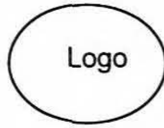

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REGIONAL ECONOMIC CO-OPERATION IN SUB-SAHARAN AFRICA WITH SPECIAL REFERENCE TO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITIES

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Regional Economic Co-operation in Sub-Saharan Africa with Special Reference to the Southern African Development Communities

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Regional Economic Co-operation in Sub-Saharan Africa with Special Reference to Southern African Development Communities

DECLARATION

Hereby, I Phucuka Penelope Malgas declare that this study is my own original work and that all sources have been accurately reported and acknowledged, and that this document has not previously in its entirety or part been submitted at any university in order to obtain an academic qualification.

Signature ________________

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ABSTRACT

South Africa has long been a part of the region although it may be a new comer to some institutions established. One of the reasons why SADC was established was to reduce economic dependence on South Africa. The latter has since its first democratic elections been integrated into the region of South African Development Community which comprises of 14 members. South Africa commands an economy three times the size of all SADC economies.

It is believed that the economic spread effects from integration with the South African economy will act as an engine of growth in the region. The effect of South Africa 's economic dominant role on other SADC member states is a concern. The study seeks to determine the extent to which South Africa can be of assistance to other member States given its own internal problems such a unemployment and poverty.

South Africa has a major role to play in terms of stabilising the region and given the expectations from the international community. It has vested interest in the region as it exports more than it imports from the region. The region has potential for investment opportunities and that is made impossible by political instability and political intolerance in the region. The SADC is faced with a serious question whether a member state can enter in the internal affairs of another member state whose internal activities adversely affect the economy of that particular country and that of other member states.

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GLOSSARY

CCA	Common Customs Area
CMA	Common Monetary Area
DRC	Democratic Republic of Congo
EC	European Community
ECSC	European Coal and Steel Community
EU	European Union
EFTA	European Free Trade Association
FDI	Foreign Direct Investment
FTA	Free Trade Area
GATT	General Agreement on tariffs and trade
GDP	Gross Domestic Product
GSP	Generalised System of Preference
LDC	Less Developed Country
MAP	Millennium Partnership for the African Recovery Programme
MMA	Multilateral Monetary Agreement
MTN	Multilateral Trade Negotiations
NTB	Non-Tariff Barriers
REPA	Regional Economic Partnership Agreements
RETOSA	Regional Tourism Organisation of Southern
RMA	Rand Monetary Area
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Communities
SADCC	Southern African Development Co-ordination Conference

SATCC	Southern African Transport Communications Commission
SITCD	SADC Industry and Trade Co-ordination
TMA	Trilateral Monetary Agreement
WTO	World Trade Organisation

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CHAPTER 1

INTRODUCTION

This study examines the effect of South Africa's dominant role on other countries within the Southern Africa Development Communities (SADC), with a view of establishing as to what extent South Africa can be of assistance to these countries, given her own internal problems such as poverty and high rate of unemployment. The adoption of a Trade and Development Protocol in 1992 by SADC countries marked the beginning of a process of trade integration among SADC member states. This Trade Protocol aims to enhance the economic development, diversification and industrialisation of the region including the establishment of a Free Trade Area (FTA) (Trade Protocol: 1996,Article 2:12).

One of the key challenges arising from this process relates to the dominant position of the South African economy in Southern Africa. There exist huge trade imbalances between South Africa and the rest of other SADC States. South Africa enjoys a substantial trade surplus with all other SADC countries (Mayer and Thomas, 1997:25). In contrast, SADC countries account for a very small share of South Africa's total imports, although a modest increase has been recorded since the mid-1990's. As a result of South Africa's dominant economic position, this is of great concern to the other SADC countries (Mayer, 1993:303).

SADC States fear that trade integration may lead to further polarisation of the region between South Africa and the rest of the region. On the other hand, there is a view that the economic spread effects from integration with the South African Economy will act as an engine of growth in the region (Mwale, 1993:1).

First of all South Africa has long been part of the region. The country may be a newcomer to some institutions established in the region especially during an era of political turmoil in South Africa and at time in its history when it pursued a policy of destabilising states in Southern Africa that opposed its racist policy of apartheid, but not to the region itself. One of the reasons why Southern African Development Co-ordination Conference (SADCC) was established, was to reduce economic dependence on South Africa. Since its inception, although it has managed to achieve some of its objectives, it has failed to address some important issues such as bringing all sectors of the region into the mainstream of regional cooperation and its inability to mobilise the region's own resources for development.

South Africa commands an economy three times the size of all SADC economies. There is increasing concern about the implications of South Africa's (SA's) plans to start opening its markets to the 14 countries of the SADC. What has emerged is a SADC consensus that since attempts to reduce dependence on South Africa have been futile, SA. should somehow be included in the programme of co-operation developing within Southern Africa

(Asante,1997: 26-27). The challenging issue is to decide what level of interdependence is appropriate.

Expectations of benefits to SADC from reintegration with South Africa are based on the perception of South Africa as the engine of growth. In order to ascertain whether South Africa has taken a right decision by opening up its markets to the 14 countries of SADC one need to examine the role that South Africa has to play within SADC, given the disparate levels of economic development among member states hence South Africa's economy is regarded as the giant among dwarfs. Other aspects that will need to be examined are the benefits of trade integration that will accrue to South Africa and also the obstacles to trade integration.

There is also a great fear among the SADC countries that trade integration may lead to further polarisation of the region between South Africa and the rest of the region, due to the fact that South Africa already boasts a relatively developed industrial base, regional trade liberalisation may encourage an increased concentration of industry in South Africa.

Most of the member states have vastly disparate levels of economic development, where prevailing trade imbalances are unsustainable. The member states are categorised by the WTO (World Trade Organisation) as Less Developed Countries (LDCs). It is imperative to establish whether any provision by the Trade and Development Protocol has been made, like

preferential treatment. It is not known if whether they are going to get the same kind of treatment as the developed member states like South Africa and Zimbabwe? South Africa has agreed to provide other SADC countries faster access to its markets than they need to provide for South African exports. This is referred to as an asymmetrical tariff reduction approach. However, because South Africa has a common external tariff with its partners in the Southern Africa Customs Union (SACU), these countries are negotiating with SADC as a bloc, and all SACU members will have to fast-track and front-load their tariff liberalisation vis-à-vis other SADC countries.

This is despite the fact that the SACU member States (Botswana, Lesotho, Namibia and Swaziland) are not at the same level of development as South Africa, Lesotho, a least developed country according to level of economic development, is therefore likely to suffer disproportionately more adjustment cost, both in terms of industrial restructuring and government revenue loss, than South Africa (Erwin, Minister of Trade & Industry address to JCCI on SADC).

The research question in this study is the following :

What is the effect of South Africa's economic dominant role on other countries within SADC?

1. BACKGROUND

The Southern African Development Co-ordination Conference (SADCC) was established in 1980 with nine members, Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. Namibia's independence led to it becoming the 10th member in 1990. The objectives were to reduce the perceived dependence of the region on the outside world (especially South Africa) and to promote and co-ordinate regional co-operation in development projects.

The initial emphasis of SADCC was on transport and communications, and as a result the Southern Africa Transport and Communications Commission (SATCC) was established in Maputo. The reason for this emphasis was that the civil war in Angola had rendered the Benguela line (carrying copper from Zambia and Zaire, a non-member) to the port of Lobito, inoperative from 1975 and also the growing guerilla activities in Mozambique were threatening and in fact by 1984 had cut the lines from Malawi, Zambia, Zimbabwe and Swaziland to the Mozambican ports, ports of Nacala, Beira and Maputo.

The result was that, deprived of the use of their natural ports, the land – locked countries north of the Limpompo were being obliged to make greater use of South African ports. Transport and communication, therefore were the sectors in which dependence on South Africa was felt most acutely (Maasdoorp, 1992: 4 & 5). The countries of Southern Africa however

ultimately achieved political independence against a backdrop of poverty and economic backwardness.

The need to work together, rather than individually, became increasingly apparent to the leaders of Southern Africa as a precondition for political survival, economic development and social advancement. By late 1980, it had become apparent to SADCC policy makers that the organisation needed strengthening. "The challenges presented by the profound socio-economic changes taking place in the region and globally necessitated a review of the organisation's mandate and priorities. Up to that time, SADCC had existed as a de facto international organisation without a treaty or legally binding instruments (Maasdoorp, 1992: 4 & 5).

In 1989, the summit of Heads of State or Government, meeting in Harare, Zimbabwe, decided that SADCC should be formalised to give it an appropriate legal status taking into account the need to replace the memorandum of understanding with an agreement, charter or treaty. In August 1992, Heads of State or Government met in Windhoek, Namibia and signed a Declaration and Treaty establishing the Southern African Development Community (SADC).

The evolution of SADC and the signing of the SADC Treaty, gave a clear signal that the region has to move towards a deeper regional co-operation with the expansion of membership to include the Democratic Republic of Congo (DRC) and Seychelles. Thus SADC has become an important force for

reintegration in the region. Namibia and South Africa joined in 1990 and 1994 respectively. Progress has been made in agreeing on a number of important protocols, by sector which provide a legal framework for co-operation within SADC. An example of such a protocol is Trade and Investment.

The following are the main goals of SADC:

The forging of links to create a genuine and equitable regional integration;

The mobilization of resources to promote the implementation of national, interstate and regional policies and concerted action to secure international co-operation within the framework of a strategy for economic liberation. (Asante, S.K.B.1997 Regionalism and Africa's Development expectations)

SADC as a regional grouping will be further discussed into detail and analyzed in chapter 3.

Chapter 2. Examines the theory of economic integration describing its aims and objectives.

CHAPTER 2

1. THEORY ON ECONOMIC INTEGRATION

This chapter defines economic integration with no specific reference to any particular regional grouping. The aims and objectives of economic integration will also be discussed. It will enable one to understand the following chapter in which economic integration will be examined with reference to South Africa and Africa.

2. ECONOMIC INTEGRATION

Economic integration has been defined as a process whereby economic frontiers between member states are gradually eliminated (that is to say whereby national discrimination is abolished), with the formerly separate national economic entities gradually emerging into a large whole (Asante, 1997: 63).

On the whole, a wide consensus exists on the following three issues:

- that economic integration refers basically to division of labour;
- that involves mobility of goods or factors of production or both; and

- that it is related to discrimination or non-discrimination in the treatment of goods and factors of production, as, for example, with regard to origin or destination.

However, integration necessitates co-operation. The idea of mutual interests is important when considering co-operation. Co-operation implies a sequence of events in which individual actors in the region decide to work together in achieving mutual interests. The Lesotho Highlands Water project can be seen as an example of a co-operative effort between South Africa and Lesotho.

There are different forms of economic integration namely:

Free Trade Area (FTA): where member states remove all trade impediments such as import duties and quantitative restrictions among themselves. Internal goods traffic is then free, but each country can apply its own customs tariff with respect to third countries.

The Customs Union is a free trade area, obstacles to the free traffic of goods among partner countries are removed, except that these countries must conduct and pursue common external commercial relations, for instance they must implement a common external tariff on imports from non-participants. An example of this form of integration is the Southern African Customs Union which will be further discussed in chapter 3.

The actual cost to France of her aluminium is now R20 a ton higher than before. Trade has been diverted from a low- to a high- cost source. This trade diversion reduces the efficiency of world production, since to produce the same output as before, a larger quantity of resources has to be used. (Asante, 1997: 65) The are various stages in the move towards full integration of states:

The Common Market, goods as well as factors of production may move freely through out the market;

Full Economic Union, member countries unify all their economic policies, including monetary, fiscal and welfare policies as well as policies with respect to trade and factor movements.

Political Union, this final stage calls for the introduction of a supra-national authority whose decisions are binding for the member states. The following table illustrates the various stages:

Stages in the market integration process

Integration form	No internal tariffs	Common external tariffs	Free flow of labour and capital	Harmonised Macro-economic policies	Supra-ional institution
Free Trade Area	O	X	X	X	X
Customs Union	O	O	X	X	X
Common Market	O	O	O	X	X
Economic Union	O	O	O	O	X
Political Union	O	O	O	O	O

Source: Haarlov, J. 1997. Regional co-operation and integration within industry and trade in Southern Africa. Vermont: USA. Ashgate Publishing Company.
Table 2-1

Any scheme of economic integration should be voluntary and each state should further demonstrate its willingness to pursue certain policies in close consultation with other states. Regional economic integration may be characterised as both negative (the removal of trade restrictions in the course of trade liberalisation between member nations) or positive (the modification of existing institutions or the establishment of new institutions or arrangements that aim to promote the efficient and effective operation of the regional agreement).

