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Progress in economic integration within SADC

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1. Introduction

1.1 Background

The Southern African Development Community was established in 1992, but its historical origins go back to the mid-1970s when the Front Line States (FLS) constituted an informal political grouping in 1975. The FLS comprised Angola, Botswana, Mozambique, Tanzania and Zambia, while Zimbabwe joined them in 1980. The main motive for regional integration at the time was the political liberation of the Southern African region, including the need to react to the then increasing regional dependence on the minority-ruled South Africa.

By 1980, the Southern African Development Coordinating Conference (SADCC) was set up by the then majority-ruled states in the region as a development aid coordination mechanism. These states were the FLS, Lesotho, Malawi and Swaziland. As regional integrating states increased in number, its mandate has also widened to include poverty reduction and economic liberation. Key regional decisions were then made and operational frameworks were developed. These included commitment by members to pursue policies aimed at economic integration and a sustainable development enshrined in the SADCC Programme of Action (SPA). Today, SADC has 14 members of different sizes and levels of development.

In its first years SADC was a highly decentralised organisation. The main activities were handled within sectors of operation by individual member states through Sector Coordinating Units (SCUs) and commissions, guided by ministerial committees. SADC was also highly project-oriented. Its portfolio contained about 470 projects in 2002 (Isaksen, 2002: 1). Many of these projects were actually of a strong national rather than a regional character.

Although SADC's achievements in its first phase – infrastructure, emerging sense of regional belonging – should not be underestimated, concerns about its effectiveness in actually achieving Regional Integration (RI) increased in the 1990s. This resulted in a study on *Review and Rationalisation* (Chipeta et al., 1997) and a broad *Review of Operations Report* (SADC, 2001), directed by the 1999 SADC summit. This review became a blueprint for a wide-ranging restructuring process that included:

- Amendment of the 1992 treaty and realignment with the SADC Plan of Action (SPA) priorities;
- Development of a Regional Indicative Strategic Development Plan (RISDP);
- Undertaking a study on the SADC organisational structure to determine staffing requirements, functions, responsibilities, reporting lines, grading and salary scales for the new structure;
- Phasing out of Commissions and Sector Coordination Units;
- Creation of Directorates in the Secretariat and secondment, recruitment and redeployment of staff to the Secretariat as well as development and training;
- Creation of SADC National Committees to take over the function of national representation;
- Determining of financing for the new structure, including a study on the development of a new formula for member states' financial contributions and creation of a Regional Fund.

In short, this review resulted in a substantial centralisation of SADC. The RISDP (SADC 2003a) is now the main reference point of SADC, and also for this report.

1.2 The restructuring of SADC

Before 2001 the organisational structure of SADC consisted of various commissions and 21 Sector Coordinating Units, each with a mandate to plan and implement SADC programmes in a given sector. These SCUs were based in 12 of the 14 member states (see Table 1 below).

Table 1: SADC's Sector Co-ordinating Units until 2001

Responsible MS	Coordinated Sector
Angola	Energy Commission
Botswana	agricultural Research and training; livestock production and animal disease control
DRC	no sector responsibility
Lesotho	environment and land management, and water
Malawi	inland fisheries; forestry; wildlife
Mauritius	tourism
Mozambique	culture; information and sport; and the Transport and Communications Commission (SATTCC)
Namibia	marine fisheries; legal affairs
Seychelles	no sector responsibility
South Africa	finance and investment; health
Swaziland	human resources development
Tanzania	industry and trade
Zambia	employment and labour; mining
Zimbabwe	crop production; food, agriculture and natural resources

Source: <http://www.sadc-sqam.org/sadc/sadcresp.html>

The SADC Summit in March 2001 decided on a radical institutional reform that included the clustering of the SCUs and commissions into four directorates to be based at the SADC secretariat in Gaborone, Botswana. The main four directorates of SADC are Food, Agriculture and Natural Resources (FANR); Trade, Industry, Finance and Investment (TIFI); Social, Human Development and Special Programmes (SHD) and the Infrastructure and Services (IS) directorate. On the national front, the SADC National Committees (SNCs) have been created to coordinate and implement SADC programmes at the national level. The status of SNCs is dealt with in section seven of this chapter.

The intention was to complete the institutional reforms over a two-year period, from 2001 to 2003, but this was not accomplished on time. By mid-2005, the institutional restructuring was still not completed, although the main components were in place (Le Pere and Tjønneland, 2005:16). SADC has managed to transfer all SCUs to the Secretariat in Gaborone, but has not yet succeeded in creating an efficient secretariat. There were still unresolved issues regarding staffing and management leading to major human resource capacity constraints while the secretariat also continued to suffer from bureaucratic inertia (Le Pere and Tjønneland, 2005:17). SCUs have been mainly staffed through secondment from host-country governments, but after the centralisation of administrative activities at the Secretariat,

SADC needs to make more resources available for staffing as secondments have become inadequate, both in terms of the number of seconded staff and also due to the fact that these secondments are primarily on short-term basis.

1.3 Outline of the chapter

This chapter is based on the Monitoring SADC activity within a wider programme known as the Formative Process Research on Integration in Southern Africa (FOPRISA). The monitoring exercise tracks the:

- progress of the SADC restructuring process;
- production of and subscription to relevant treaties, memoranda of understanding, strategic documents, etc;
- implementation of these and obstacles;
- financing of SADC (sufficiency for present and planned activities, dependence on International Cooperating Partners (ICPs), distribution of membership fees);
- improvement of interstate relationships of cooperation;
- relation to the private sector and civil society, and
- progress towards integration.

