

TRADE HOT TOPICS *Commonwealth*

Issue No.31

South Africa's Trade Policy and Southern and Eastern Africa: Focus on SACU and SADC

By Trudi Hartzenberg¹

1. INTRODUCTION

South Africa's trade policy is generally more outward-oriented than that of its Southern and Eastern African neighbours. However, despite its very bold liberalisation commitments in its General Agreement on Tariffs and Trade (GATT) offer in 1994, and its subsequent multilateral liberalisation track record, South Africa's regional trade policy is characterised by a much less, in certain respects, liberal approach.

South Africa's regional involvement revolves primarily around its long-standing relationship to Botswana, Lesotho, Namibia, and Swaziland (BLNS) in the Southern African Customs Union (SACU), and since 1995 to the Southern African Development Community (SADC). More recently it co-initiated the New Partnership for Africa's Development (NEPAD) as regional and pan-African efforts at integration. While committed to these institutions, competencies in the Department of Trade and Industry are being developed to cater to specific, bilateral agreements that represent key trading partners outside of SADC. The most important of these so far has been the Trade, Development and Cooperation Agreement (TDCA) signed in 1999 with the EU, while current negotiations are under way between SACU and the United States to establish a free trade area.

The strategy of WTO involvement to defend the global development agenda, combined with bilateral negotiations to secure preferences particular to South Africa, as espoused in its Global Trading Strategy, is similar in approach to that of the larger emerging market countries. An assessment of South Africa's trade policy and its impact on the Southern and Eastern African region requires consideration of its trade relations with the region. South Africa's economic profile, and specifically its competitive advantage is such that its exports to the Southern and Eastern African region are markedly different from its exports to, for example, the EU market.

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South African exports, particularly manufactured goods that are not competitive in developed country markets such as the EU, in terms of their technical specifications and quality attributes, find ready markets in African countries, and especially to date, in Southern and Eastern Africa.

A brief synopsis of South Africa's trade policy in the last decade is presented. A discussion of the challenges to South Africa and the region in terms of the multiplicity of competing trade arrangements follows, and then considerations of which the developing nations of the region should be mindful for future negotiations and trade arrangement reconfigurations conclude the discussion.

2. RECENT DEVELOPMENTS IN SOUTH AFRICA'S TRADE POLICY

When SA transitioned to a democratic government, trade policy was more narrowly defined than at present. The order of business was to substantially reduce the number of tariff lines and to make binding commitments within the framework of the GATT that had just been adopted in the Uruguay Round of trade negotiations. This yielded some success: tariff lines were greatly reduced and some confusion removed from the system. However, it is difficult to quantify the contribution to recent trade growth, given other concurrent determinants such as currency depreciation and the resumption of trade relations by boycott observers. Also, the protection previously accorded to certain industries created space for industrial development. South Africa's robust automotive and chemicals sectors attest to the advantages of temporary, initial barriers – a measure which may still be deemed appropriate by the World Trade Organisation (WTO) under specific conditions for developing countries.

After this period, SA began to concentrate on its membership in SADC, partly a political response to the support that these countries had accorded the African National Congress (ANC) during the struggle years, and relations with its major trading partner, the EU. In 1996 the Southern African Development Community signed a Protocol on Trade to establish a free trade area within twelve years.

Negotiations with the EU on the TDCA took almost four years, and were concluded in 1999. The TDCA provided for an asymmetrical pace of significant tariff reduction to be achieved within twelve years. Both the SADC Protocol on Trade and the TDCA took effect in 2000, after ratification by Parliament in South Africa and the requisite partner governments.

The negotiations to reach a new SACU Agreement took eight years. Specific concerns by the BLNS countries focused on the revenue sharing formula, and the dominant role that South Africa played in the administration of the customs union. The new SACU Agreement, signed in October 2002, and yet to be ratified by all members, potentially marks a watershed with regards to trade policy for the member countries. SACU, and no longer solely South Africa, will now be the negotiating body for all future trade and economic partnership arrangements (EPAs) for the member countries. The new Agreement provides for the establishment of a number of institutions, including a SACU Secretariat which will be located in Windhoek, Namibia, it democratises the regional trade institutions that were previously under the South African government, it paves the way for policy coordination in trade-related areas such as industrial and competition policy and also includes an accession clause.