It could be argued that, free trade areas and customs unions may be described as requiring only negative integration whilst the remaining necessitate both positive and negative integration agreement (el- Agraa, 1985). Both regional and economic integration agreements may be fashioned to suit individual circumstances, as they may be modified as required by proposed member countries. When integration is formulated at either the free trade or customs union level, there are possible economic gains, which may include:

- enhanced allocation efficiency resulting from increased specialisation in line with static comparative advantage;
- improved productive efficiency due to the employment of internal economies of scale resulting from an increase in the size of the market;
- improved efficiency at micro-level due to enhanced competition in domestic markets;
- dynamic economies of technological advance;
- external economies of scale and agglomeration, and technological spill-overs between vertically-aligned industries; an enhanced investment climate; and
- improved international bargaining position, particularly for developing economies aligned to stronger developed economies (EL-Agraa, 1990).

3. ECONOMIC UNION IN EUROPE & THE EUROPEAN ECONOMIC COMMUNITY

The European Community came into existence on the first of January 1958. Six western European nations took the first step towards economic unification by forming the European Coal and Steel Community (ECSC). A bold and imaginative scheme, the ECSC aimed, through the elimination of trade restrictions and the encouragement of the free movement of resources, to stimulate the concentration of the coal and steel industries of the Six in the hands of the most efficient producers (Brown & Jackson, 1978: 233).

This gives further testimony to the conviction that the traditional national approach to economic problems was no longer consistent with the needs of the area. The six members of the ECSC in succeeding years broadened their attack by considering ways and means of establishing a common market for all commodities and of pooling European resources for the development of atomic power. Their discussions culminated in the drafting of the Treaty of Rome, which set up two new agencies of integration: the European Economic Community and the European Atomic Community.

The main economic purpose of establishing the European Common Market was to realise the advantages of increased specialisation (Brown & Jackson, 1978 :234). Its sponsors contended that existing national markets were too small for economical operation of certain industries except as monopolies. A

large market would make mass production possible without this drawback. Attainment of these ends should, it was argued, make the unified area a more powerful unit, ensure continual expansion, increased economic stability, raise standards of living, and develop harmonious relations between its component states (Brown & Jackson, 1978: 35).

There was really a need for economic reorganisation as the production was becoming increasingly globalised and required the assemblage of capital and labour at the international scale. The logics of market access and scale economies also pointed to the need for transitional strategies in both sales and production. The short-term objectives of the Treaty of Rome included amongst others: the creation of a customs union, levying a common external tariff, and the creation of a common market for capital and labour. There was also a second economic agenda for the development of community- wide policy frameworks for industry, agriculture and transport (Williams, 1991:3).

In practice, early progress was gradualist with emphasis on practical, if piecemeal, achievements. The target dates for achieving the customs union were postponed until the late 1960s. Global conditions could hardly have been more favourable for the foundation of the European Community (EC). The community was born just as the post-war boom was gaining momentum and at a time when Western Europe was recording growth and investment rates without parallel in the first half of the twentieth century.

For example between 1950 and 1970 Western Europe experienced an average growth rates of 4.4 per cent per annum, which considerably surpassed global economic rates (Aldcraft 1980). As a result, the context was favourable for the EC to benefit from the twin fruits of economic integration: trade diversion and trade creation. Further more, potentially contentious trade diversion (from the rest of Europe and the USA) was made less painful and contentious, as there was strong global expansion of trade and investment in most countries.

The Customs Union was completed in 1968, well ahead of schedule, and the frameworks of major policies such as the Common Agricultural Policy CAP) and the Social Fund were established. As the EC cut across so many traditional economic relationships within Europe, it contributed to the creation of a new economic geography of the continent (Williams, 1991: 4).
Trade diversion effects were considerable, not least because many of the EC member states had previously much stronger ties with non-members than with fellow members.

New patterns of trade and investment emerged within the EC, which had profound implications for the rest of Western Europe. Partly as a defensive stratagem, most of the well-known Western European economies grouped themselves around the UK in the rival European Free Trade Association (EFTA) during the 1960s. However the UK economy was not strong enough to sustain this group, especially in the face of the dynamism of capital

accumulation in the EC. Not surprisingly, EFTA as a UK-centred association did not survive for long. In January 1973 three of its members left EFTA and joined the EC.

CHAPTER 3

1. The EU-SA TRADE AGREEMENT

Following South Africa's transition to democracy in 1994, two sets of negotiations have dominated its foreign economic relations: one to conclude a free trade agreement with the European Union (EU), and another to conclude a free trade area among the member states of the SADC. In March 1999 the negotiations with the EU were concluded, and the Trade, Development and Co-operation Agreement (TDCA) will enter into force on 1 January 2000. South Africa's transition to democracy in 1994 made global repositioning an imperative for the African National Congress led government.

In particular, they felt the need to take measures to improve South Africa's competitiveness, while gradually incorporating the economy into a rapidly transforming global economic arena. The SA-EU trade agreement covers a wide range of issues, namely political dialogue, provisions for a FTA, trade-related issues, economic co-operation, financial assistance and development co-operation and cultural co-operation.

As a result of its international isolation, South Africa was excluded from the network of preferential trade agreements which the EU had established with a range of developing countries during the 1970's and 1980's. With the political change the new South Africa looked to the EU to establish a basis for trade relations that would support development focused economic growth.

Initially South Africa sought trade access to the EU market under the same conditions applied to its African neighbours through the Lome' Convention. Under the trade provisions of the Lome' Convention all Sub-Saharan Africa countries enjoy non-reciprocal duty free access to the EU market. This means that goods produced in these countries do not have to pay import taxes when entering the EU market.

The South African request to join the Lome' trade arrangement enjoyed the support of all the African, Caribbean and Pacific (ACP) countries, who are signatories of the Lome' Convention. The EU, however, rejected South Africa's request to become party to the Lome' trade arrangements. Instead the EU proposed that South Africa should become a qualified member of the Lome' Convention (excluding the aid and trade provisions) and that a bilateral trade agreement involving reciprocal trade preferences should be negotiated. Another argument was based mainly on a view that South Africa was not a typical ACP country, and that its admission could have adverse consequences, in the WTO among others, for typical ACP countries.

South Africa was, however, admitted in1997 to the Lome' Convention on extremely restricted conditions. The terms of accession provided for in the Mauritius Lome' IV mid-term review agreement specifically excluded South Africa both from the trade chapter and the financial aid envelop.

Its qualified membership allows it to participate in the various joint deliberative bodies set up by the Convention. South African firms are also eligible to tender for contracts arising from projects in ACP countries funded by the European Development Fund, and South African inputs can be used under certain conditions by ACP countries producing goods for export to the EU market under Lome' terms (Davis, R 2000:35-45).

The tariff elimination schedules are disaggregated into industrial and agricultural goods. This is because the EU has in place a Common Agricultural Policy (CAP), designed to protect its agricultural producers through a complex system of subsidies and tariff protection. This policy has reduced significantly South Africa's room for manoeuvre in negotiating preferential access to the EU market for its agricultural products.

The agreement covers 90 per cent of current trade between the two parties. The EU will liberalise fully 95 per cent of imports from South Africa at the end of a 10 year transitional period and South Africa will liberalise fully 86 per cent of imports from the EU at the end of a 12 year transitional period.

While South Africa has secured a high degree of access to the EU market for its industrial goods, it has offered a higher level of access to the EU in agricultural products than it was able to secure for South Africa's agricultural exports.

. The SA-EU agreement contains no special provisions for other SADC countries it only provides for the other SACU member states, which share a common external tariff with South Africa. The Lome' Convention is a treaty-based relationship between the European Union and the African Caribbean and Pacific States (ACP), which encompasses trade relations, development co-operation and development finance.

The association agreement entailed reciprocal rights and obligations for establishing a *free trade area with two-way free access for each other's products* (Hitiris, 1998:229). The community also set up a special institution, the European Development Fund (EDF), to give aid to the associate states. Soon after 1960, most of the EC associate overseas territories gained their national independence and started negotiations for a new agreement with the Community.

This led in 1963 to the Yaounde Convention, an agreement between the Community and 18 African States. In contrast to the first agreement which provided for the abolition of customs duties among all the contracting parties, the Yaounde Convention excluded the abolition of tariffs in inter-associate trade, thus creating 18 free trade areas, between EC and each of the associate countries.

The second Yaounde Convention was signed in 1969. After the first enlargement which increased the full members of the EC to nine, it became

necessary to reconsider the Community's Association System for possible inclusion of developing countries which had close ties with the United Kingdom through the Commonwealth. A new five-year association agreement, the Lome' Convention (1975-80), was signed in 1975 by the EC and 46 African, Caribbean and Pacific (ACP) countries.

This agreement was succeeded by Lome' II (1980-85), signed by 63 ACP countries, and the Lome' III (1985-90), signed by 66 ACP countries, and the Lome' IV, signed by 70 ACP countries December 1989. The main innovations of Lome' IV are that it is for a 10-year period and provides better trade and aid arrangements. The share of the ACP trade with EC is relatively small (less than 2% of the total) from the community point of view (Hitris, 1998: 230).

Three institutions are involved in the running of the Convention:

The Council of Ministers consists of the Community's Council, the Commission and a member of each ACP government.

The Committee of Ambassadors supervises the day-to-day performance of the Convention.

The Joint Assembly is a consultative body, which consists of equal numbers of members of the European Parliament and representatives elected or appointed by ACP States. It deals with and expresses opinions on issues about the Convention (Hitris, T. 1998:230)

The main provisions of the ACP-EU Convention are as follows:

Tariff preferences: manufactures produced in the ACP countries enter the Community at zero or low tariffs. The community, in return, gets most-favoured-nation treatment from the ACP states and an undertaking that they will not discriminate between member states of the EC. Trade in services may also come under the Convention at a later stage.

Agricultural exports: from ACP countries competing with Community products are subject to CAP regulations. However, such products enjoy preferential treatment, which includes levy rebate or exemption for out-of-season products. Agricultural exports, which do not compete with community products, have preference over third-party supplies. In Lome' IV, the contact between agricultural development and the preservation of ecological balance are also given particular attention.

Aid: Under Lome' III and IV, in contrast to previous practice, aid is directed towards programmes rather than projects. Aid is mostly supplied by the European Development Fund in the form of grants, soft loans and the financing of two institutions, the Stabex fund and the Sysmin scheme. The ACP countries also have access to funds from the European Investment Bank (EIB).

The Stabex fund: provides EC financing for stabilizing earnings from exporting certain, mainly agricultural products. To qualify for a transfer from

the fund, the product must account for at least 5 percent of the country's total export earnings which must have fallen by more than 4,5 percent below the reference level.

The Sysmin scheme: supports mineral production and provides financial assistance to ACP countries which depend heavily on mineral exports. The scheme helps countries to cope with serious temporary disruptions affecting their export earnings from mining sectors and provides investment aid for restoring the mining industry's viability or for economic diversification (Hitris, 1998: 230-231).

The Agreement expired in February 2000 and the European Union has been warning the ACP countries, since the publication in 1996 of its Green Paper on future relations with the ACP, that it no longer maintains the non-reciprocal trade relationship. The Lome' Convention also exempts ACP countries from the Multi-Fibre Agreement, which places restrictions on the textile exports from developing countries to industrial markets. This has assisted countries such as Lesotho and Mauritius, whose textile exports account for 48 per cent and 38 percent respectively of total exports to the EU, to maintain and expand their textile industries.

Special protocols, giving preference to beef, banana, sugar and rum exports from ACP countries to European markets have created sustainable livelihoods and led to economic growth in many small island or landlocked ACP countries. In Southern Africa, for example, Botswana, Namibia, and Zimbabwe have benefited from the Beef Protocol and Mauritius, Malawi, Swaziland and Tanzania from Sugar Protocol. The World Trade Organisation (WTO) Dispute Settlement Body has ruled that the Lome' Convention provides unfair preferences to the banana exports of Caribbean countries, forcing the EU to apply for a waiver of the most-favoured-nation rule until the Convention expires in 2000.

Any new agreement after 2000 will have to be compatible with WTO rules, which stipulate that when a WTO member liberalises its tariffs, it has to do so for imports of all members equally. The ACP mandate insists that the EU continues to grant non-reciprocal trade preferences for at least ten years and that it maintains and even enhances special protocols. The EU mandate, however, is proposing the negotiation of regional economic partnership agreements in the form of reciprocal free trade areas with regional groupings in the ACP.

These arrangements would vary according to a region's level of development but would conform, after a transition period, to WTO rules on free trade area agreements, which stipulate that the agreement would cover substantially all trade. The ACP is willing to consider alternative trade arrangements only in

September 2006, whereas the EU wants the ACP to agree on the principle of free trade agreements by February 2000, and negotiate these between 2000 and 2005. Existing trade preferences would be maintained during this period. (The Regional Implications of the EU-South Africa Free Trade Area negotiations by the ACP-EU joint assembly SACU parliamentary liaison group) (Mayer, M., The EU-South Africa trade deal: Implications for Southern Africa)

2. A NEW LOME TRADE REGIME

What is the EU proposing?