The chapter is made up of eight sections (including introduction), structured as follows: section two is on the envisaged SADC Free Trade Area (FTA); section three is on diversification; section four is on macroeconomic convergence; section five is on public-private sector partnership and dialogue; section six is on infrastructure services; section seven is on SADC National Committees (SNCs); and finally, section eight concludes the chapter and gives an overall view on the outcomes of the integration efforts of SADC and an evaluation.

A uniform structure is maintained for each of the sections two through seven. Each of these sections starts with an outline of agreements, mandates, institutions and indicators, followed by an evaluation giving the status of implementation, obstacles faced in implementation and a summary of outcomes.

2. The SADC Free Trade Area

2.1 Rationale, agreements, mandates, institutions and indicators for the SADC FTA

As the reasoning for the FTA, RISDP emphasises the role of regional FTA in enlarging markets (SADC, 2003a: 83). In order for SADC to attain its ultimate goal of eradicating poverty in the region, it states the need to eliminate obstacles to the free movement of capital, labour and goods and services. This is expected to stimulate intra-SADC trade, development and thereby eradicate poverty. The RISDP covers all programmes of SADC, but when it comes to trade-specific issues, the prior SADC Trade Protocol (STP) of 1996, as amended in 2000, and which came into effect in 2001, is the key document. The protocol (SADC, 1996) envisages an FTA by 2008, with a customs union and a common market to follow in 2010 and 2015 respectively. This section concentrates on the FTA, which is the first step to further integration.

In line with above objectives, SADC member states have committed themselves to implement their agreed tariff phase down schedules from 2000, with 85% of all intra-SADC trade scheduled to be duty-free by 2008, while the remaining 15% on what has been classified as sensitive products is set to be eliminated by 2012.

The RISDP (SADC 2003a:32) has adopted the following strategies in order to achieve these objectives:

- Gradual elimination of tariffs;
- Elimination of non-tariff barriers; and
- Adoption of common rules of origin;
- Attainment of internationally acceptable Standards, Quality, Accreditation and Metrology (SQAM);
- Harmonisation of customs rules and procedures;
- Harmonisation of sanitary and phytosanitary measures; and
- Liberalisation of trade in services.

Member states are the key institutions in the implementation of the SADC FTA, while SADC's Trade, Industry, Finance and Investment (TIFI) directorate, its subsidiary institutions in member states and the Trade Negotiating Forum (TNF) are responsible for coordination and facilitation. It is also noted that regulatory authorities implement the removal of barriers to trade, while it is the business sector that will increase trade and generate growth for the region.

In order to make provision for differentials in development across the region, member states agreed to follow the *principle of asymmetry*, whereby more developed members liberalise faster than underdeveloped members. In the light of this, an arrangement has been reached so that South Africa, the most advanced state in the region, undertakes a faster tariff phase down, while other member states are to offer tariff reductions to South Africa at a slower rate than what they offer among themselves.

SACU countries consisting of Botswana, Lesotho, Namibia, South Africa and Swaziland have jointly offered to implement tariff phase-downs faster than the rest of SADC members (by 2006), followed by Mauritius and Zimbabwe and then by the LDCs of Malawi, Mozambique, Tanzania and Zambia.

Besides the removal of tariffs, issues regarding non-tariff measures (NTM) are also set to be cleared and SADC member states have committed themselves to the removal of Non-Tariff Barriers to trade (NTBs) and Technical Barriers to Trade (TBT). SADC Member States have also agreed to implement new Rules of Origin (RoO) and Sanitary and Phytosanitary Measures (SPS). Rules of origin are necessary tools in an FTA used to guard against trade deflection, whereby goods and services tend to enter an FTA via the member with the lowest external tariffs. Rules of origin are then used to identify products that qualify for tariff preferences under an FTA, thereby ensuring that only products originating in member states (to such a degree as members determine) enjoy applicable tariff preferences.

Success indicators are also very much linked to expected outcomes. In fact, agreements and commitments are made with an intention of implementing them in order to attain desired results. Key indicators are:

- Subscription (ratification or accession) to the SADC Trade Protocol;
- Gazetting of tariff phase-down offers;
- Degree and timely implementation of tariff phase-downs;
- Gazetting of revised rules of origin (approved in August 2002);
- Subscription (signing or accession) to the MoU on SQAM;
- Improved investment climate in SADC;
- Level and the change in intraregional trade to total trade ratio;
- Increased SADC share of trade in total global trade; and
- Increased SADC share of investment in total global investment.

2.2 Implementation, obstacles and outcomes of the SADC FTA

The implementation of the STP to form an FTA began in 2000, and this process reached its midpoint in 2004. As part of the midterm review, the SADC Secretariat commissioned various studies, whereby different institutions and experts were allocated responsibilities to review the STP. Among other issues, review reports have been produced on the rules of origin (Brenton et al., 2004), on the structure and pattern of SADC trade (Van Seventer and Kalaba, 2005), an inventory of regional NTB (Imani, 2004) and on the status of implementation of the trade protocol (TSG, 2004). Availability of complete and disaggregated data proved to be one of the limitations, but these reports gave a good account on the state of implementation, bringing out interesting findings and producing comprehensive recommendations which have been summarised by the Secretariat (SADC, 2005).

