member states to relinquish to compromise on some aspects of national sovereignty. As it is technically impossible for Member States to belong to more than one customs union, the challenge of overlapping memberships must also be addressed.

F. The SADC Secretariat

The SADC Secretariat requires further human, financial, and technical capacity to fulfil its mandate sufficiently. The Secretariat must act as an 'engine room' to drive and support regional integration processes.

G. Financing for development in SADC

Development finance institutions – such as the African Development Bank (ADB), the Development Bank of Southern Africa (DBSA) and others – have played a constructive role in supporting deeper regional integration in SADC. This includes support for private sector development, cross-border infrastructure projects, and post-conflict reconstruction and development. The major challenge for SADC is not the absence of resources to finance development projects, but rather the inadequacy of bankable and packaged projects (e.g. one-stop border posts, etc). Cross-border projects are also impeded by different national regulations and procedures, as well as donor modalities. The case for greater regulatory harmonisation in the region is therefore compelling.

H. Poverty reduction and social adjustment in SADC

Poverty reduction should stand at the heart of the regional integration imperative in SADC. This includes social mechanisms to underpin liberalisation, particularly to protect vulnerable groups (e.g. the poor, women, youths, small traders, workers, etc) against the more pernicious effects of trade opening. Regional liberalisation, whether under the SADC FTA or with external partners such as the European Union, China or India, is likely to generate some socioeconomic dislocation and adjustment. While liberalisation may also create economic opportunities for some vulnerable groups, this process must be managed in a more socially-responsive manner.

I. TWO KEY CHALLENGES

- There is the need for a paradigm shift in SADC, away from a simple trade-based and market-led perspective of regional integration. The Regional Indicative Strategic Development Plan (RISDP) should be reviewed and reformed, particularly the trade component with its emphasis on unrealistic integration milestones (e.g. customs union in 2010). The regional agenda should be refocused to support sustainable production capacity, and address supply-side constraints and the high costs of trade and services in the region.

- For the immediate future, SADC member states should prioritise the consolidation of the FTA, strengthen the trade facilitation agenda, liberalise stringent rules of origin, and improve cooperation (infrastructure, regulation, etc). Given the limited time remaining until 2010, an enhanced FTA could constitute an alternative approach to the CU. This is more realistic and provides more scope for trade creation than a CU.