In terms of future trade relations, what is being proposed to the ACP members are inter-regional reciprocal free trade agreements (RRFTA'S) between the EU and ACP countries. The EU has given notice that it will seek a major change in the basis on which successive Lome' Conventions were constructed. In its Green Paper on the future of Lome', the EU indicated that it would like to create regional free trade areas with ACP countries instead of continuing with current tariff preferences and aid programmes (European Commission, op.cit).

The EU proposed that the old agreement granting non-reciprocal, beneficial access to the EU market for ACP countries should make way for arrangements resembling FTA's, which have been called Regional Economic Partnership Agreements (REPAs). Clearly some of the ACP countries have difficulty in accepting the proposal, as they are classified as least developed countries and would struggle to adjust their economies to compete on an equal basis with European products.

However, alternative suggestions are hard to come by, as the preferences that the Convention currently grants are considered violations of the WTO rules, as the current dispute between the US and the EU surrounding preferential

treatment for Caribbean bananas on the European market proves (Bertelsmann-Scott, Mills & Gibb, 2000: 25). The Commission's mandate proposes negotiating comprehensive economic partnership agreements with each of the various ACP subregions. A key feature of these partnership agreements is to be free trade agreement compatible both with WTO rules and the common agricultural policy. The mandate envisages proceedings as follows:

1998-2000 Negotiations of a Framework Agreement with the whole of ACP.

2000-2005 Negotiations of FTAs with sub-regional groupings.

During the negotiating period, ACP *countries would continue to receive terms* of access to the EU market on current Lome' terms, and the EU would seek a further waiver for Lome' from WTO until 2005. Thereafter, if FTA negotiations with particular sub-regions did not succeed, the countries concerned would be accorded generalised system of preference (GSP) status, with special provisions for those categorised as least developed countries.

The entire EU proposal is based on the argument that non-reciprocal preferences failed and that reciprocity will assist ACP countries to integrate effectively into a globalising world economy. Furthermore, the Commission's mandate proposes that FTA's with ACP sub-regions should be shaped both by WTO rules and ACP in the absence of any specific commitment to significantly improve access to the EU market, including sectors in which ACP countries are currently most competitive.

The EU has also suggested good governance clauses for the future Lome' agreements. During the South African negotiations the EU wanted to include a clause that would allow for the discontinuation of the Agreement in the event of South Africa violating respect for democratic principles, fundamental human rights, the rule of law and good governance. The EU traditionally includes the first three conditions in any agreement it concludes. This has led to the collapse of a number of trade talks. Most recently, the EU failed to reach agreement with Australia, as these clauses were found unacceptable. The inclusion of a 'good governance' clause is a new stipulation, which is clearly aimed at the future Lome' negotiations.

All four clauses were ultimately included in the deal between South Africa and EU, the Agreement allows for consultation before suspension in the event of the violation of these principles by either of the two parties (Bertelsmann-Scott, Gibbs & Mills, 1998:26).

ACP and other Developing Countries, Level of Development and WTO Membership

Least Developed Countries					
Africa	**Caribbean**	**Pacific**	**Africa**	**Caribbean**	**Pacific**
Angola	Haiti	Kiribati	Botswana	Antigua and Barbuda	Fiji
Benin		Solomon Islands	Cameroon	Bahamas	Papua New Guinea
Burkina faso		Tavula	Congo-Brazzaville	Barbados	Tonga
Burundi		Vanuatu	Cote d'Ivoire	Belize	
Cape Verde		Western Samoa	Gabon	Dominica	
Central African Republic			Ghana	Dominican Rep.	
Chad			Kenya	Grenada	
Comoros			Mauritius	Guyana	
DRC			Namibia	Jamaica	
Djibouti			Nigeria	St Christ & Nevis	
Equatorial Guinea			Senegal	St Lucia	
Eritrea			Seychelles	St Vincent & the Grenadines	
Ethopia			South Africa	Surinam	
The Gambia			Swaziland	Trinidad & Tobago	
Guinea			Zimbabwe		

Table: 3-1 Source: UN Development Report, 1997 WTO web site

Shares of ACP countries in EC imports from developing countries

Year	EC imports from ACP (Million ECU)	EC imports from ACP as % of EC imports from developing countries
1960	2.896	24
1965	3.812	23
1970	5.515	23
1975	9.867	16
1977	13.644	16
1978	12.846	16
1979	15.878	16
1980	20.889	16
1981	18.960	13
1982	20.273	14
1983	22.083	16
1984	27.931	18
1985	30.509	20
1986	19.762	18
1987	16.510	15
1988	17.541	15
1989	19.597	14
1990	20.125	14
1991	19.134	13
1992	17.954	12
1993	14.570	10

Table 3-2 Source: EC External Trade Statistics Yearbook, 1987,1992-1994

From the aforegoing table shares from EC imports from ACP (Million ECU) have since been declining despite the preferential access they have been given by the EU since 1960. From the data it can be deduced that trade preferences have failed to promote diversification. Through the convention, countries like Botswana, Namibia and Zimbabwe, three of the top beef producing countries in SADC have been able to export their meat under reduced tariffs. As a result, the Southern African countries have been able to compete favourably with European farmers.

Because of economic reforms championed by the World Trade Organisation, which prohibit discriminatory trade preferences the convention between the EU-ACP is subject to change. The farming sector forms the backbone of most of the ACP countries and the EU agricultural sector is heavily subsidised and can not compete on equal footing with EU farming sector as before. The overall export base of the ACP countries is going to be affected by the proposed new agreement.

3. WORLD TRADE ORGANISATION

3.1 Historical Background and Development

World Trade Organisation (WTO) was created on 1 January 1995, when it replaced the General Agreement on Tariffs and Trade. GATT was an overall mechanism for regulating international trade. The GATT system introduced in 1947 favoured the rich countries and began to entrench the marginalisation of the developing countries in the independence era. The GATT's reciprocity rule automatically weakened their bargaining position; the agreement stipulated that all concessions had to be granted mutually, but the economically weaker countries, with their smaller markets, had little to exchange for concessions in their favour (Jones and Whittingham, 1998:11). Also, developing countries lacked the staff to sustain difficult and sophisticated trade negotiations with powerful developed countries. Recognising this, most developing countries opted out of the GATT system.

By the late 1950's, however, developing countries were increasingly forced to participate in international trade due to the failure of the inward-looking economic policies of the GATT system.

GAAT multilateral Trade Negotiations include the following rounds:

1947 Geneva

1949	Annecy, France
1950	Torquay, England
1956	Geneva
1960-61	Dillon Round
1964-67	Kennedy Round
1973-1979	Tokyo Round
1986-1994	Uruguay Round

The 1960's saw a number of efforts on the part of the developing countries to improve their position in international trade. One of the major objectives (not actually realised) of the Kennedy Round of tariff negotiations was to act on recommendations for the removal of tariff and non-tariff barriers to developing country exports. In 1966, three new articles (collectively known as Part IV) were added to the GATT agreement, covering issues such as improved market access, price stabilisation for primary exports and pledging joint action to promote development.

Other measures included the waiving of the developing countries obligation to offer reciprocity in tariff reductions and the setting up of a GAAT Committee on Trade and Development to oversee the implementation of Part IV (Cutajar and Franks, 1967: 143). Whilst the inclusion of Part IV in GAAT was an attempt to make up for the agreement's original failure to include the economic development section of Havana Chater, it was effectively toothless as it did not compel the contracting parties to act. This reinforced the impression that

GAAT was inherently against the interests of the developing world and led to attempts to influence international trade by other means.

Their relative strength, based on numerical superiority, in the United Nations General Assembly, where the rich countries could less easily ignore them, led the newly independent developing countries to call for an alternative forum, based on equity and specifically developmental in its outlook, where trade issues could be discussed. Successive rounds of Multilateral Trade Negotiations (MTN's) failed to address a number of important trade related issues.

Whilst the Kennedy Round may have been the high point of the post-war movement towards trade liberalisation, introducing an across-the-board tariff cut of 35% on 60 000 products (Gilpin, 1987:192), it failed in several important trade-related areas. For example it did not restrict the growth of Non-Tariff Barriers (NTB's) or the protectionism in global agriculture. Both these issues continue to act as *de facto* obstacles to market access of Southern goods (particularly agricultural products) to Northern markets.

The next round, the Tokyo Round, was the first to address a wider range of trade-related issues than just tariffs and codes were adopted on such issues as subsidies, technical barriers and import licences. These codes were only applicable to those members of GAAT that signed up to them. The special

concerns of developing countries were on the agenda, although they were eventually exacerbated rather than alleviated.

The most significant initiative taken during the Tokyo Round was the formal adoption of the Generalised System of Preferences (GSP), which allows for special and differential treatment, i.e. an exemption from the most-favoured-nation principle, for exports from developing country into the markets of the industrialised economies.

This special treatment, however was almost entirely at the discretion of the industrialised countries. Moreover, at the insistence of the US, it was only adopted on the condition that a 'graduation' clause be introduced which would disqualify any developing country from the system once it had 'graduated' (i.e. attained a certain level of development).

In 1985, the US Congress set this graduation at a per capita income of S8 500. It also introduced reciprocity to the GSP by tying the system to steps taken by beneficiaries to open their markets to US imports. In 1988, for example, the US revoked GSP privileges to South Korea, Taiwan, Hong Kong and Singapore and imposed barriers on certain Brazilian products. This was the first time action had been taken against individual countries, rather than sectors or products.

This action took place despite the fact that none of these countries had reached the 'graduation' qualification of S8 500 (Kegley and Witkopf, 1989:236). As these developments reveal, the GAAT system failed to prevent a resurgence of protectionism during the late 1970's and early 1980's. It is against this background that the United States and Japan proposed another round of GAAT negotiations, which became the Uruguay Round.

The developing countries objected to US proposal for a new round of MTN's (Adams, 1993:195) as they had been victims of piecemeal erosion of their preferences and of growing restrictions on their exports, often in the form of Voluntary Exports Restrictions (VER's).

The industrialised countries, persuaded that the new negotiating round would be beneficial to them, ignored the objections of the developing countries. Indeed, the industrialised countries sought to limit the exceptions that the developing countries had been granted and to expand the scope of GAAT to include new subjects of interest to them, mainly intellectual property rights, investment and services. Developing countries on the other hand wanted further, rather than diminished, access for their exports, and improved terms of GSP.

They believed that before new rules were added the old ones had to be improved and the protectionism reversed (Nicolaides, 1994: 236). The Uruguay Round (UR) was finally concluded in mid-1994, with a ministerial meeting in Marrakech. The Final Act, signed by 125 countries, created the World Trade Organisation, which replaced rather than extended GATT.

The principal differences between the two are:

GAAT was an *ad hoc* and provisional set of rules; it was never ratified in signatories' parliaments. The WTO and its agreements are permanent, have been ratified by members and thus has a legal basis. The WTO has members, whereas GATT had 'contracting' parties.

GATT had no institutional foundation, only a small associated secretariat, the WTO is a permanent institution with its own secretariat.

The GAAT rules applied to trade in merchandise goods. In addition to goods, the WTO covers trade in services, and trade-related aspects of intellectual property.

The WTO dispute settlement system is faster and more transparent than the old GATT system. Its rulings can not be blocked (FGD Occasional Paper No. 13, 1998:16).

CHAPTER 4

WTO AGREEMENTS

4.1 Basic Principles on which WTO Agreements are based

Non-discriminatory- Most-Favoured-Nation (MFN). WTO members must offer every other member the same treatment in regard to trade as the most favourable terms it offers to any specific member. This is the first article of GATT. It stipulates that if a special favour is granted to one country, such as lowering customs duty for one of their products, it mist be extended to all WTO members. Exceptions include the GSP, the formation of regional preferential trading agreements and some anti-dumping measures.

National Treatment. Imported and locally produced goods (and services and trademarks, copyrights and patents) should be treated equally once they have entered the market. Customs duty on an import does not violate national treatment even though national products are not charged an equivalent tax. Exceptions include subsidies provided by developing countries contingent on the use of domestic goods.

Free- Trade liberalisation is achieved through multilateral trade negotiations that aim to lower trade barriers such as customs duties (or tariffs) and other NTB's, such as import licensing or quotas that restrict quantities selectively.

Predictable- Foreign companies, investors and governments should be confident that trade barriers (including tariffs, NTB's and other measures) should not be raised arbitrarily. The WTO seeks to make the business environment stable, secure and transparent by 'binding' countries tariff rates and other market –opening commitments.

More competitive- The WTO discourages 'unfair' practices such as export subsidies and 'dumping' (i.e. selling a product on a foreign market at a cost below its normal value) to gain market share.

Help less-developed countries- Although developing countries have signed up to the same commitments as the developed ones, they have been given more time to adjust, greater flexibility, and special treatment.

The most important feature of GAAT 1994 which was a culmination of the Uruguay Round, was the emergent of WTO, the most comprehensive since the 1948 GAAT was concluded. Under the WTO a wide variety of trade agreements were concluded and extensive provision for trade in new areas, which were not covered by GAAT were included and improvements on certain sectors, which were already in existence (FGD Occasional Paper, 1998: 20).