On key indicators of the implementation of the protocol as identified above, all SADC members, except DRC, have either ratified or acceded to the STP, but in total, four states have not gazetted their tariff phase-down offers. These are Angola, DR Congo, Malawi and Mozambique. SACU, Zambia and Zimbabwe have gazetted the revised rules of origin, and there are three states that are not implementing the rules (Angola, DR Congo, and Lesotho). In mid-2004, Mozambique and Tanzania were reportedly in the process of gazetting the revised rules.

Those countries that are implementing the rules without having gazetted them (i.e. Malawi, Mauritius and Mozambique) believe that ratification of STP is equivalent to the gazetted process. However, theoretically, certificates of origin issued by such countries could be declared invalid (TSG, 2004:7). But in reality this rule has not been applied in SADC and no problems have been experienced in this respect (TSG, 2004:7).

On one of the most important commitments (tariff reduction), SADC member states have gazetted the tariff phase-down schedules, but have delayed the implementation. This leaves member states needing to accelerate their tariff reductions in the remaining four years or even to implement tariff offers twice a year. At least all member states, except for DRC which has not acceded to the protocol, have started with the implementation. Zimbabwe, Malawi and Zambia have substantially delayed the implementation of their tariff reductions, while the rest are largely on schedule (TSG, 2004:1). Tariff phase-down offers by most member states are heavily back-loaded. The majority of reductions are being delayed until the final years of implementation. This means that the pace of tariff phase-downs schedule will need to increase substantially over the next three years and this, in turn, implies that 'any problems encountered to date are likely to be magnified' (TSG, 2004: v).

The progress in tariff reduction contrasts with the often expressed opinions of public and private sector stakeholders that there is a larger degree of non-implementation. This negative assessment threatens to undermine commitments to free trade in the region. With information lacking about the status of implementation in other countries, policy makers may find themselves hard pressed to resist the pressures of calls for increased protectionism (TSG, 2004:vi). This calls for the need for higher levels of transparency and information sharing on the progress in implementing the FTA.

Trade structures of SADC countries give us some interesting findings:

- The regional giant, South Africa and the much advanced Mauritius trade relatively less with SADC as compared to their total trade, and their SADC to total trade ratios have decreased further between the two short periods. During

1999 to 2002, around 6% of South African trade went to SADC and the corresponding ratio for Mauritius is about 2%.

- With the exception of Lesotho, Zambia and Zimbabwe, while also recognising the limitation of time series data, intra-SADC trade became less important for most member states between 1999/2000 and 2001/2002.

Another obstacle identified by TSG from its country visits is that a number of countries have undergone changes in their tariff regimes/customs administration, which makes matching the original offer and the current tariff book complicated. One example is that countries are changing their commodity classification systems, as the Harmonised System (HS) coding is updated every four to six years (TSG, 2004:4). Member states are required to institute tariff phase-downs by the 1 January each year. Amongst some LDCs, i.e. Malawi and Zambia, financial constraints have been cited as obstacles to implementation.

While tariffs are coming down, the picture on NTM looks gloomy. In fact, during the process of trade liberalisation and tariff reform in the region, NTB have become less identifiable, more arbitrary, qualitative and non-transparent (Imani, 2004:2). They include a wide array of measures, a major one being the Rules of Origin (RoO). The existence of restrictive rules of origin in some cases and the existence of NTM have served to restrict trade in sectors where member states expected to see the greatest results. This is an indication that NTM are also working to replace tariffs as barriers to trade. By early 2004, only SACU and Zimbabwe had formally gazetted the revised rules of origin, which were approved in August 2002, but still almost all member states are implementing the rules by default (TSG, 2004:7). Complicated rules of origin give rise to other NTB (border procedures), thereby undermining targets of smoother trade facilitation and restricting the flexibility of firms in sourcing inputs they need in order to be internationally competitive (see Brenton et al., 2005:2).

SADC had general rules of origin (simpler) until 2005, after which it started to implement the revised rules of origin that are more consistent with those in RECs elsewhere around the globe. The revised rules are product-specific and are charged to be more complicated, adding to NTBs, but they are also more effective in preventing trade deflection.

SADC aims to increase its share in world trade. Statistics indicate that only Angola, Botswana, Lesotho, Mozambique and Tanzania increased their shares from 1990 to 2003. With missing data on service exports by DRC, Zambia and Zimbabwe, the SADC share in world exports fell from 1.14% in 1990 to 0.91% in 2003 (World Bank 2003). SADC has however performed better than the rest of Sub-Saharan Africa (SSA), whose corresponding share has fallen from 2.22 to 1.62% over the same period (SADC accounted for 56% of SSA exports in 2003 compared to 51% in 1990).

Investment climate is a key driver of development in general and increased trade in particular. The private sector is their engine (e.g. Stern et al., 2005). Important elements of the investment climate are property rights, the rule of law, corruption, obstacles facing firms, barriers to entry and exit, regulation, competition, and openness to trade. Based on the ratings by the Heritage Foundation (www.heritage.org), Zimbabwe, Lesotho and Angola have lowest scores on foreign investment climate. Overall, the investment climate for SADC has not changed much since 1995. Actual performance of SADC and Africa as a whole in attracting FDI has, however, shown an improvement.