Trade negotiations are also ongoing with Mercosur (Argentina, Brazil, Chile, and Uruguay) and EFTA (the European Free Trade Area, composed of Iceland, Liechtenstein, Norway, and Switzerland), while proposals remain for FTAs with China, India, and Nigeria down the line. EFTA negotiations are at this stage progressing faster than those with Mercosur. In fact the latter seem to be suspended for the time being. Although trade links with EFTA are not significant, it is perhaps the expected development provisions that raise the priority stakes of these negotiations for South Africa.

As with the TDCA, some type of adjustment costs may be expected from the US or EFTA in exchange for market access. More difficult to prepare are impact analyses of services, investment, and competition issues likely to arise. Inclusion of these elements in negotiations represents an expansion from an FTA to a more comprehensive economic partnership arrangement (EPA).

On the WTO front South Africa's trade policy interests are distinguished in several respects from those of its neighbours in Southern and Eastern Africa. On the Singapore Issues for example, South Africa's more advanced state of development is important. It has a comprehensive competition law and a well functioning competition authority.² Many of its Southern and Eastern African neighbours do not as yet, have either a competition law or competition institution.³ In the case of investment, South Africa has both offensive and defensive interests, especially in Southern and Eastern Africa.⁴ These two issues are important in a consideration of trade policy, given the growing links between South Africa's trade and investment role in the Southern and Eastern African region.

3. MULTIPLE TRADE ARRANGEMENTS

The Southern and Eastern African region is host to a multiplicity of overlapping trade and integration agreements. Amidst the confusion created by competing allegiances to incompatible trade policies, countries of the region are struggling with a plague of overwhelming domestic crises: the HIV/AIDS pandemic, food insecurity, growing unemployment, high levels of debt and inflation, corruption, electoral illegitimacy – accompanied by moderate to extreme levels of civil unrest. Consequently, the priority that regional integration occupies amongst national agendas is often subservient to the more pressing national political challenges.

Reasons for co-existing trade arrangements

In light of this climate – and perhaps even despite it – governments are more anxious than ever to form closer economic ties with each other. Part of this zeal is simply contagious - since the foundations for trade liberalisation were laid at the Uruguay Round, most of the world's existing regional trade arrangements (RTAs) have been concluded. There is an urgency to secure market access at the desired level, coupled with the belief that failure to do so now will be judged in years to come as a missed opportunity.

But a good measure of willingness to participate in a freer, more globalised trading system stems from hopes that this neoclassical paradigm will indeed promote development. The link between trade and development has reached a primacy in current negotiations, and sustains lower-income country participation. South Africa has embraced the development platform as envisioned in the Doha Development Agenda⁵, despite having opted to not seek developing country preferences from the WTO.

A final conviction in establishing RTAs comes from recommendations of the WTO and the African Union, which advocate such exercises as a means to prepare groups of nations for the inevitable, and as a possible tool for promoting the convergence of their economies. At the same time, these institutions have already been chastised for offering more favourable terms to regional co-members than to other WTO members – a clear abrogation of the most favoured nation principle, a fundamental pillar of the WTO. In addition, more stringent warnings have recently

² Competition Commission (an investigatory body), Competition Tribunal (an adjudicatory body) and a Competition Tribunal

³ The new SACU Agreement requires that all members have a competition policy, and there is a flurry of activity in this area. COMESA has a draft regional competition law – by contrast SADC has not made progress in the discussion of a regional competition policy or law.

⁴ South Africa is the largest investor in Southern and Eastern Africa. South African firms have a strong presence in several sectors in these countries including retail and services.

⁵ The Doha Ministerial Conference of the WTO, 2001, produced an agenda that addressed the development concerns of the majority of its membership.

been issued from Geneva regarding the dangers of involvement in multiple trade configurations simultaneously.