4.2 Fundamental Objectives and Function of WTO

GAAT /WTO opposes the structuralist/dependency doctrine which holds the belief that the criterion for the growth of economic development is the principle of protecting local industries from foreign competition, and ensuring state intervention in all manufacturing sectors. The government then becomes the main economic agent for the country, and through protectionism, a wealthy economy is supposed to have been achieved. South Africa adopted this principle for many years, until recently, when it joined the international trading order (Asamani, 1998:17).

For the WTO , a free market system is the only way that a developed global economy can be achieved, and through its principles, such as the thorough liberalisation agenda, this philosophy is reinforced. The WTO monitors trade relations of some one hundred and twenty countries over the world and seeks through its agreement, to create a more conducive environment for the promotion of international trade, apart from having developmental implications for LDCs (Asamani,1998:18).

Article 3, in adhering to this goal, makes provision for the functions of the WTO which are: to serve as the legal and institutional foundation of the multilateral trading system, to provide the principal contractual obligations determining how governments frame and implement domestic trade legislation and regulations. Then again, the WTO is also the platform on which trade

relations among countries evolve through collective debate, negotiation and adjudication.

It is further responsible for the administration and implementation of the multilateral and plurilateral trade agreements, which together make up the WTO, acting as a forum for the multilateral trade organisations and seeking to resolve trade disputes. These tasks, it carries out by administering the understanding on the Rules and Procedures governing the Settlement of Disputes as well as the Trade Policy Review Mechanism (Trade Policy Review,1998).

4.3 The future of WTO and its effects on SADC as a regional grouping

In a recent WTO Ministerial Conference held in Doha between 9-13 November 2001 many Ministerial Declarations were reached. In the same meeting the SADC had an opportunity to voice their concerns as it is made up of LDC's. In a statement made by the Honourable Peter Kaleso, chairperson of SADC Ministers of Trade the following concerns came out very strongly:
The SADC believes in the multilateral trading system as an instrument to promote economic development, facilitate integration of SADC member states into the world economy and eradication of poverty.

However their concern is that, there has been limited progress in addressing implementation issues, particularly those of importance to SADC countries,

thus threatening further marginalisation of SADC countries. Bearing in mind the limited capacity of SADC countries to effectively participate in the multilateral trading system, SADC Ministers see the urgency in the immediate provision of adequate financial, institutional, technological and technical assistance in order to address the existing imbalances within the system.

SADC reaffirms that Special and Differential Treatment for developing countries is a core principle of the WTO. The rationale for Special and Differential Treatment remains valid for developing countries in general, and SADC countries in particular, given the structural weakness in their economies.

The importance of agriculture in the economies of SADC member states cannot be overstated. Notwithstanding geographic and climatic diversity and other country specifities, the agricultural sector in SADC is the main source of rural livelihoods and, in general, employs more than two-thirds of the labour force. Preferential schemes that guarantee access of African products are therefore key to sustaining the livelihood and employment situation in SADC and other African countries.

They also called upon the WTO to address problems arising from high levels of protection and domestic support in developed countries and for a reduction of tariff peaks and tariff escalations.

Despite all the concerns the SADC recognises progress made by the WTO in certain areas like on Trade in Services for the economic growth and development of all trading partners but would like to see progressive liberalisation while recognising the national policy objectives and varying developing levels of SADC countries. It also recognises that the existing trade preferences that have been accorded historically to developing countries should be made more meaningful and binding. The SADC calls on WTO members to grant her permanent observer status and for a decision to be taken on transparent and inclusive decision making in WTO that is vital in maintaining confidence in the organisation.

In a recent WTO meeting held in Doha a number of Ministerial Declarations were concluded. Amongst them the WTO members recognised the following: The vulnerability of the least-developed countries and the structural difficulties they face in the global economy. They have further reiterated their commitment to addressing the marginalisation of least-developed countries in international trade. Their commitment to the objective of sustainable development as stated in the Preamble to the Marrakesh Arrangement.

The challenges posed by an expanding WTO membership, and confirm their collective responsibility to ensure internal transparency and the effective participation of all Members. That international trade can play a major role in the promotion of economic development and the alleviation of poverty is an

undisputed fact (Ministerial Conference, fourth session Doha, 9-13 November 2001).

5. MILLENNIUM PARTNERSHIP FOR THE AFRICAN RECOVERY PROGRAMME (MAP)

MAP is a pledge by African leaders based on a common vision, and a firm and shared conviction that such leaders have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development, and to participate actively in the world economy and body politic. It is anchored on the determination of Africans to extricate themselves and the continent from the malaise of underdevelopment and exclusion in a globalising world. The initiative calls for the reversal of this abnormal situation by changing the relationship that underpins it.

Africans are appealing neither for the further entrenchment of dependency through aid, nor for marginal concessions. Across the continent Africans declare that they will no longer allow themselves to be conditioned by circumstances. They will determine their own destiny and call on the rest of the world to complement their efforts. There are already signs of progress and hope. Democratic regimes that are committed to the protection of human rights, people centred development and market-oriented economies are on the increase.

African people have begun to demonstrate their refusal to accept poor economic and political leadership. But these developments are uneven and inadequate and need to be further expedited. MAP is about consolidating and accelerating these gains. It is a call for a new relationship between Africa and international community, especially the highly industrialised countries, to overcome the development chasm that has widened over centuries of unequal relations.

5.1 **Africa and the global revolution**

The world enters the new millennium in the midst of an economic revolution. This revolution could provide both the context and the means of Africa's rejuvenation. While globalisation has increased the cost of Africa's inability to compete, MAP holds that the advantages of an effectively managed integration present the best prospects for future economic prosperity and poverty reduction. It is in the distribution of benefits that the global imbalance is most glaring. On the one hand, opportunities have increased to expand wealth, acquire knowledge and skills, and improve access to goods and services, to improve the quality of life.

In some parts of the world, the pursuit of greater openness to the global economy has created opportunities to lift millions of people out of poverty. On the other hand, greater integration has led to the further marginalisation of those unable to compete effectively. In the absence of fair and just global

rules, globalisation has increased the ability of the strong to advance their interests to the detriment of the weak, especially in the area of trade, finance and technology. It has limited space for developing countries to control their own development. The conditions of those marginalised in this process have worsened in real terms.

In part, Africa's inability to harness the process of globalisation is a result of structural impediments to growth and development in the form of resource outflows and unfavourable terms of trade. At the same time, it is recognised that failures of political and economic leadership in many African countries impede the coherent mobilisation of resources into areas of activity increasingly required to attract and facilitate domestic and foreign investment. There also exist slower dynamics that pose longer-run risks.

These include the rapid increase in the numbers of the socially excluded in different zones of the globe, contributing to political instability, civil war and military conflict on the one hand, and a new pattern of mass migration, on the other. What is needed is a commitment on the part of governments, the private sector and other institutions of civil society, to the genuine integration of all nations in the global economy and body politic.

This requires the recognition of global inter-dependence in respect of production and demand, the environmental base that sustains the planet, cross-border migration, a global financial architecture that rewards good socio-

economic management, and global governance that recognises partnership among all peoples. The initiative holds that it is within the capacity of the international community to create fair and just conditions in which Africa can effectively participate in the global economy and body politic. The key priority areas in which the MAP must be implemented simultaneously and interaction with one another are:

- Peace, security and governance
- Investing in Africa's people
- Diversification of Africa's production and exports
- Investing in Information and Communications Technologies (ICT) and other basic infrastructure
- Developing financing mechanisms (South African Government website)

CHAPTER 5

1. ECONOMIC INTEGRATION WITHIN THE SADC AND SOUTH AFRICA

This chapter looks at the existing trading arrangements within the SADC and South Africa. The role that South Africa has played within the existing trading arrangement will be highlighted. The following table represents the current situation regarding membership of various economic groupings in Southern Africa. There are a number of such bodies other than SADC.

MEMBERSHIP OF REGIONAL GROUPINGS

Country	SACU	SADC	CMA	CBI	COMESA	LOME
South Africa	X	X	X			
Lesotho	X	X	X		X	X
Namibia	X	X	X	X	X	X
Botswana	X	X				X
Zimbabwe		X		X	X	X
DRC		X				
Mauritius		X		X	X	X
Tanzania		X		X	X	X
Zambia		X		X	X	X
Seychelles		X		X		
Malawi		X		X	X	X
Angola		X			X	X
Mozambique		X			X	X
Swaziland	X	X	X	X	X	X

TABLE 5-1 Source: Maasdorp: 1992, 10

2. THE SOUTHERN AFRICAN CUSTOMS UNION (SACU)

This was the first customs union in Southern Africa between the Cape of Good Hope and the Orange Free State and was established in 1889 (Maasdorp: 1992,5). This form of integration has a long history in the region. The present SACU negotiated in 1969 by South Africa and the BLS countries (Botswana, Lesotho and Swaziland). When South Africa took over the administration of South West Africa in 1915, it treated that territory as part of the Customs Union, but Namibia's membership was formalised only after it attained independence in 1990. The four smaller countries are now given the acronym BLSN (Maasdorp: 1992,5).

The main objectives of the Southern African Customs Union are the:

Creation of a common customs area: Botswana, Lesotho, Namibia, Swaziland and South Africa constitute a common customs area. South Africa is the most populous and largest of the member countries and produces, imports and consumes the largest portion of goods and services.

The dominance of South Africa is reflected in the provisions relating to the establishment and operation of the Common Customs Area (CCA). The treaty provides that the laws relating to customs and excise duties shall be the same in member countries as are in force in South Africa from time to time. This means that goods that are grown, produced or manufactured in the CCA are subject to the same excise duties as are in force in South Africa. The same

customs tariff and additional duties as are in force in South Africa are levied on goods imported from outside CCA.

Article 5 of SACU obliges South Africa to provide the BLNS-countries adequate opportunity for consultation before imposing, amending or abrogating any customs duty with respect to goods imported into the CCA. In practice, lack of consultation seems to be the norm. The Mc Carthy Report (1982) concedes that this needs to be corrected and recommends that consultation in this regard be improved. As an exception to the general norm, a member country may grant a full rebate of the customs duties on goods imported into its territory, for relief of distressed persons in cases of famine or other national disasters.

Free interchange of goods and services between the member countries in the CCA: This is assured by the provision that neither duties nor quantitative restrictions can be imposed by members on goods manufactured in the CCA. There are no rules of origin requirements. Once goods have been imported into any other member country, they can move freely throughout the CCA without the imposition of any tariff or restrictions.

Economic development of the CCA as a whole, in particular, of the less advanced members of the Customs Union (CU) and diversification of their economies: Article 6 provides for infant industry protection. It allows a BLNS-country to impose additional duties on goods imported into its territory to protect its new industries from competition from other producers within or outside the CCA.

Sharing equitable benefits among all members of the CU: The benefits are essentially the customs and excise duties. All customs and excise duties are paid into the Consolidated Revenue Fund of South Africa. Collectively they are described as the common revenue pool of the Customs Area. From the share, South Africa takes the residue, that is, whatever is left after other BLNS states have taken their share of revenue out of the common revenue pool. South Africa believes that there is a substantial transfer of its fiscal resources to BLNS-countries through the revenue sharing formula.

South Africa believes that BLNS-countries are over compensated for the SACU disadvantages but the BLNS countries think otherwise. Mc Carthy, 1992 believes polarisation is better tackled by devising a "common policy, which will facilitate the co-ordinated distribution of new industries," rather than through a revenue sharing formula.

The BLNS-countries support the idea of a co-ordinated industrial strategy but are very sceptical of whether SACU disadvantages could be satisfactorily

tackled by such a strategy. In the 1980's there was general dissatisfaction with the present operation of the SACU. At a Meeting of the Customs Union Commission a decision was taken to set up a study group to review the revenue sharing formula. The proposals were accepted by the BLS countries in 1982 commission meeting, but rejected by SA which decided to set up its own Commission chaired by Colin Mc Carthy (World Bank, 1992:32).

The Mc Carthy Commission was completed in 1985 and its report was tabled in 1986. The recommendations of this report were rejected by BLS countries but approved by South Africa. Another attempt was made in 1988 by the SACU but little progress was made towards defining negotiable issues (World Bank 1992:32). In 1993 the Commission agreed by consensus to defer the issue of the future of the SACU until after democratic election in South Africa in 1994.

After five years of on-off talks, the South African Trade and Industry Minister, Alec Erwin, and his regional counterparts finally struck a deal (in principle) designed to modernise the SACU (Business Day Sept 13, 2000). The deal agreed to by the Minister and his counterparts from BLNS countries, aims significantly to alter the way the partners share income from customs and excise duties. In the old SACU agreement the BLNS countries had to do things pertaining to the SACU agreement as they are done in South Africa and the aforementioned dominance is reflected in the provisions relating to the establishment and operation of the CCA.