In summary the results of the SADC FTA are mixed. Key findings are:

- While almost all members ratified the STP, not all are implementing the rules;
- Tariff phase-down offers by most member states are heavily back-loaded, meaning that the speed of regional trade liberalisation will have to increase substantially in future years;
- While tariffs are coming down, they are partly replaced by NTB and other NTM, that become less transparent;
- The investment climate, vital to increase regional trade and investment, is not improving consistently. Rather, according to a number of indicators, it is deteriorating;
- There is no clearly identifiable increase in trade within the region. Country comparisons do not reveal any significant difference in performance between countries implementing the STP and those that are not implementing it. This is

qualified by the fact that one should expect a time lag between implementation and when the impact will be felt. Other noteworthy points include:

- Diversification of production and exports is assumed to be unambiguously positive. However, they stand in potential conflict with comparative advantages. There may thus be a trade-off with the growth objective.
- Thus, diversification needs to be based on a sound analysis of where the region and its parts will or are likely to develop comparative advantages (dynamic perspective).
- In particular, the focus on diversification into manufacturing needs to be questioned. In current development of the world economy, not only of the high-income countries, the services sectors are growing rapidly. For a number of countries in the region, service sectors may have higher growth and employment potential than manufacturing.
- Because of these factors, a systematic approach to diversification, based on a sound disaggregated economic analysis is necessary.

3. Diversification of industrial structure and exports

3.1 Rationale, agreements, mandates, institutions and indicators for diversification

The SADC Trade Protocol has set the enhancement of economic development, diversification of economic activities and industrialisation in the region as some of its key objectives. As it has been further elaborated in the RISDP, this includes the diversification of industrial structure and exports, with more emphasis on value-addition across all economic sectors, and taking into account the following indicators:

- diversify (increase of non-traditional exports) and sustain export growth rate of at least 5% per annum;
- increase in manufacturing as a % of GDP to 25% by 2015.

It is noticeable that this priority area does not provide activity benchmarks, but only outcomes. This leaves us not very clear as to how the envisaged diversification is to be achieved.

During the formulation of the RISDP in 2003, it was realised that SADC economies have small manufacturing sectors and they do not produce a diversified range of products. Mauritius and South Africa were then leading in diversification, with manufacturing-GDP ratios of around 25%. Both the diversification and advances in manufacturing are necessary to reduce vulnerability with respect to global price shocks and it would also work to facilitate more trade compared to a situation where all regional countries are producing a limited range of goods and services.

Due to the prevalence of trade creation and trade diversion scenarios associated with regional trade integration, net effects of integration are more bound to be positive and larger, when the economic size of the integrating states is large, and when those states have wider product ranges to offer. This scenario limits the chances that production may have to be moved from a more efficient non-member to a less efficient member, following the formation of a regional trade agreement.

Statistics show that SADC states produce a similar range of products such as foodstuffs, beverages, tobacco, textiles, clothing and footwear, which are agricultural-resource based (SADC, 2003a). In order to enhance industrialisation and move away from exclusive exportation of raw materials, SADC has stressed the need to develop its industries and to promote entrepreneurship. It is crucial for states to diversify trade destinations as this does not only reduce vulnerability to trade shocks, but also increases choice over trading partners, allowing free market dynamics to unfold. Information about export destinations for SADC countries (with trade shares) is not readily available, but available information indicates that trade destinations for SADC remained largely the same, while there is more diversification towards SADC (see van Seventer and Kalaba, 2005:12).

The key implementers for diversification targets are practically the member states and their stakeholders in the private sector, while the SADC secretariat and its

subsidiary institutions are to coordinate the process. Since these targets are ranging from short to long term, indicators should be:

- the rate of change in regional trade structure i.e. change in the number of products traded;
- the rate of annual growth in exports by SADC; and
- the change in manufacturing to GDP ratios.

3.2 Implementation, obstacles and outcomes of diversification

The Review of the SADC Trade Protocol (van Seventer and Kalaba, 2005) indicates that the majority of SADC countries are still exporting raw materials, while importing most of manufactured goods from developed countries. South Africa has more diversified exports, although these are largely resource based. The second is Mauritius whose main export products comprise of textiles, clothing and sugar. The rest of SADC exports agricultural related commodities and minerals.

Data on the growth of exports and of manufactured exports comparing the periods before (1994-99) and after (2000-03) the implementation of the FTA show that SADC exports (weighted average) have grown less in the second as compared to the first period: SADC exports grew by 6.7% per annum over the period 1994 to 1999, but growth slammed to 3.0% during 2000 to 2003 period. South Africa, which accounts for over 70% of SADC GDP, recorded 6.3% and 2.0% export growth rates respectively, and that has been the major determining factor. The exceptions to the regional trend are Lesotho, Mozambique, Namibia, Swaziland, Tanzania, and Zambia.

The region has managed to increase the share of exports of manufactured goods, improving the ratio of manufactured to total exports by over 2 percentage points as compared to the first period. However, this is due to developments in SACU – the rest of SADC countries as a group export less manufactured goods now. Only Malawi, Mauritius, and Zambia export more. Botswana, a SACU member, registers a drastic decline of manufactured exports.