A glance at RTA membership in Southern and Eastern Africa conveys the perplexing configuration of trade arrangements, and the bonds which pull SADC members into alternate spheres of trade policy. SADC has its greatest overlap with the Common Market for Southern and Eastern Africa (COMESA) – a 19-member organisation loosely stretching between Namibia and Swaziland in the south through East Africa to Egypt in the north. COMESA is designated, as is SADC, as a preferred regional integration mechanism in terms of the OAU/AEC agenda. The Cross Border Initiative, which later became the Regional Integration Facilitation Forum (CBI/RIFF), is a self-paced exercise in tariff reduction sponsored by developed country financial institutions, largely comprised of Eastern African countries. The Indian Ocean Conference (IOC) accomplishes the same through a smaller forum of 5 territories in that region. The much larger Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) spans across three continents and advocates a non-rules-based system of voluntary tariff reduction. The East African Community (EAC) has been revived after dismantling a quarter century ago, and aims for an immediate customs union without prior development of mutual free trade arrangements. Finally, the Economic Community of Central African States (ECCAS) is another preferred regional grouping of the OAU/AEC.

To better visualise the layers of RTA overlap in Southern Africa, refer to the table below.

SADC overlap with other regional institutions:

(Parentheses = demission given)

SADC	SACU	COMESA	CBI/RIFF	IOC	IOR-ARC	EAC	ECCAS	Bilateral w/South Africa
Angola		X					X	
Botswana	X							
Congo, DR		X					X	
Lesotho	X							
Malawi		X	X					X
Mauritius		X	X	X	X			
Mozambique					X			X
Namibia	X	(X)	X					
(Seychelles)		X	X	X	X			
South Africa	X				X			
Swaziland	X	X	X					
Tanzania			X		X	X		
Zambia		X	X					
Zimbabwe		X	X					X

Other members of regional institutions above:

COMESA	Burundi, Comoros, Djibouti, Egypt, Ethiopia, Eritrea, Kenya, Madagascar, Rwanda, Sudan, Uganda
CBI/RIFF	Burundi, Comoros, Kenya, Madagascar, Rwanda, Uganda
IOC	Comoros, Madagascar, Reunion
IOR-ARC	Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Oman, Singapore, Sri Lanka, Thailand, United Arab Emirates, Yemen
EAC	Kenya, Uganda
ECCAS	Burundi, Central African Republic, Cameroon, Chad, Congo Rep, Equatorial Guinea, Gabon, Rwanda, Sao Tome e Principe

Sources: SA Dept of Foreign Affairs, www.comesa.int, Mail & Guardian (July 11, 2003).

Within SADC, South Africa already has bilateral trade agreements (although not comprehensive) with Malawi, Mozambique and Zimbabwe. These were largely designed for the importation of resources (including labour) for specific sectors. Other South African bilateral agreements of limited scope have been concluded with countries beyond SADC (see below), most of which were signed since 1994.

South Africa's Bilateral Trade Agreements

Africa

Algeria
Egypt
Ghana
Malawi
Mozambique
Nigeria
Tunisia
Zimbabwe

Americas

Canada
Ecuador
US

Europe

Bulgaria
Cyprus
Czech Republic
EU
Hungary
Poland
Romania
Russian Fed.

Asia (and Middle East)

China, P. Rep.
India
Indonesia
Iran
Korea, S
Malaysia
Philippines
Saudi Arabia
Taiwan
Thailand
Vietnam

Pending signature: Turkey, Uzbekistan

Source: Compiled from individual profiles from South African Department of Foreign Affairs

The preponderance of trade agreements has proved baffling to analysts and governments alike. The complicated geography of such arrangements is continually changing, as nations jockey for perceived advantages. For those tasked with developing regional trade policy, the only certainties revolve around the geographic hubs of economic activity. South Africa, which accounts for three-quarters of SADC GDP, makes a natural focal point and lends credibility to the trade arrangements it supports. Thus the impact of SACU upon SADC and other regional groupings is worthy of further consideration.