The new agreement that has been agreed upon by the Ministers in principle will give South Africa's neighbours a greater say in the running of the affairs of the union hitherto South Africa's responsibility and this will bring the new SACU closer. The revenue-sharing formula has been revised, although it will retain elements of compensation or an implicit subsidy to South Africa's partners. First, income from customs tariffs would be shared in terms of intra-Sacu trade, while 85% of total revenue from excise duties would be shared according to either gross domestic product or gross national production.

About 15% of excise duty income would be treated as developmental. This would be shared on the basis of an inverse per capita income relationship for example the lower the per capita income, the larger the share. This formula would favour the smaller, less developed Sacu states especially Lesotho, Swaziland and Namibia. Although the new agreed upon in principle agreement of SACU contemplates that there would be no fiscal disruptions, I foresee that they will be visible especially among the BLNS-countries. The BLNS-countries are now members of SADC and have also signed a Trade Agreement with the European Union and that suggests a reduction on customs and excise duties as goods from these countries will penetrate the markets of the BLNS-countries at lower tariffs with some even free of charge.

This will impact on the total revenue from excise and customs duties negatively. Although the disruptions will not come as a shock but gradually will be felt more among the BLNS-countries compared to South Africa. The

European Union (EU) has given Swaziland a 5,6 million euro grant for fiscal reform to help it expand its revenue base as SACU receipts fall (Business Day, 5 September 2000).

A joint Statement released by the EU and Swaziland government said the grant was intended to boost the government's revenue collection and budget preparation capabilities and reduce its expenditure. One of the principal aims of the project is to maintain Swaziland's stable macro-economic environment by reducing the country's high dependency on trade related taxation, which constitutes over half of total government revenue.

Sacu receipts, which have traditionally made up over 50% of the Swazi budget, are expected to dwindle over the next few years as new World Trade Organisation and SADC pacts come into effect. Swaziland's economic growth rate has dropped from a peak of around 6% of gross domestic product in the 1980's to less than 3% on the back of dwindling investment and Sacu receipts. Measures and programmes should be put in place to counter for the loss in revenue especially by the BLNS-countries compared to South Africa.

3. THE COMMON MONETARY AREA

Prior to 1974 a de facto union existed between South Africa, Botswana, Lesotho and Swaziland. In 1974 in line with the formation of the Southern African Customs Union, the monetary union was formalised in an agreement, which recognised the Rand Monetary Area (RMA) between South Africa, Lesotho and Swaziland. Declining to join the union, Botswana established its own central bank and currency in 1976 (World Bank, paper No 342, 1996: 6).

The RMA agreement allowed members to circulate their own currencies along with the South African rand. It also provided for the free movement of funds between member countries and ready access to the South African money market. The South African Reserve Bank took the responsibility for managing the rand, gold and foreign exchange reserves for the union. These conditions effectively ensured that neither Lesotho nor Swaziland could alter the union money supply (Lundahl and Petersen, 1991).

South Africa undertook to pay compensation to Lesotho and Swaziland for this loss of revenue. Revenues calculated by estimating the number of rands in circulation and assuming that interest had been lost on two thirds of them. An estimate of the rands in circulation is made each year based on the amount agreed to in the Agreement in December 31, 1973. In 1986 the Trilateral Monetary Agreement (TMA) the RMA with Common Monetary Area (CMA).

Swaziland introduced its own currency and delinked from the rand. The rand was no longer legal tender in Swaziland as it was in Lesotho.

In terms of the TMA Swaziland and Lesotho agreed to back fully their issued currency with rand deposits at the South African Reserve Bank and Republic of South Africa government stock (Maasdorp and Whiteside, 1992). Namibia's independence in 1991 led to a revision of the agreement in 1992. The Multilateral Monetary Agreement (MMA) replaces the TMA and incorporated Namibia into the CMA.

South African currency serving as legal tender throughout the union is no longer the case. Each of the BLNS countries has issued its own currency (Namibia in September 1993) and the Trilateral Monetary Agreement does not oblige Lesotho, Namibia or Swaziland either to maintain parity with the rand or to allow the circulation of the rand in their territory, although all three countries do both, largely as a matter of convenience.

4. THE SOUTHERN AFRICA DEVELOPMENT CO-ORDINATION CONFERENCE (SADCC)

4.1 HISTORICAL REVIEW

The SADCC was established as a vehicle for the reduction of economic dependence and for equitable regional integration. This happened with the objective of the exclusion of the then apartheid South Africa. During the 1960's the struggle for political independence in the region gained momentum and stray bonds of solidarity grew out of a sense of common purpose and collective action against colonialism and racism.

The countries of Southern Africa, however ultimately achieved political independence against a backdrop of poverty and economic backwardness. The need to work together, rather than individually, became increasingly apparent to the leaders of Southern Africa as a precondition for political survival, economic development and social advancement.

In May, 1979 foreign ministers met in Gaborone, Botswana to discuss economic co- operation. This led to the formation of SADCC in 1980 in Zambia by Southern African countries (Asante, 1997:57). Despite the difficulties that the organisation has endured it helped to hold the region together and secured successes particularly in agricultural research, energy, transport and communications. But more than anything else, the greatest

success has been in forging a regional identity and a sense of a common destiny among the ten member States.

The SADCC addressed the issues of skills development, productivity and entrepreneurship, as a basis for economic growth and development in the region. Further the organisation took measures to bring the business community into the mainstream of co-operation activities, and to address the issues constraining investment and trade in the region (Annual Consultative Conference, Maputo 1992: 4) Despite these achievements, progress towards the reduction of the region's economic integration has, so far been modest.

The organisation has yet to become an effective instrument of economic transformation and integration, and part of the daily management of national affairs; as envisaged by its founders. Regional co-operation is yet to become a factor in the strategies of member States for national development. (Annual Consultative Conference, Maputo 1992:4)

By the late 1980's, it had become apparent to SADCC policy makers that the organisation needed strengthening. The challenges presented by the profound socio-economic changes taking place in the region and globally necessitated a review of the organisation's mandate and priorities. (Asante, 1997: 75). Up to that time, SADCC had existed as a de facto international organisation without a treaty or legally binding instruments. In 1989, the summit of Heads of State, met in Harare, Zimbabwe, decided that SADCC

should be formalised to give it an appropriate legal status taking into account the need to replace the memorandum of undertaking with an agreement, charter or treaty.

In August 1992, Heads of State met in Windhoek, Namibia and signed a Declaration and Treaty establishing the Southern Africa Development Community (SADC). Namibia and the new democratic South Africa joined in 1990 and 1994 respectively. The evolution of SADC and the signing to the SADC Treaty gave a clear signal that the region has to move towards a deeper regional co-operation.

With the expansion of membership to include the Democratic Republic of Congo (DRC) and Seychelles, SADC has become an important force of reintegration in the region. Progress has been made in agreeing on a number of important protocols, by sector which provide a legal framework for co-operation within SADC. The goals that the SADC is aiming to achieve are:

- the forging of links to create a genuine and equitable regional integration;
- the mobilisation of resources to promote the implementation of national, interstate and regional policies and
- concerted action to secure international co-operation within the framework of a strategy for economic liberation.(Asante, 1997:98)

The twelve heads of State of SADC signed the Trade Protocol in 1996 in Maseru. The protocol sets out the terms and conditions for the gradual reduction and elimination of tariffs among the member states, leading to the establishment of a Free Trade Area within eight years of its ratification. The objectives of the Protocol are:

- To further liberalise intra-regional trade in goods and services on the basis of fair, mutually equitable and beneficial trade arrangements, complemented by Protocols in other areas;
- To ensure efficient production within SADC reflecting the current and dynamic comparative advantages of its members;
- To contribute towards the improvement of the climate for domestic, cross-border and foreign investment;
- To enhance the economic development, diversification and industrialisation of the region and
- To establish a Free Trade Area in the SADC region. (Trade Protocol, 1996, Article 2:1-2)

The most serious challenge arising from this process relates to the dominant position of the South African economy in southern Africa. There exist huge trade imbalances between South Africa and the rest of SADC. South Africa enjoys a substantial trade surplus with all other SADC countries, mostly in manufactured goods, intermediate inputs and capital equipment. In contrast, SADC countries account for a very small share of South Africa's total imports,

although a modest increase has been recorded since the mid-1990s. Primary produce dominate SADC exports to South Africa although their exports of light manufactured products such as footwear, clothing, furniture, and luggage have slowly been increasing in some of the smaller SADC economies.(see Table 5-4, 5-5, and 5-6)

Given the dominant economic position of South Africa, and the varied uneven levels of economic development of individual SADC economies, the process of trade integration is likely to be difficult. Article 4 of the SADC Trade Protocol provides for a phased reduction and eventual elimination of import duties. It also calls for adoption of measures to facilitate the adjustment problems arising from tariff liberalization. South Africa has agreed to provide other SADC countries faster access to its market than they need to provide for South African exports. This is referred to as an asymmetrical tariff reduction approach.

However, because South Africa has a common external tariff with its partners in the SACU, these countries are negotiating with SADC as a bloc, and all SACU members will have to 'fast-track' and 'front-load' their tariff liberalization vis-à-vis other SADC countries. This is despite the fact that they are not at the same level of development as South Africa. Lesotho, a less developed country (LDC), is therefore likely to suffer disproportionately more adjustment cost, both in terms of industrial restructuring and government revenue loss, than

South Africa (Alec Erwin, Minister of Trade and Industry address to JCCI on SADC: Current Realities, Future Challenges and Opportunities, 1999).

SADC countries will eliminate tariffs to intra-regional trade in three different stages. In the first stage, the tariffs on products will be liberalized immediately upon entry into force of the FTA, while the second stage will see the gradual elimination of tariffs on remaining products. In a third stage, 'sensitive' products will be excluded from the FTA, either temporarily or permanently, depending on their level of sensitivity. Temporary exclusion will allow individual countries to take the necessary measures to restructure their sensitive industries to make them more competitive for example textiles and some agricultural products.

Product sensitivity is measured in three ways. Firstly, a domestic industry is classified as 'sensitive' when it is inefficient and thus can not compete with cheaper imports of its products. Thus, reducing tariffs on the imports of products in this industry may result in firm closures or loss of employment. Secondly, products may be viewed as sensitive if a government derives substantial revenue from import duties on such products. Thirdly, certain agricultural products are regarded as sensitive if they are critical to ensure food security in a country. Unfortunately, sensitive products are also those most likely to promote intra-regional trade in southern Africa.

They are products in which countries have a comparative advantage, or which could serve as intermediary inputs into the manufacturing processes of other SADC countries. They include light manufacturing goods such as textiles and clothing, leather products, and footwear, as well as intermediary manufacturing goods and agricultural commodities. Most SADC countries view their textile and clothing sector as the cornerstone of national industrial development. SADC countries have generally welcomed South Africa's asymmetrical tariff offer.

However, they fear that South Africa is using rules of origin to protect its textile and clothing, footwear, and motor vehicle industries, as well as certain agricultural products. South Africa, in defence, has argued that strict rules of origin are necessary to avoid trade deflection, which happens when producers in third countries use the SADC free trade regime to export their own products into one or more SADC member states from another SADC member state.

A number of studies on the potential impact of intra-regional trade liberalization suggest that South Africa will experience a surge in its exports to the region (trade creation) more than other SADC countries will experience a surge in their exports to one another or South Africa. This is because of its dominant economic position, and is of great concern to the other SADC countries. They fear that trade integration may lead to further polarization of the region between South Africa and the rest of the region. Due to the fact that South Africa already boasts a relatively developed industrial base, regional

trade liberalization may encourage an increased concentration of industry in South Africa.

In addition, the end of sanctions against South Africa and rapid trade liberalization in the structurally adjusting counties of the origin, have enabled some South African firms to acquire a dominant market position in regional economies. In some countries this has caused tensions because they have put domestic supplier enterprises out of business.

The trade integration process would therefore need to ensure that the gains of trade liberalization are more evenly spread to benefit all SADC economies. Theoretical and limited empirical evidence suggest that integrating unequal partners may lead to the convergence of the less developed towards the more developed economies. This would, however, depend on the particular circumstances of the regional trading arrangement and the domestic policy mix of the national economies.

Recent trade data indicate an increase in South Africa exports of capital and intermediate goods to the SADC region, accompanied by a steady increase in light manufactured exports from SADC countries to the SACU market, mostly to South Africa. The challenge lies in designing and implementing a trade integration scheme, which would promote the development of each SADC economy.

An asymmetrical opening of markets and a commitment to a trade strategy that reduces trade costs, as well as a supportive economic policy framework, may go a long way in promoting the economic growth and development of the region. In this regard, the provision physical, human and technological infrastructure should occupy a critical place in the region's industrial development strategy.

The SADC Trade Protocol was adopted by heads of State at the SADC Summit meeting in August 1996. It is a framework agreement. In the context of World Trade Organisation (WTO) rules it may be defined as an "interim agreement" leading to the establishment of a FTA. In essence, the Trade Protocol is designed to facilitate intra-regional trade, move toward a free trade area in Southern Africa, remove tariff and non-tariff barriers, encourage regional banking that will make trade credits, simplify documentation and customs procedures, as well as lay the foundation for more comprehensive agreements in future.