While Mozambique appears to have industrialised at an astonishing pace over the last ten years or so, the actual change is more from service sector to industry. And while noting South Africa's dominance in SACU, the SACU region is moving to the service sector, with the shares of both agriculture and industry on a decline.

In summary:

- the regional trade structure has barely changed for SADC;
- exports by SADC grew much slower from the year 2000 on; and
- manufacturing activity is declining and raw materials feature relatively more in exports.

4. Macroeconomic convergence

4.1 Rationale, agreements, mandates, institutions and indicators for macroeconomic convergence

Through RI, countries open up their economies to a group of other economies. That means increasing economic interdependence within the group. Bad economic management by one member will affect other members more than in the absence of RI. This is the basis of SADC's rationale for macroeconomic convergence.

The MoU on cooperation on macroeconomic convergence that was tabled in August 2002 and came into force during the same month formed the key legal framework for the macroeconomic convergence targets, which are an integral part of financial market integration. These targets were further articulated in chapter four of the RISDP. Under the MoU on Cooperation on Macroeconomic Convergence, Member States have agreed to achieve and maintain macroeconomic stability, where all countries should converge on stability-oriented economic policies, which include restricting inflation to low and stable levels, maintaining prudent fiscal stance that eschews large fiscal deficits, minimise market distortions, etc. (SADC, 2003a:34).

Necessary policy and institutional coordination includes the harmonisation of exchange rate systems, liberalisation of capital and current account transactions and adoption of a market oriented approach to the conduct of monetary policy. Policy

and legal documents relevant to this section include the RISDP, the STP and the MoU on Cooperation on Macroeconomic Convergence.

The Finance and Investment Protocol (FIP), which is yet to be tabled before the SADC summit, is another relevant document. The FIP is an instrument for coordinating and harmonising the financial policies of SADC member states, which will facilitate the free movement of capital, labour, goods and services, and it has been under consideration for about 10 years (Le Pere and Tjønneland, 2005:34). The Integrated Committee of Ministers (ICM) plays a political enabling role, but it is the Committee of Ministers of Finance and Investment and the Committee of Central Bank Governors that are key players in the implementation of the FIP.

The RISDP has set the establishment of a SADC monetary union by 2016 as the main target for financial market integration. This requires SADC to finalise preparations for an institutional, administrative and legal framework to set up a SADC Central Bank by the same year, and to launch a regional currency for the SADC monetary union by 2018. RISDP has set the following as specific targets for macroeconomic convergence (SADC, 2003a:86):

- getting inflation rates to a single digit by 2008, to 5% by 2012 and to 3% by 2015;
- budget deficit to GDP ratio not to exceed 5% by 2008, 3% as an anchor within a band of 1% by 2012, and to be maintained at the 2012 level up to 2018; and
- nominal level of public debt and public guaranteed debt should be less than 60% of GDP by 2008, and this to be maintained throughout the plan period (until 2018).

In addition, the SADC MoU on Macroeconomic Convergence has identified good balance and structure of the current account as one of key indicators for macroeconomic convergence in the region, but no clear RISDP target has emanated from this.

Commercial banks are the most important financial intermediaries in SADC, and most of these are South African banks with subsidiaries in the region, and which concentrate mainly on financial trade and investment rather than on retail banking

(Le Pere and Tjønneland, 2005:35). Other players include investment banks, insurance companies, leasing finance institutions, investment banks and the capital market. Financial institutions need not only to be efficient and to channel funds into productive investment, but also to ensure access to finance by SMEs and women as envisaged in the RISDP. The SADC committee of central bank governors is to take care of the legal framework, at least in the commercial banking sector, through the harmonisation of financial policies.

On the capital market, the SADC Association of Stock Exchanges has a role to promote dual listing procedures, to reduce exchange control restrictions and to share information technologies. The Development Finance Resource Centre (DFRC) and the Development Finance Institutions Network (DFIN) made up of National Development Finance Institutions (NDFIs) have also been created. The DFRC functions as a hub of the network, and together with the proposed SADC Development Fund (SDF), would be critical for support and coordination in the sector.

Here, targets for macroeconomic convergence are merely given in terms of what needs to be achieved by various dates. Though some countries have prepared their macro convergence plans, step-by-step action plans for SADC as a whole are not available. Progress indicators would therefore consist of levels and changes in variables listed below:

- inflation rates;
- budget deficit to GDP ratios;
- public debt to GDP ratios;
- savings-GDP ratios; and
- domestic investment-GDP ratios.

4.2 Implementation, obstacles and outcomes of macroeconomic convergence

SADC countries have different levels of inflation, varying from as low as just over 1% to hyperinflation rates. What is encouraging about SADC inflation is that there is a consistent downward trend for the region and for all individual Member States. The weighted average inflation for SADC has improved from 182% in 1995 to just over

13% in 2004 (SADC Bankers, 2005). A single digit inflation target by 2008 looks very ambitious, but is achievable if the three member states with substantially higher inflation rates (Angola, DR Congo and Zimbabwe) were to take drastic measures to curb their inflation surges. Weighted average inflation rates for SACU, the rest of SADC (excluding SACU) and SADC stood at 1.7%, 51.8% and 13.3% respectively in 2004.