4. SOUTH AFRICA AND SACU

Owing to the historical configuration of British regional interests, South Africa has long been economically associated with the territories of Botswana, Lesotho, Namibia, and Swaziland (BLNS countries) in a customs union. SACU is, in fact, the oldest extant customs union in the world, having been established before South Africa became a union in 1910. In terms of the 1969 SACU Agreement, the South African Board of Tariffs and Trade (BTT) was authorised to exercise all functions related to trade policy, tariff setting, and revenue collection for, and on behalf of the customs union countries. Significant discontent flowed from the determination of tariff policy (and changes) by South Africa and the administration and disbursement of collections, which often involved protracted processes prior to the receipt of revenue by the BLNS countries.

With the new SACU Agreement of 2002, the BLNS countries became full partners in the customs union, and new institutions are to be created upon ratification of the democratic dispensation. Furthermore, national policies relating to trade, industry, and competition are to be harmonised as a measure of greater consolidation and economic integration. An *ad hoc* Tribunal is to be established for dispute resolution.

All bilateral trade negotiations will henceforth be between SACU – not South Africa - and the interested party. This sharing of responsibility is already taking place in negotiations with the US, Mercosur, and India, and potentially provides for the BLNS countries to pursue their interests rather than have these defined for them (as was the case with the TDCA). Whether they have the capacity to do so, is obviously a key question. Recognising this, the South African Department of Trade and Industry is providing technical assistance to its SACU neighbours to prepare for negotiations. The capacity asymmetry remains a key challenge in the effective operationalisation of the new SACU Agreement in the development of trade policy in South Africa and other SACU members.

The political rapprochement among SACU members is yet another element of convergence in the customs union which sets it apart from the other members of SADC. There is a strong correlation between length of membership in an economic community and the convergence of various economic and social data for the community's members. SACU members have a much lower level of income dispersion than other SADC members. This level has been fairly constant over the past two decades, whereas that of the other SADC members has steadily diverged, particularly in the last few years.

This trend, amongst other factors, has important implications for the growth of intra-regional trade in SADC. As economies in this grouping diverge, it becomes more difficult for poorer members to exploit the opportunities of a free trade arrangement because of their relatively lower capacity. The SADC Trade Protocol, itself, and specifically its draconian rules of origin which were introduced at the behest of the South African trade unions, do not facilitate intra-regional trade or the development of cross-border supply chains in the region. Already SACU (and specifically South Africa) accounts for most of the (Southern and Eastern African) intra-regional trade and investment. SACU members are also more likely to receive spillover effects from foreign direct investment (FDI) into South Africa, due their more stable institutional links. And South Africa's sustained commitment to liberalisation is likely to attract yet more FDI.

From a trade policy perspective, the new SACU Agreement, and its requirement that any future regional or bilateral trade agreements be negotiated as a customs union, may prove to be brake on South Africa's trade policy. The reluctance on the part of the smaller BLNS countries to liberalise may hold back South Africa's trade policy progress too.

With reference to SACU in particular, South Africa's new International Trade Administration Act (ITAC) which came into effect in 2003, is significant. The Act specifically indicates that it should be read, and implemented together with the new SACU Agreement. It bestows wide powers on

the South African Minister of Trade and Industry, and as with the South African Competition Act, to the extent that any activities having an impact in South Africa are covered, provides for extra-territorial jurisdiction. From the BLNS perspective this is noteworthy and cause for concern to the extent that South Africa's trade interests may supersede those of the smaller SACU members.

The new SACU Agreement is also limited in its coverage of, for example services and investment. This has important implications for the current negotiations between SACU and the US to establish a Free Trade Area. In the case of investment, in addition to the provisions which will be included in the FTA, it will be necessary for each SACU member country to negotiate a bilateral investment treaty with the US as well. The complexity of such negotiations may prove challenging in these negotiations.