The stated objectives of the Trade Protocol are:

- To further liberalize intra-regional trade in goods and services on the basis of fair, mutually
- Equitable and beneficial trade arrangements complemented by protocols in other areas:

- To ensure efficient production within SADC, reflecting the current and dynamic comparative advantages of member State;
- To contribute towards the improvement of the climate for domestic, cross–border and foreign investment.
- To enhance the economic development, diversification and industrialization of the region.
- To establish a Free Trade Area in the SADC region.

The Protocol sets a period of eight years for the elimination of tariff barriers and quantitative restrictions and call for measures to eliminate non-tariff barriers. While the provisions of the Trade Protocol appear to conform to the requirements for a FTA, the Protocol must be critically scrutinized in the context of the particular set of countries to which it is to apply. Such a critical scrutiny reveals a number of flaws in the formulation of the Protocol.

The Trade Protocol emerges as a deficient policy framework. to drive integration process in four areas: failure to provide for differential treatment for "least developed" member states, its emphasis on tariff barriers to trade when they are not the main obstacles to intra-regional trade, the absence of provisions to address supply side measures, inadequate provisions to foster equitable industrial development in the region and the concomitant absence of compensatory mechanisms. (Development Bank of Southern Africa; Paper No. 33, 1997: 29-32)

In the context of a regional grouping which comprises states at vastly disparate levels of economic development- where prevailing trade imbalances are unsustainable- the Trade Protocol fails to provide preferential treatment for member states categorized by the World Trade Organization as "Least Developed" Countries (LDCs). It is surprising that while the GATT legal system recognizes LDCs as a special category of states and the various agreements of the Uruguay Round enshrine the right of LDCs to differential and more favourable treatment, the trade protocol makes no allowances for special and differential treatment of member states which have the status of LDCs.

The fact that SADC states agreed to unified equal rules amounts to treating equally those who are unequal. The absurdity of this situation becomes clear when one juxtaposes for example, Mozambique and Malawi against the economies of either South Africa or Zimbabwe. Indeed, the failure to provide for differential treatment of LDCs in a region as disparate as Southern Africa is tantamount to an acceptance that economic development will be polarized in the more developed member countries (especially South Africa and Zimbabwe) to the detriment of their least developed regional partners. (Mayer and Thomas, 1997:19).

Before conclusions can be drawn on the specific approach that should be followed with respect to integration, the issue of South Africa's future involvement with Southern Africa should be tackled. SADC's shift of focus has already led member states to reassess the relationship that the organization

should aim for with South Africa. What has emerged is a SADC consensus that since attempts to reduce dependencies on South Africa have been futile, South Africa should somehow be included in the programme of co-operation developing within Southern Africa. But the challenging issue is to decide what level of dependence is appropriate.

Reintegration into Southern Africa by South Africa will not be an easy task and can only prove successful if the move is a deeply committed one. For South Africa to show commitment there must be some mutuality of benefit, otherwise South Africa will be tempted to reassert her economic authority, forcing the Southern African states into a relationship of suicidal economic dependency once again. South Africa should avoid formal integration and instead promote a system of regional cooperation that recognizes the sovereignty of individual member states (Nedbank,1992) but it is unlikely that the Southern African states will agree to any half hearted measures of cooperation.

A post-apartheid South Africa will be expected to show a strong commitment to rebuild her relations with the rest of the region. The Southern African states need to see that South Africa is willing to operate from within as an equal partner, rather as an external, possibly opposing, force. Joining SADC could be the signal that the states need if they are to offer a regional commitment to interdependence (Mayer, 1993:303).

Expectations of benefits to SADC from reintegration with South Africa are based on the perception of South Africa as the region's engine of growth. But there is also a high risk that because of the asymmetrical relationship between the two parties the outcome of integration will be one of skewed economic growth and political instabilities. The risk of polarization would be particularly damaging in the Southern African region, which is now emerging from the lost decade of the 1980s (Mwale, 1993:1). The donor agencies that are currently funding the Southern African states have indicated that they will withdraw soon after South Africa is accepted back in to the region.

South Africa does not have the resources to provide the necessary investment capital and compensatory financing to the weaker states. The direct implication of these constraints is SADC's expectations of the benefits to be reaped from South Africa's inclusion are overstated. Even if expectations are reassessed and SADC still favours total regional co -operation, it can not be assumed that South Africa will be forced to focus quite rigidly on domestic priorities and is likely to have only limited excess resources to inject in to the SADC states. It can not be forgotten that South Africa is emerging from a long period of slow and often negative economic growth and many problems have to be addressed in its own.

Unless there is an expectation of domestic benefit, South Africa is unlikely to want to offer direct financial aid and resources to the member states. But the

benefits such as those which could arise from an overt exploitation by South Africa of her superior economic position can not be considered.

For all the reasons outlined above, such an arrangement of economic subservience would be totally unacceptable to the SADC member states. Besides, it is possible that the long term effect of an attempt by South Africa to play a hegemonic role in the integration process will be self-detrimental. Action by a developed country which has deliberate negative consequences for the surrounding developing countries often backfires onto the developed country. A situation where one economy continues to grow whilst others stagnate will inevitable fuel problems.

These may include an increase in violent conflict, with potential growth in an illegal arms trade; an increased flow of illegal migrant labour into the developed country; and a drying up of the developed country's export industry due to a lack of market demand. The positive contributions to economic development that could arise from a relationship of interdependence may be significant.

If South Africa attempts to impose conditions on SADC from the outside, it is likely that the potential contribution that closer regional economic co-operation could make to her domestic economic development will have been underestimated. Undoubtedly, regional cooperation will require institutional reform and a greater degree of sensitivity to some of the region's immediate

demands. In this way, the cost to South Africa of developing closer relations are likely to be realized in the short term, it is unlikely that she will remain committed to any programme of integration. Therefore, for integration to be successful, South Africa must believe that definite potential for mutual gain does exist (Mayer, 1993: 43, 44 and 45).

5. THE SADC SECTORAL AGREEMENTS AND DEVELOPMENTS

5.1 PROTOCOL FOR THE DEVELOPMENT OF TOURISM IN SADC

The tourism portfolio was formally handed over from Lesotho, to Mauritius on 15 October 1996. All member States, with the exception of Angola, signed the Tourism Protocol on 14 September 1998. Only Botswana, Mauritius and Namibia have so far ratified it. Some of the objectives of the Protocol are to:

Use tourism as a vehicle to achieve sustainable social and economic development;

- Promote the region as a single but multifaceted tourism destination;
- Improve the standards of safety and security for tourists in the territories of member States; and
- Facilitate intra-regional travel for the development of tourism Member States recognized that there is a need to make entry and travel within the countries as smooth as possible for visitors. Practices likely to place obstacles in the way of the development of travel and tourism both at regional and international levels are to be removed.

The Protocol has put forward a plan to have "a tourism UNIVISA which will facilitate movement of international tourists in the region in order to increase the market share and revenue of the region in world tourism on the basis of arrangements to be negotiated and agreed upon by member States". The tables below show the flow of tourists in the SADC region and the proceeds thereof.

TOURISTS ARRIVALS IN SADC COUNTRIES

RANK	COUNTRY	ARRIVALS (000)				% CHANGE OVER PREVIOUS YEAR			Arrivals as % of total SADC arrivals 1997	Arrivals as % of total AFRICA Arrivals 1997
1997		1994	1995	1996	1997	1995/94	1996/95	1997/96		
1	*South Africa*	*3,669*	*4,488*	4,944	5,530	*22,3*	*10,2*	*11,9*	*52,28*	*23,74*
2	Zimbabwe	1,105	8,139	1,743	1,894	38,4	14,0	8,7	17	
3	Botswana	625	644	707	728	3,0	9,8	3,0	6,88	3,13
4	Mauritius	401	422	487	536	5,2	15,4	10,1	5,07	2,30
5	Namibia	326	399	405	410	22,4	1,5	1,2	3,88	1,76
6	Tanzania	250	285	310	350	14,0	8,8	12,9	3,31	1,50
7	Swaziland	336	300	315	322	-10,7	5,0	2,2	3,04	1,38
8	Zambia	141	163	264	278	15,6	62,0	5,3	2,63	1,19
9	Malawi	170	192	232	250	12,9	20,8	7,8	2,36	1,07
10	Seychelles	110	121	131	130	10,0	8,3	-0,8	1,23	0,56
11	Lesotho	97	101	108	112	4,1	6,9	3,7	1,06	0,48
12	DRC	18	35	37	30	94,4	5,7	-18,9	0,28	0,13
13	Angola	11	8	8	8	-27,3	0,0	0,0	0,08	0,03
14	Mozambique	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	TOTAL	7,259	8,687	9,691	10,578	19,7	11,6	9,2	100,00	45,42
	TOTAL AFRICA	**19,009**	**20,117**	**21,553**	**23,291**	**5,8**	**7,1**	**8,1**		**100,00**

Source: World Torism Organization (WTO) – Africa Trends 1998

Table 5-2

TOURISM RECEIPTS IN SADC COUNTRIES (USSm)

RANK 1997	COUNTRY	RECEIPTS (mn US$) 1994	1995	1996	1997	% CHANGE OVER PREVIOUS YEAR 1995/94	1996/95	1997/96	Receipts as % of total SADC Receipts 1997	Receipts as % of total AFRICA Receipts 1997
1	South Africa	1.424	1.595	1,995	2,297	12,0	25,1	15,1	56,52	26,28
2	Zimbabwe	125	154	219	250	23,2	42,2	14,2	6,15	2,86
3	Botswana	124	162	178	181	30,6	9,9	1,7	4,45	2,07
4	Mauritius	*357*	*430*	*504*	*504*	*20,4*	*17,2*	*0,0*	*12,40*	*5,77*
5	Namibia	220	224	208	210	1,8	-7,1	1,0	5,17	2,40
6	Tanzania	192	258	322	360	34,4	24,8	11,8	8,86	4,12
7	Swaziland	33	38	36	37	15,2	-5,3	2,8	0,91	0,42
8	Zambia	*43*	*47*	*60*	*65*	*9,3*	*27,7*	*8,3*	*1,60*	*0,74*
9	Malawi	5	6	7	7	20,0	16,7	0,0	0,17	0,08
10	Seychelles	103	97	107	122	-5,8	10,3	14,0	3,00	1,40
11	Lesotho	17	18	19	20	5,9	5,6	5,3	0,49	00,2348
			5	5	2	0,0	0,0	0,0	0,05	0,02
13	Angola	13	10	9	9	-23,1	-10,0	0,0	0,22	0,10
14	Mozambique	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	TOTAL	2,661	3,044	3,669	4,064	14,4	20,5	10,8	100,00	46,49
	TOTAL AFRICA	**6,821**	**7,257**	**8,344**	**8,742**	**6,4**	**15,0**	**4,8**		**100,00**

Source: World Tourism Organization (WTO) – Africa Trends 1998 Table 5-3

Table no 5-2 & 5-3 aforegoing show South Africa as a leading tourist destination within the SADC region. Zimbabwe the second leading tourist destination has also experienced some increase in tourists arrivals over the years even though it has been rather minimal and consistent. The same applies for Botswana for example during the periods 1995–1996 the increase in percentage terms was 98% and was a very significant increase. During the periods 1996 –1997 the figures showed a decrease of 30% even though in real terms there was an increase but in percentage terms has been drastic decline.

In some of the SADC member States tourists' arrivals in percentage terms is deteriorating even though in real terms it shows an increase, which is rather minimal. Tourism receipts in most SADC member States are rather consistent and minimal. In the case of Zimbabwe, although the number of tourists arrivals has risen over the years there has been a decline in receipts (US$) which could be attributed to many reasons namely:

South Africa is getting most of the receipts and that can be attributed to many factors such as the integration of seaside holidays, game viewing, sports attraction and an *increasingly sophisticated eco– tourism sectors which is part developing* as a *niche* market. Also, there is no direct correlation between tourist arrivals and tourism receipts in the SADC region, mainly due to different levels of tourism development. In the five years of development strategy (1995–99), it is acknowledged that there is a need to restructure the sector in

order to bring more private sector involvement in the mainstream of its activities.

It is in this endeavour that a Regional Tourism Organisation of Southern Africa (RETOSA) was established in 1996 to market to form a partnership between SADC government and the private section. The mandate of RETOSA is to market and promote the regional organisation and the private section. Its aim is to create a concrete destination identity on the market for the region to complete effectively.