The budget deficit is one of the important measures, also influencing the level of public debt. Some questionable budgeting saw the DRC budget deficit rising rapidly to reach 2,600% of GDP in 1999, which is clearly an outlier in the region. Amazingly, the country ended the period with a budget surplus of 0.8% of GDP in 2004. Excluding DRC will derive a deficit of 3.9% (1994-99) and 3.5% (2000-04) for SADC. This means that the RISDP target for the deficit-GDP ratios (5%) has already been achieved by most countries. In 2004, three Member States recorded deficit-GDP ratios ranging between 5.4 and 6.7%, two states recorded budget surpluses and the rest ranged from 0.2 to 3.6%.

On the public debt, Mauritius and SACU (with exception of Lesotho) have relatively low external debt ratios of less than 25% of GDP, which are low by both theoretical and by international standards. The rest of SADC countries, which include Heavily Indebted Poor Countries (HIPC), have debt-to-GDP ratios of over 80%. The RISDP target is for the debt-GDP ratio not to exceed 60% by 2008. This is more problematic because, at least by the year 2003, Lesotho and Zambia had external debt to GDP ratios in excess of 300% (World Bank, 2004). This cannot be realistically expected to be achieved by all Member States.

The RISDP has set the target of increasing national savings to reach at least 25% of GDP by 2008. This is a mammoth task, but the region is slowly moving in the right direction. A weighted average for eight of 13 SADC countries for which data is available shows that the Gross National Savings to GDP ratio has improved slightly from 15.6% during 1994--2000 period to 15.8% during 2001--2004, which is by far short of the target.

Domestic investment performance is even further below its 30% of GDP target. A weighted SADC average for Gross Domestic Investment to GDG ratio fell from 18.0% (1994-2000) to 16.8% (2001-2004).

In general, macroeconomic convergence has been more evident within SACU countries, and with the exception of Mauritius, it remained low for the rest of SADC countries. This is evident in the inflation development, budget deficit development and in a series of other variables examined in this report.

5. Public-Private Sector Partnership (PPP) and dialogue

5.1 Rationale, agreements, mandates, institutions and indicators for PPP

The rationale for developing a regional common market is to create favourable conditions and opportunities for the private business sector in which major economic activity would take place. While Governments facilitate trade, employment creation and poverty eradication through policy and legislation, the actual realisation of these ultimate goals depends primarily on the performance of the private sector, which is the engine for any economy.

Prior to the formulation of the RISDP, the issue of SADC-private sector partnership has not been really articulated in SADC documents. It has, however, in the preamble of its protocol on trade, recognised that 'an integrated market will create new opportunities for a dynamic business sector' (www.sadc.int). SADC formulated two MoUs with the Small Enterprise Promotion Advisory Council (SEPAC) and with the Association of SADC Chambers of Commerce and Industry (ASCCI) respectively. The MoU with ASCCI is dated August 2000 and the one with SEPAC is from February 2001.

Both of these MoUs are not yet legally binding instruments because they have not been finalised. Despite this, the SADC-ASCCI MoU formed the basis for the creation of a private sector desk at the SADC Secretariat and the inclusion of the ASCCI White Paper issues in the RISDP (SADC, 2003a:75). Furthermore, the SADC-

SEPAC MoU also formed the basis for the relationship that existed between SADC and SEPAC (at least until the formation of the SBF in November 2004).

ASCCI developed a white paper on economic policy issues in the SADC region in 2001, and revised it in 2002. In that process, three priority areas were identified for implementation by ASCCI members. These were:

- training in export procedures and business training in order to enhance investment growth;
- market information on import/export procedures, potential buyers/sellers, data on trade flows, customs duties and NTBs in order to enhance competitiveness; and
- a reduction of customs procedures and bureaucracies to enhance trade expansion.

During the formulation of the RISDP, SADC Bankers, Miners and Transporters were recognised as regional associations by SADC on account that they were represented in more than three SADC countries and were invited to take part in the formulation of the RISDP. SADC has realised that the regional economy is evolving from a largely state controlled to a private sector led entity (SADC, 2003a:74), and through RISDP, it has recognised the need to partner with the private sector formally. SADC has therefore set the goal to integrate the private sector in policy and strategy formulation, and programme implementation in order to accelerate and achieve sustainable regional economic integration. In striving to achieve this goal, the RISDP has set the following targets:

- a SADC policy on public-private sector partnership by June 2004;
- SADC private sector MoUs reviewed, enhanced and signed explicitly allowing for engaging the private sector through the structures of SADC by June 2004;
- adoption by Summit of a public-private sector Action Plan based on the ASCCI White Paper, to be implemented over the RISDP period, at the 2004 Summit;

- Competitiveness and Business Climate Survey launched in September 2003, and completed and final report circulated in June 2004 to facilitate private sector-public dialogue on an ongoing basis;
- institutionalise a private sector unit to carry out a support function for both the Secretariat and private sector institutions as part of the restructured SADC Secretariat by January 2004;
- facilitate the assessment of capacity, and capacity building within SADC Chambers of Commerce and Industry and Business Associations to be conducted in 2003, and thereafter every two years; and
- facilitate the creation of sector business associations where these add value to public-private sector dialogue on an ongoing basis.