Accession clause

A further potentially divisive element comes from the accession clause in the new SACU Agreement of 2002. There have already been expressions of interest in SACU by Mauritius, Mozambique, and Zambia.

A strategic cost-benefit analysis by the specific party would be required to assess the trade-offs that would be explicit in such accession. Given the imperative to negotiate economic partnership agreements (EPAs) with the European Union, the potential benefits that could be attained from such a future agreement have to be assessed vis à vis the benefits that the TDCA would confer on an acceding party.

The accession clause therefore poses a more direct challenge to SADC's viability. Reconfiguration of trade arrangements has been a continual process in the region, but there are increasing calls for loyalty to one or another organisation only. The accession clause opens a new arena for regional concentration.

Recent indications are that Mozambique is undertaking serious enquiry to decide whether or not to seek accession to SACU. Mozambique has according to the most recent trade data, replaced Zimbabwe as South Africa's most important trading partner in the southern African region. Consideration of the revenue-sharing arrangement in the new SACU Agreement, and the current loss of revenue occurring between the South African and Mozambican border, pecuniary considerations could weigh heavily in this decision. The significant presence of South African firms in Mozambique may also turn out to be an important consideration.

Growth of the customs union may well see South Africa's energy in the area of trade policy being concentrated on SACU in the context of extra-regional trade negotiations. SADC-related trade policy initiatives may concentrate on protecting South African markets from the non-SACU SADC countries, and in particular in sectors such as clothing and textiles. This could mean that in the area of trade policy there remains a lack of impetus to streamline trade regulation and to promote trade facilitation by South African in southern and eastern Africa.

5. SADC AND SOUTH AFRICA'S TRADE POLICY

Elements of instability

In addition to the problems posed by increasing divergence between the SACU and non-SACU countries in SADC, SADC is also faced with a myriad of other stability challenges. Most notable among these are the debilitating effects of the HIV/AIDS pandemic. Complicating governments' ability to deal with this issue is the more recent threat to food security felt keenly by many of the SADC nations. From an economic perspective alone, these crises are the greatest obstacles to fostering development.

Compounding matters are the increase in structural unemployment, the greater reliance on foreign aid (amongst some members), and the burgeoning public debt in SADC nations already struggling to cope with their health security. Added to these economic woes are those of constitution tampering, electoral fraud, and impingements on civil liberties experienced nearly universally in the region.

Threats to SADC legitimacy come very strongly from the inability to deal with the political crisis in Zimbabwe and the ineffective efforts to restrain violent civil unrest and neighbouring country incursions in the Democratic Republic of Congo (DRC). Such factors naturally affect SADC members' ability to concentrate on commitments at a regional level, and result in a postponement of the integration process.

Recent progress

There are some triumphs amidst these numerous pitfalls. For example, the constitutional term limit was successfully defended in Zambia, elections were carried out smoothly in Lesotho, and there has been a cessation of civil war in Angola.⁶ Unfortunately, such improvements are overshadowed by the weightier elements of destabilisation, which ultimately influence both foreign and domestic investment.

Within the SADC Secretariat, there has been a shift towards centralisation of administration. In the past, member countries hosted the SADC directorates (such as Trade, Food and Agriculture, Infrastructure), whereas now these have been consolidated within the SADC Secretariat in Gaborone, Botswana. This was done in order to create more dialogue and linkages between the various units, and hopefully streamline implementation processes.

SADC is also hampered by the slow pace of ratification at the member government level. For example, the Protocol on Trade was signed in 1996, but did not receive a sufficient number of country ratifications until 2000. Likewise, a Draft Protocol on the Free Movement of Persons was approved in 1995, with little progress since then.⁷

Despite strained relations with the Democratic Republic of Congo, Uganda and Rwanda have at one point expressed interest in joining SADC. In both the latter cases, SADC determined that the time was inappropriate for expansion, preferring to consolidate the roles of its current members.⁸ Both COMESA and SADC have called on their common members to renounce the other organisation, so that integration processes are no longer delayed. Thus far, Tanzania, Mozambique, Lesotho, and Namibia have elected to remain with SADC. The Seychelles just resigned from SADC. The derogations for Swaziland (as a COMESA member of SACU) will soon expire, possibly prompting it to make a decision.