The RETOSA Charter was signed by nine SADC member states at the SADC summit held in Malawi in 1997. The Government of the kingdom of Swaziland, was the tenth member state to sign the Charter in Mauritius in September 1998. The Charter is already in force and does not need any further ratification and is fully functionally. The SADC Ministers of Tourism at their extraordinary meeting held in Swaziland on 4 September 1998 approved a draft agreement between SADC and the World Tourism Organisation (WTO). The purpose of the agreement was to establish working relations and various areas of tourism with a view to facilitating attainment of the objectives laid down in the SADC and WTO statutes (Tourism: SADC Mbabane, Kingdom of Swaziland 17 – 19 Feb 200, www.sadcreview.com & www.retosa.co.za)

6. SAFETY AND SECURITY

Member states have expressed concern about the safety and security of tourists and the negative impact attacks on tourists might have on the image of the SADC region as a tourist's destination. There is a need for concerted action by all relevant authorities and organisations in the region with a view to putting in place a regional initiative to reinforce the safety and security of tourists. Tourism has the potential to become one of Southern Africa's largest industries. To meet the challenge, SADC decided to combine private and public sector efforts to promote the region as a world-class tourists' attraction.

The objectives of the Tourism co-ordinating portfolio are to bridge the gap in the nature, quality and extent of tourism development of member states in a phased manner and to harmonise policies to achieve higher economic growth in the SADC region.

The inclusion of the Republic of Seychelles and the Democratic Republic of Congo as new member states in September 1998, has helped to diversify the tourist attractions offered within the region. The region's tourist draw-cards include wildlife, a rich variety of wilderness areas, natural wonders of the world, sandy beaches, mountain ranges and a rich historical and cultural heritage. Eco-tourism is becoming a growing industry in the region. A new development is that the fences between nature reserves and wildlife parks are being removed as in the case of Kgaligadi Transfrontier Park and the Kruger

National Park. However, member states have very different levels of tourism development.

The contribution of the tourism sector in the national economy is small despite the existence of untapped opportunities in many countries. This scenario is outlined in tables 5-2 and 5-3 when one looks at the tourists arrivals and tourism receipts of each member State it is true. The tourism sector, which is one of the fastest growing industries in the world, has the potential to boost economic growth in the SADC region, if the right policies are formulated.(www.sadcreview.com and Regional Economic Review, Southern Africa Economic Summit, 2000)

7. INDUSTRY AND TRADE

Industrialisation and trade are the key to effective utilisation of the region's abundant resources. The main thrust of the industry and trade sector is to develop existing industrial capacity and to fully use local resources in the process. Also, much attention is being given to the creation of an attractive environment for investment in the region to promote trade.

Current programmes of the industry and trade sector are focused on the preparation of a regional industrial policy and strategies which would best promote spontaneous industrial development in the region. Some of the main concerns to be addressed by the regional industrial policy framework include

those related to the effects of trade liberalisation on local industries. It is important to note that the spirit of the SADC Trade Protocol and the emergence of global trading arrangements, notably the establishment of the World Trade Organisation (WTO), will result in more fierce competition for markets. To meet this challenge the SADC industrial development policy and strategies have to be geared to respond to market needs. (www.sadcreview.com, Industry and Trade SADC Mbabane 17-19 Feb 2000 & Regional economic review: Southern Africa economic summit 2000)

8. PERFORMANCE OF THE MANUFACTURING SECTOR

The performance of the sector is still largely dependent on the performance of the agricultural sector and increased flow of investment into the region arising from a more attractive economic environment. Available data suggests intra-SADC trade performance has shown a positive growth pattern. However, as some member States did not provide data, the calculation of a percentage increase of intra-regional trade between 1997 and 1998 is problematic.

In some SADC countries, both working and investment capital turned out to be expensive, mainly because of high interest rates for borrowers. Also the rate of inflation continued to be relatively high in some SADC countries resulting in high production costs of manufactured goods. The erratic provision of power and water and the relatively high utility tariffs applicable in some member

States also contributed to increased production costs in the manufacturing sector.

The net effect of these problems has reduced production in local industries. Also partly as a result of high production costs, local industries could not compete favourably with imported manufactured goods. Further, in most SADC countries, dumping continues to be a serious problem in view of their limited technical capacity to handle it. There is also the problem of porous borders, which is difficult to control.

Efforts need to be made by each member state to strengthen its technical capacity, while at the regional level, collective efforts should be directed towards the formulation of strategies for assisting SADC countries to address the problem of dumping. Nationally, the problem of porous borders can be addressed by improving industrial investment and trade policies as well as regulations. Regionally, when SADC countries see their region as one single market the question of porous borders will cease to be a problem.

A Shortage of skilled and qualified human resources and a weak private sector in some countries also contributed to the dismal performance of the manufacturing sector. This affects manufactures, which, as a result of liberalisation, have not been able to compete effectively with respect to the production of quality goods and services. Added to the above problems is the unstable peace and security in some countries. For example, the wars in

Angola and Democratic Republic of Congo have resulted in economic instability in the region.

The manufacturing sector in particular has been severely affected as a result of diversion of resources (both human and non-human) to the war efforts, physical destruction of economic infrastructure, and erosion of investor confidence. (www.sadcreview.com). The devastation of these internal conflicts has deflected valuable resources into economic activities that are too often detrimental to these countries. Reconstruction of economies and when such civil wars end will be a long and arduous process which will be a further setback for internal developments as well as for integration into SADC.

GROWTH OF MANUFACTURING VALUE-ADDED (MVA) (% annual growth rate)

COUNTRY	1991	1992	1993	1994	1995	1996	1997	1998
Angola	4.8	1.2	-5.8	-10.1	-11.4	2.6	9.3	5.0
Botswana	6.6	6.4	-1.0	-1.3	4.3	6.5	5.2	4.7
Lesotho	4.8	1.2	-8.6	8.6	20.4	14.1		...
Malawi	3.0	3.5	-6.4	-4.0	1.3	3.5	-9.8	-2.9
Mauritius	4.6	6.6	4.8	4.6	5.9	6.2	5.7	6.1
Mozambique	-	-	-6.7	-6.0	13.3	13.6	...	...
Namibia	5.2	9.1	11.5	11.6	7.2	0.1	...	...
South Africa	-4.6	-3.3	1.0	2.7	6.3	0.9	3.2	-2.7
Swaziland	1.9	2.4	0.7	5.9	4.6	1.8	5.4	...
Tanzania	4.3	1.9	15.2	30.9	27.4	26.8	16.1	...
Zambia	-7.6	-4.2	-8.3	-12.3	-6.6	3.9	11.4	...
Zimbabwe	2.9	-8.5	-7.8	10.0	-11.5	4.6	2.5	...
Note:... figures not available; - between 0 and 0.5. Sources: Member States and www. Sadcbankers.org.								

Table 5-4

In the long term, however, the contribution of the manufacturing sector to Gross Domestic Product (GDP) is likely to increase from current levels because of increased investment in the productive sectors as a result of the implementation of economic reforms, as well as the introduction of investment incentives. From the aforegoing table the growth of MVA has been declining on most of the SADC member states resulting to a declining share to the GDP of the member states. This implies their economies need to be more diversified export processed products than primary products.

SHARE OF MANUFACTURING SECTOR TO GDP (%)

COUNTRY	1991	1992	1993	1994	1995	1996	1997	1998
Angola	12.8	12.5	5.7	4.9	4.0	3.4	4.4	6.5
Botswana	4.0	4.0	4.9	4.5	4.9	5.0	4.9	4.8
Lesotho	12.8	12.5	14.6	13.8	15.2	15.3	15.7	17.0
Malawi	13.0	15.0	11.8	17.4	16.1	14.2	13.6	13.2
Mauritius	23.1	12.5	23.2	23.2	23.7	24.2	24.4	24.7
Mozambique	-	11.3	15.5	15.5	13.3	14.5	15.4	14.7
Namibia	-	7.4	13.2	13.2	12.4	10.1	14.2	...
South Africa	25.0	25.0	23.5	23.5	24.3	23.7	23.9	23.7
Swaziland	-	-	27.4	27.4	27.8	25.8	25.9	...
Tanzania	8.2	8.1	7.5	7.5	7.2	7.4	6.9	...
Zambia	36.0	36.0	26.4	26.4	9.9	11.8	11.8	12.0
Zimbabwe	20.0	20.1	21.0	21.0	21.0	15.7	15.4	15.2

Note: ...Figures not available; - between 0 and 0.5.

Sources: Member States and www. Sadcbankers.org. Table 5-5

9. INDUSTRIAL AND TRADE ENVIRONMENT

SADC member States are continuing to implement macro-economic policy measures aimed at creating an enabling industrial and trade environment in the region. The macro-economic policy measures range from fiscal measures, such as more tax-exemptions, unproductive expenditure and enhancing revenue; controlling inflation; and monetary reforms (reduction in domestic credit expansion, elimination of selective credit control interests rates and exchange rate flexibility).

As a result, the macro-economic environment in the region has continued to improve with most SADC countries adopting new investment-friendly laws and regulations. There are still a number of factors, which continue to impact negatively on the region's economic growth and investment in the sector.

The relatively high inflation and interest rates for borrowers in some SADC countries have continued to be a major constraint in their efforts to improve the performance of the manufacturing sector; it is also a serious barrier towards the promotion of new industrial investments. At the same time, negative real interest rates in some SADC countries discouraged domestic savings for investment. Other countries such as Tanzania recorded favourable developments on this front. For the first time inflation has fallen to single digit levels, and interest rates are following suit.

Policy measures are being implemented both at the regional and national levels to improve transport and communications; to improve the provision of economic utilities; to establish and strengthen institutions for providing industry and trade support services; and to enhance the participation of the private sector. Problems still exist in some SADC countries with work and residence permits for investors; industrial and commercial licences; land laws; and employment and labour policy and regulations.

In some SADC countries more focused policy measures would need to be implemented in order to mitigate the adverse effects on local industries arising from the implementation of the trade liberalisation policies. Such measures ought to include the provision of incentives for encouraging increased local industrial production and enhancing competitiveness. (www.sadcreview .com & Regional Economic Review: Southern Africa economic summit 2000)

10. INTRA-SADC TRADE

Data compiled by the SADC Industry and Trade Co-ordination Division (SITCD) indicates a continual strengthening of intra-SADC trade, in which the recorded total intra-SADC trade now stands at USS 9.9 billion dollars for 1996, compared to USS 4.16 billion dollars in the previous year. Almost all countries expanded their exports, but the top performers were South Africa, Zimbabwe, Botswana, Swaziland, Namibia and Zambia. Likewise the 1996 data shows substantial increase in the share of the total intra-SADC trade to the member

countries total world trade.(www.sadcreview.com & Industry and Trade SADC Mbabane 17-19 Feb. 2000).

Intra- SADC Trade, 1996 as reported by Importing country (US$'000)

Exporting Country	Angola	Botswana	Lesotho	Malawi	Mauritius	Mozambique	Namibia	South Africa	Swaziland	Tanzani	Zambia	Zimbabwe	Total SADC Exports	World Exports
Angola				3	-	500	-	-	26	560	610	470	2,169	1,983,000
Botswana	-		300	1,200	200		6,000	1,728,100		1,800	4,000	127,500	1,869,100	2,224,000
Lesotho	-	5,300	1,500		6,300	3,100	2,200	201,000	4,500	3,400	10,800	59,100	297,200	967,000
Malawi	-	5,300	1,500		6,300	3,100	2,200	201,000	4,500	3,400	10,800	59,100	297,200	595,000
Mauritius	-	40		410			1,240	248,200	3,360	210	1	3,130	256,591	2,087,000
Mozambique	-	-	-	10,734	-		355	259,725	10,254	54	207	30,578	311,907	782,600
Namibia	1,433	2,205	2	-	-	23		1,441,707	2	2	1,590	19,158	1,466,122	1,484,000
South Africa	-	585,600	67,516	50,140	8,820	43,800	256,681		584,900	8,570	42,610	204,100	1,852,737	27,406,000
Swaziland	20	20	105	5	700	9,700	66	1,152,100		2	-	1,100	1,163,818	
Tanzani	-	100	-	1,500	2,400	-	100	61,700	12,000		2,300	1,400	81,500	1,394,000
Zambia	-	6,960	70	25,010	840	310	6,030	311,390	9,650	14,590		86,590	461,440	1,198,00
Zimbabwe	1	38,800	60	23,900	16,100	12,400	11,100	1,085,900	13,800	2,297	15,000		1,219,358	2,834,000
Total	-	639,225	69,553	113,064	36,240	69,833	283,772	7,358,433	638,981	31,485	77,118	533,361	9,851065	41,755,000

Sources : Member State
Table 4-7

The above intra–SADC indicators show that the region is definitely not homogeneous. The states differ in terms of physical size, population, geography, natural resources and the level of development. South Africa's economic dominance within the region is still evident. As can be seen from the tables South Africa exports a lot to the region from than it imports. In spite of its dominance the relationship between South Africa and the region is one of interdependence.

Most of South Africa's exports are destined to the region therefore it should not only look at its self-interest, but should also help with the development of the whole region. Also South Africa is exporting and importing a lot from the SACU member States of which she is also a member and Zimbabwe.

During the past year, implementation of the SADC Trade Protocol dominated trade programme activities. The SADC Trade Protocol was operational, intra – SADC trade has continued and flow, maintaining the expectations for further potential trade creation and growth at the implementation phase of the SADC Free Trade Area.