The attainment of these objectives should be adequate as success indicators in the area of SADC-private sector partnership and dialogue. The two MoUs (SADC-ASCCI and SADC-SEPAC) were found insufficient to integrate the private sector into SADC framework on the basis that they seemed to suggest cooperation with SADC and not integration of these institutions into SADC policy framework, structures and programmes (SADC, 2003a: 76).

5.2 Implementation, obstacles and outcomes of PPP

The SADC – private sector MoU has not yet been signed. It is reported that there is a draft MoU between SADC and the SBF, which is tipped to be a good instrument if it gets finalised. It follows that there is no SADC policy or Action Plan for the private sector and there is no private sector unit at the SADC secretariat at the moment.

As envisaged, the Regional Business Climate Survey was launched in 2003, the first reports became available from September 2004 and it is currently an ongoing activity. The Association of SADC Chambers of Commerce and Industry (ASCCI) and NEPRU, in conjunction with the Advisory Service for Private Business (ASPB) coordinate the survey.

The assessment of capacity and capacity building within SADC Chambers of Commerce and Industry and Business Associations has not been facilitated as planned.

Living up to its promise to establish a formal relationship with the private sector, the SADC secretariat, with representatives from its four directorates, held a roundtable meeting with 11 Regional Business Organisations (RBOs) on 14 November 2003 where the SADC Business Forum (SBF) was initiated (SACAU, 2004). The SBF was then launched on 26 November 2004 as a formal grouping of RBOs, which will act as an apex dialogue partner of SADC through the Secretariat and its structures.

Key interests of the SBF are the timely implementation and development of the Monitoring and Evaluation system for the RISDP (SACAU, 2004).

According to a widespread view in the private sector, SADC has not recognised the private sector as a partnering stakeholder at macro-level as yet. According to interviewed experts, the old SADC private sector desk (now nonexistent) concentrated rather on how SADC could address issues concerning the private sector and did not attempt to internalise or integrate the sector into SADC structures. The second factor contributing to the evolving but as yet weak relationship between SADC and the private sector are the generally weak private sector organisations.

6. Infrastructure support

6.1 Rationale, agreements, mandates, institutions and indicators for infrastructure support

An important indicator for the degree of regional integration and cooperation is the level of physical infrastructure development. Examples are inter-connectivity by regional roads, corridors, telecommunication services and harmonisation (or standardisation) of policies and procedures. The SADC infrastructure support constitutes of five sub-sectors, namely transport, energy, tourism, communication and meteorology, and water.

The overall goal of the SADC infrastructure support is to ensure the availability of a sufficient, integrated, efficient and cost-effective infrastructure system and provision of sustainable services that will support and sustain regional economic development, trade, investment and agriculture, thus contributing towards poverty eradication (SADC, 2003a:87). The development of regional infrastructure and services is critical for promoting and facilitating regional economic development through trade and investment. This involves deepening of RI and cooperation through the sharing of production, management and operations of infrastructure facilities, hubs, development corridors and other infrastructure services.

The SADC protocol on transport, communication and meteorology was tabled for signature in August 1996 and came into force during July 1998. The protocol, among other issues, requires member states to put in place institutions, regulatory frameworks and incentives that would facilitate the provision of infrastructure by the private and/or public sector. The protocol has also set the elimination or reduction of hindrances and impediments to the movement of persons, goods, equipment and services as one of its strategic goals. This was complemented by the Declaration on Information and Communications Technology (ICT) of August 2001, while the draft protocol on the facilitation of the movement of persons (of August 2005) is to take it further once signed into law.

The protocol on energy was tabled for signature in August 1996 and entered into force in April 1998. The protocol, among other objectives, requires member states to harmonise energy policies, to pool energy production and supply regionally, to diversify the sources of energy and to conserve these resources. Article 4 of the protocol has provided for the establishment of the commission which would be responsible for the implementation of the protocol. There are two additional MoUs aimed at facilitating regional integration within the energy sector. These are the Inter-Governmental Memorandum of Understanding (IGMoU) and the Inter-Utility Memorandum of Understanding (IUMoU). The creation of various regional power inter-connectors has been facilitated under these legal instruments.

In the tourism sub-sector, the SADC protocol on tourism was tabled for signature in September 1998 and finally entered into force during November 2002. Amongst the

key agreements under the protocol, member states committed themselves to make the entry and travel of visitors as smooth as possible and to remove practices that are likely to constitute obstacles to the development of travel and tourism both regionally and internationally. Furthermore, member states are required to include tourism education in schools, to ensure harmonised systems for maintaining tourism statistics, while RETOSA, in consistency with its charter (Charter of the Regional Tourism Organisation of Southern Africa) has been given the responsibility of marketing and promotion of regional tourism.

In the water sub-sector, the protocol on shared watercourse systems was first tabled for signature in August 1995 and entered into force during September 1998. This was revised, tabled again in August 2000 and finally enforced during September 2003. Under the protocol, member states committed themselves to share information and to consult each other regarding measures on shared watercourses. Article 5 of the protocol established the SADC water sector organs, which consist of the Committee of Water Ministers, the Committee of Water Senior Officials, the Water Sector Coordinating Unit, and the Water Resources Technical Committee and Subcommittees.

Since the above-mentioned instruments call for the conservation of various natural resources, the protocol on wildlife conservation and law enforcement and the SADC treaty (Article 5) complete the legal framework for the infrastructure support.