In terms of logical regional groupings, SADC is perhaps already over-extended. As Angola hosts the chairmanship of the SADC Troika this year, the country is also chairing the Economic Community of Central African States (ECCAS). One may wonder how a country just emerging from a 27-year civil war is expected to divert attention from national reconstruction to regional integration on two separate fronts.

Similarly, the re-establishment of the East African Community (EAC) with a fast-track agenda for a customs union has been a recent preoccupation of Tanzania. Mauritius has steadily strengthened trade links within the COMESA and the Indian Ocean Community (IOC) through recent textile production investments.

⁶ Cabinda Province, not contiguous with the main part of Angola but further north of the Congo River, was reportedly still in upheaval in early July, 2003.

⁷ H. Erasmus, SADC Secretariat.

⁸ Also mitigating against their inclusion were the military transgressions each were known to have committed within the DRC's territory.

Where will South Africa's trade policy lead to, in SADC?

Amongst some SADC members there is a suspicion of South African motives for supporting the FTA, since it seems to be the only country accruing any advantages. South Africa is one of the few middle-income countries in SADC, and is able to use its scale and relative development as a springboard for Foreign Direct Investment activities in other SADC countries, which are unable to compete or reciprocate. Thus there exists a perception of South African "colonisation" in sectors such as telecommunications and retail, due to the tremendous expansion of SA companies in SADC.

For its part, South Africa has experienced some disillusionment with the SADC FTA as well, in that an agreement on tariff reduction is arguably the smallest task in the trade facilitation process. The small strides in liberalisation are still far short of creating intra-regional trade, since terms favour overseas countries (average tariffs in Southern Africa are currently 19%, whereas the world average is 12%⁹), and the FTA will not be in place before 2012. Even with an FTA in place, the Rules of Origin are still discriminatory to small-scale producers, most of whom will be found outside of South Africa.¹⁰

Besides, the non-tariff barriers (NTBs)¹¹ remain the more challenging impediments to intra-regional trade growth. Here again, there is uncertainty on the amount of time that will be required to achieve this goal. South Africa has a comparative advantage in terms of government ability to remove NTBs domestically, but a unilateral commitment to do so for SADC is unlikely to be embraced wholeheartedly.

South Africa's bilateral trade agreements with Malawi, Mozambique and Zimbabwe are important to consider in the SADC context. Certainly Mozambique and Zimbabwe are South Africa's key export markets in the Southern African region. Thus together with the customs union, these bilateral agreements ensure that South Africa's main regional markets are accessible. The bilateral agreement with Malawi is an interesting one dating back to South Africa's apartheid era, when Malawi was one of the few regional countries prepared to engage economically with South Africa.

An interesting case related to the Malawi-South Africa agreement clarifies an important trade policy development in SADC. In terms of the bilateral agreement, clothing exports enjoyed duty-free access (subject to the one-stage transformation requirements in the rules of origin in the SADC Trade Protocol) to the South African market. A South African clothing producer relocated to Malawi in 1996 to produce clothing specifically for the South African market. Given the one-stage transformation requirement of the SADC Trade Protocol, and the bilateral agreement, this was feasible. South African trade unions responded to this and other import competition in the clothing sector by lobbying strongly for a revision of the rules of origin, specifically related to clothing and textiles, and the two-stage transformation requirement was subsequently introduced into the SADC rules of origin. As this indicates, South Africa's trade policy has played an important role in a key distinction between two of large regional groupings in southern and eastern Africa; SADC and COMESA. COMESA's rules of origin are simple, compared to the complex arrangement in the SADC Trade Protocol. The difference is attributable to South Africa's membership of SADC and not COMESA.

Combined with the knowledge that SADC trade is the less lucrative share of South African exports, trade policy will understandably be mobilised to secure preferences in markets of particular interest. This strategy has two characteristics: the development agenda within the WTO vis-à-vis South Africa's larger, extra-regional trading partners, and bilateral agreements where

⁹ SADC Barometer, March 2003.