The Southern African free trade zone has on, 1 September 2000 been implemented, but only one country showed interest to enjoy the trade concessions under the Southern African Development Community's (SADC's) free trade area. Only Mauritius has deposited the instruments of implementation. In spite of all the clamouring for access to SA markets, none

of the SADC's none Southern African Customs Union (none – SACU) members appear to have taken steps to access benefits of reduced tariff duties to South African markets.

This has fuelled the fear that capacity constraints, occur as the inability of smaller nations to fulfil the requirements of the free trade area, could delay the benefits of free trade agreement by as long as a year (5 September 2001, Business Day).

11. INDUSTRIAL DEVELOPMENT

During the past year the sector focused on the preparation of regional industrial policy and strategies, which could best promote spontaneous industrial development in the region. Some of the main concerns to be addressed by the regional industrial policy and strategies include:

- industrial investment potentials in the region;
- effectiveness of current policies and strategies in promoting spontaneous industrial development;
- balanced development, taking into account the need for less developed countries to catch up; and
- the implementation of the regional trade liberalisation, and the effects of trade liberalisation on local industries (the issue of polarisation) (www.sadcreview.com).

The draft policy proposal was considered by the 13th Industry and Trade Ministries Committee held in Gaborone on 14 July 1999. The underlying vision of the draft policy proposals underscores that SADC should have an integrated industrial sub-regional economy with internationally competitive and environmentally sound industries capable of promoting sustainable human development. In considering the policy document the Committee of Ministers noted that the draft policy and strategies did not adequately address the following issues:

Polarisation

This is a concern by member States that, given the different levels of development and other economic factors, a SADC-FTA may make some countries more unattractive to investors than others.

Industrial Investment Potential in the Region

The SADC region is blessed with immense natural resources that may be the basis for resource-based industries. The entire SADC population as well as all economic activities indicate a large market for the manufacturing sector. Rehabilitation of idle capacities is the quickest and cheapest means of expanding industrial production, while just correcting some of the negative macro-economic policies can avail the potential for industrial investment in the region.

Effectiveness of Current Industrial Policies

This is an evaluation of whether or not the current policies create an enabling environment for Industrial development and promotion.

Legal Framework

There is a need to put in place a legal framework in which industrial development in SADC will be carried out. Some member states advocate for a separate industrial protocol on industrial development, while others think that what is needed is only an annex to the existing SADC Trade Protocol. (www.sadcreview.com)

Review and adjustment mechanism

There is a need to make a review at a future date to evaluate the performance of the policy instruments. The evaluation will be based on given targets against a given timeframe.

12. FINANCE AND INVESTMENT

Foreign direct investment (FDI) is welcomed and indeed, actually sought by virtually all-African countries. The contribution that FDI can make to their economic development and integration into the world is widely recognised. For this reason, African countries here made considerable efforts over the part decade to improve their investment climate. They have liberalised those investment regulations and have offered incentives to foreign investors.

Too often, potential investors discount the African continent as a location for investment because a negative image of the region as a whole conceals the complex diversity of *economic performance and the existing of investment* opportunities an individuals countries (Kofi Annan, Secretary General of the United Nation's June 1999). Direct investors need to look at Africa country by country, sector by sector, and opportunity by opportunity. As on other continents, there are profitable investment opportunities to be found.

For many people in other parts of the world, the mention of Africa evokes images of civil unrest, poverty disease, mounting social problem. Unfortunately these images are not just fiction. They reflect the dire reality in some African countries though certainly not in all. The main impetus for *improving political*, social, and economic conditions must come from Africans themselves. Even so, the foreign communities have a vital role to play to attain peace, and economic stability, reduce poverty and solve other persistent

social problem. The following table shows the inflow of foreign direct investment (FDI) into 14 African states.

Foreign Direct Investment

COUNTRY	1983 – 1987	1988 – 1992	1993 – 1997
ANGOLA	160	190	254
DRC	-41	-3	0
BOTSWANA	65	34	-12
LESOTHO	3	12	13
MALAWI	1	14	19
MAURITIUS	3	27	29
MOZAMBIQUE	2	13	50
SWAZILAND	20	63	39
SEYCHELLES	13	19	35
SOUTH AFRICA	-38	9	755
NAMIBIA	5	53	110
ZIMBABWE	-5	-5	79
ZAMBIA	39	108	93
TANZANIA	-0	4	100

Source: UNCTAD, FDI/TNC database, based on information provided by the OECD

Table 5-8

The 1980's South Africa was sanctioned by the global world because of its apartheid regime. Since its first democratic elections the sanctions were lifted

thus, many investment opportunities within the country were opened. South Africa has managed to win investors confidence ever since. The latter was a result of political stability, increased economic development, good infrastructure & the market. As a result South Africa has experienced a lot of foreign direct investment compared to other SADC countries. Because of the varied uneven levels of economic development of individual SADC economies the flow of SDI's in the region is still going to be skewed. Member states of the Southern African Development Community (SADC) plan to open their doors to substantial private sector investment in communications and transport infrastructure in the region (Business Day, 20 February 2001).

Eric Nsolomba, director of the Southern African Transport Communications Commission (SATCC), said that investment opportunities worth $2,3bn world be made public of an investment forum in Windhoek towards the end of April 2001. These would include concessioning of border operations' parts such as Beira and Walvis Bay; roads and railways, and telecommunications..

At the moment there is an urgent need to upgrade border operations, with Beit Bridge being cited as an example where it takes between 48 hours to 60 hours for commercial traffic to cross. Members States were making policy changes that would make their countries conducive to private sector investment and take SADC countries to a new phase of public–private partnership. (Finance and Investment SADC, Feb17-19 200, Mbabane & www.sadcreview.com)

CHAPTER 6

1. CONCLUSION

One of the objectives that SADC is aiming to achieve is the forging of links to create a genuine and equitable regional integration and concerted action to secure international co-operation within the framework of a strategy for economic liberation. One of the major problems that the region is facing is political instability, which could be one reason why investment in the region is so skewed. Political instability in the region impacts negatively on the economic development of the region.

The Trade Protocol aims to contribute towards the improvement of the climate for domestic, cross-border and foreign investment. If the situation remains unchanged in some of the SADC countries domestic investment will remain minimal or there will be no investment at all.

Promotion of democratic governance and political tolerance should be the top priority amongst the SADC leaders and thus result into political stability and improved investment climate, which the region lacks at the moment. Kofi Annan, Secretary General of the United Nations has pleaded with investors to look at Africa, country by country, sector by sector, and opportunity by opportunity. With the SADC this will mostly favour countries like South Africa. Given its massive economic muscle South Africa is set to be a winner in the

process. Economic integration entails policy sovereignty sacrifices. Sovereignty entitles a state to exercise its powers and functions within its territory without the interference of other states.

The question that arises is to what extent member states of SADC are prepared to forego those sacrifices. In order for SADC to achieve its objectives and goals as set out in the Trade Protocol it has to be prepared to make some sacrifices.

The Southern African Development Community is faced with a serious question whether a member state can enter in the internal affairs of another member State whose internal activities adversely affect the economy of that particular country and that of other member states. Zimbabwe's economy is facing its worst crises since independence, with foreign currency in short supply.

The country's unemployment is estimated at over 60%. Its inflation rate accelerated to 56,9% in April from 55,8% in March led by increase in the cost of communication, power and medicines. Most businesses have closed down operations to seek investment opportunities elsewhere. Zimbabwe's economy is the second largest in the SADC region after South Africa.

The situation in Zimbabwe does not only affect its economy but also that of other member states, especially that of South Africa as most of this country's

exports are destined to Zimbabwe. In order to achieve high levels of economic growth and posterity in the region the problem of political instability and tolerance in the region have to be tackled head on and promotion of democratic governance must be achieved. But integration will not be without problems and will require hard and fast commitment if it has to succeed.

South Africa has far greater economic clout than any or all of the SADC members and the risk of polarisation is great. This issue is a burning question that must be addressed urgently but with sensitivity. Failure to do so could in the long term be the cause of failure of SADC to attain the status of full economic and political integration.

South Africa is exporting a larger volume than it is importing from the region and is set to be a winner in the process. This is due to vastly disparate levels of economic development in the region. Most of South Africa's exports are destined for Africa rather than for Europe therefore it is in South Africa's best interest to actively engage with Southern Africa and can not detach itself from the region.

If the South Africa economy continues to grow whilst economies of member States are growing at a pace far below that of South Africa, the latter might experience problems in the long run of a surplus in exports as a result of a lack of valuable markets. The dependence on South Africa amongst the SADC member States is still to remain but with time should gradually

decrease. In order to avoid further marginalisation of some of SADC member States it is imperative for the SADC to form part of the multilateral trading system.

The SADC member states alone can not foster economic development in the region given their structural weaknesses therefore global partnership will definitely play a major role in the quality of life of Africa's people. One of the objectives of regional integration is to promote co-operation among member countries. The SADC is another example of regional integration in Africa. The situation in Zimbabwe has taken its toll. The onus is upon the SADC leaders to see that good governance prevails in the region.

The situation in Zimbabwe is in contravention of what the organisation stands for. Recent developments in Zimbabwe have prompted the global world (EU) to intervene, giving President Mugabe an ultimatum of ensuring that free and fair elections take place or else his assets abroad will be frozen, his visa revoked or even face sanctions.

Economic sanctions in Zimbabwe are not the ideal solution as they will have spillover effects at a regional level. Already the economy of Zimbabwe is not doing so very well, people are fleeing to neighbouring states. The latter will force neighbouring states to accommodate the influx from Zimbabwe in their budgets. Given their internal problems and level of economic development they do not have the economic muscle to take over such a responsibility.

As mentioned earlier on that the SADC member states alone can not foster economic development in the region given their structural weaknesses therefore global partnership will definitely play a major role in the quality of life of Africa's people. The EU is contemplating the inclusion of a good governance clause as a new stipulation aimed at the Future Lome' negotiations. Zimbabwe is a member of ACP countries therefore the above-mentioned clause will be binding them very soon.

Because no country alone can foster economic development it is therefore expected to abide by the rules. In a SADC meeting held in Abuja 2001 President Mugabe promised to stabilise the situation in his country but has failed to stand by his promise. The SADC leaders need to come out and vocally criticise their counter part and the criticism should be constructive rather than destructive. If SADC leaders adopt the strategy of quiet diplomacy, the credibility of SADC will be jeopardised and the global.world will have vote of no confidence in the region. Africa will remain a continent of third world countries. If African leaders do not take pride in economic development of their countries the continent will miss out on opportunities.

It has taken South Africa several years to negotiate a FTA with the EU and it has not been an easy ride. Finally the process gained momentum, when it was approved by the EU heads of government at the end of March 1999 to be implemented in January 2000.

The EU has a politically influential agricultural sector enjoying high levels of tariff protection and subsidy under the Common Agricultural Policy (CAP) which is condoned under the WTO Marrakech Agreement. The latter is one aspect that has stalled and sometimes made it difficult to finally reach agreement.

Despite all the impediments, South Africa managed to persuade the EU to reduce agricultural products wholly excluded form the agreement from 46% of South Africa's current agricultural exports to the EU to around 26%. Trade liberalisation has set some industries in South Africa on a better road. In the motor industry exports have increased, investment levels have improved and there have been some positive structural changes within the industry.

The EU-SA agreement will have repercussions especially for the BLNS countries. Because of the Customs Union they have formed with South Africa, they have a common external tariff to the rest of the world and they have since formed a Common Revenue Pool, where all import duties go to and the income from customs tariffs is shared amongst SACU member States. Sacu receipts contributes up to 50% on some of the BLNS country budget. Because of both agreements (SADC & EU-SA Agreement) the revenue generated from import duties is subject to decrease.

Trade liberalisation has its own advantages and disadvantages. It is advantageous because it reinforces competition among industries and this result to competitive industries. Goods and services for the consumers become cheap and affordable. It helps industries to specialise (to invest their limited resources where they are good at) and thus create investment opportunities. It boosts revenue for the State, create employment opportunities for the country's labour force and encourages skill transfer.

On the other hand trade liberalisation threaten to destroy local industries. The reason why trade liberalisation has not worked for the ACP countries can be attributed to so many things mainly:

- Inadequate infrastructure;
- The industry not being industrialised;
- Low levels of investment; and
- Trade not a priority.

The ACP countries should put trade on top of their priority list, by educating the industry of potential benefits they can rip from trade liberalisation. And also to create an environment that is conducive to foreign investors. South Africa with a well skilled public service can be of assistance during the re-negotiation of Lome convention and because of past experience with the EU they may be in a better position to advise the ACP to negotiate a better deal.

And because most of its SADC member states are signatories of the Lome Convention it may gladly assist.

The above will be in line with New millennium Partnership which promotes working together of African countries and which promotes the region to the international globe for the benefit of the continent. The outcome of the re-negotiation of the new Lome Convention still remains to be seen. Africa should start recognising that it holds the key to its own regional development.

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