¹⁰ Examples are local content requirements for textiles and baked goods. Herbert, R. 2003, SADC Barometer, SAIIA, March p. 21.

¹¹ Harmonisation of customs procedures and standards; strengthening of transport infrastructure; and reduction of corruption are but a few.

comparative advantages can be exercised to fuller potential. Overarching this policy is the broader notion of pan-African unification, which still remains a cherished ideal on the political agenda, as evinced by recent progress in continent-wide institutions.

6. CONCLUSIONS

South Africa enthusiastically embraced a more streamlined and liberal trade policy in the immediate post-apartheid era. It made a bold GATT offer in 1994/5, going well beyond requirements. This approach to liberalisation is however not equally reflected in its trade policy in the southern and eastern African region. In the regional context its approach has been arguably much less enthusiastic, and indeed protectionist of very specific sectors and markets. While its enthusiasm for SADC was evident at a political level, its trade policy reflects much less enthusiasm for the achievement of the free trade area. Its push for more stringent rules of origin is a good example here. Its bilateral trade agreements with Mozambique, Malawi and Zimbabwe also serve to secure its export opportunities in the region.

The protracted negotiations to reach a new SACU Agreement have also been blamed on South Africa. The new SACU Agreement potentially marks a watershed for the Southern African region. Provision is now made for a break of South Africa's dominance within the customs union administration and policy making arena. The SACU Secretariat will be based in Windhoek, Namibia. The down side of this new Agreement is possibly to be seen brake that the requirement to negotiate future bilateral and regional agreements *en bloc* may prove to be.

7. RECOMMENDATIONS FOR SOUTH AFRICA AND DEVELOPING COUNTRIES

Heading into trade negotiations with developed countries, there are many points that can be taken from this analysis for both South Africa and middle to lower income countries in general:

- Development should be at the core of negotiations. An element of time-based protection should be incorporated in the rules or structures for Least Developed Countries (LDCs).
- For multilateral discussions (WTO), there should be more cohesiveness and cooperation between LDCs, whether African, ACP, or globally defined. It is not possible for each government to ensure an effective presence, and thus it cannot be possible for effective lobbying solutions to emerge. Cooperation in a bloc, conversely, would defend LDC interests.
- Regional integration should remain on the agenda. A reduction of tariffs should create conditions more favourable than trade with overseas markets for some products currently not sourced regionally. With this issue is the elimination of NTBs, which are the real culprits. Harmonisation, transparency, and streamlining of procedures is vital.
- No EPA/ FTA should create a situation of trade diversion for an LDC; therefore LDCs must carefully examine proposed structures before they are set in place. It is more difficult to dismantle a created structure than to insist on exceptions as needed.
- Institutions created for EPAs should be sustainable for participating governments – and not require more effort than can be expected for countries with many domestic issues to solve.
- More cooperation with private sector and across government bureaux in developing trade strategies is essential.

ABBREVIATIONS

AEC	African Economic Community
AU	African Union
BLNS	Botswana, Lesotho, Namibia, Swaziland
CBI/RIFF	Cross Border Initiative/Regional Integration Facilitation Forum
COMESA	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of Congo
EAC	East African Community
ECCAS	Economic Community of Central African States
EPA	Economic Partnership Arrangement
FDI	Foreign direct investment
FTA	Free Trade Agreement
GATT	General Agreement on Trade and Tariffs
IOC	Indian Ocean Conference
IOR-ARC	Indian Ocean Region Association
NEPAD	New Partnership for Africa's Development
NTB	Non-tariff barrier
OAU	Organisation for African Unity
RTA	Regional Trade Arrangement
SACU	Southern African Customs Union
SADC	Southern African Development Community
TDCA	Trade, Development and Cooperation Agreement
WTO	World Trade Organisation

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Produced by the Economic Affairs Division of the Commonwealth Secretariat.

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