The RISDP has set specific targets for each of the sub-sectors in the infrastructure. These targets are not listed here due to space limit, but most of them are of a long-term nature. Sub-section 0 below will look at the state of implementation for the targets that needed to be achieved not later than 2005, while also shedding light on the progress in the implementation of some medium to long term targets.

6.2 Implementation, obstacles and outcomes of Infrastructure Support

On the legal framework, though the process has been slow in some areas, we have the protocol on shared watercourse systems (and its revised version), the protocol on energy, the protocol on transport, communication and meteorology and the protocol

on tourism being developed and enforced. Furthermore, the SADC charter on RETOSA was one of the quickest legal instruments to enter into force after its tabling and enforcement in August 1997. However, more legal framework needs to be developed. According to Tjønneland et al. (2005), insufficient regional policy and legislation in some sub-sectors of the directorate of infrastructure and services and lack of policy harmonisation across member states are still factors hampering progress.

Besides the legal framework, necessary institutions, both within and outside SADC have been established and are operational as planned. Examples of institutions outside SADC, usually referred to as special implementing agencies, are the Southern African Power Pool (SAPP) and the Regional Electricity Regulator (RERA) in the electricity sub-sector and many more, which are not an integral part of SADC institutions. SADC does have influence over regional projects implemented by special implementing agencies, but it could strengthen its position in this area through further development of policy and legislation.

The integration of air services is fairly advanced and continues to improve, but some sectors such as air freight services are more constrained and are lagging behind in terms of set targets. The regional road network is adequately developed and integrated, while the realisation of cross-border facilitation in a one-stop context is still in infancy stage. The rail network is reasonably integrated as well, but little has happened in terms of maintenance, efficiency improvements, and further interconnectivity. The integration of all countries into the community, especially starting with linking the conflict-hit countries of Angola and DRC is being accorded a high priority (SADC, 2006). The state of implementation of transport policies and regulations, and the removal of hindrances to the movement of persons, goods and services are moving slowly, but they can be said to be on course as targets are for 2008 to 2015.

To reflect on the progress to date, most of the targets under the transport sector are ranging from medium-term to long-term. As far as SADC is concerned, there is little progress on liberalisation in general. The same goes for transport where transport

rules need to be harmonised and transport markets to be liberalised by the year 2008.

In the energy sector, no more associations or energy data banks have been established for SADC as targeted and some of the existing organisations still need to be strengthened. Besides the sector targets, some power networks (inter-connectors) have been attained, notably between:

- Mozambique and South Africa;
- South Africa and Botswana;
- Botswana and Zimbabwe;
- Mozambique and Zimbabwe;
- DRC and Zambia; and
- Mozambique and Zimbabwe.

To reflect on the progress within the tourism sector, and starting with the SADC protocol on tourism, two countries are still being waited for to sign and ratify it and further two countries are still to ratify. Facilitating the implementation by all member states by 2005 has not been accomplished. The facilitation of the implementation of the SADC protocol on tourism remained a high priority going in the year 2005 (sadcreview.com).

The implementation of the UNIVISA system by 2008 appears to be on schedule as the study on its implementation had already been commissioned as of 2004 (sadcreview.com). However, delays in the harmonising of immigration laws, regulations and procedures that would facilitate the implementation of the UNIVISA system are some of the drawbacks cited as slowing down progress in the tourism sector. The Tourism Policy and Strategy Document have also not been developed as yet.

Based on the data provided by the World Tourism Organisation, SADC's world share in international tourism arrivals has risen from 1.1% in 1995 to 1.2% in 2000 and remained at this level until 2004. In terms of the tourism receipts, SADC gets a

lesser share than its share in arrivals. This was 0.6% in 1995, rose to 0.7% in 2000 and then to 1.1% in 2004. What is very interesting here is that both the share of visiting tourists and the expenditure of tourists (receipts per tourist) have increased for SADC. All these achievements are still far below their initial targets of a 5% share in arrivals by 2005 and a 3% share in receipts by 2005.

On the water sector, a draft Regional Programme on Water Supply and Sanitation was developed (late 2003), approved by the ICM in 2004, and was then directed to the SADC Secretariat which needed to mobilise resources for its implementation (sadcreview.com). The development of a regional policy on water was finalised in May 2004, with financial assistance from Belgian and German governments (sadcreview.com).

A major general obstacle of infrastructure support appears to be the concentration on restructuring with the resulting interruptions. A second factor is lack of finance that results among others on limitations of qualified staff.

The key outcome of infrastructure support is increased economic activity on the regional level, which is, however, difficult to isolate.

7. SADC National Committees

7.1 Implementation, obstacles and outcomes of SADC National Committees

In the old SADC structures, the country-based sector coordinating units (SCUs) and commissions, guided by the committee of ministers, were responsible for resource mobilisation and implementation of SADC programmes. Following the review and rationalisation of SADC Programme of Action during late 1990s, a comprehensive restructuring of SADC institutions, including proposals to amend the SADC treaty and the creation of SADC National Committees (SNCs) has emanated.

Among other amendments, articles 9 and 16A of the SADC treaty were amended, mainly to facilitate the creation of SNCs. The main idea behind the creation of SNCs, along with specialised subsidiary organisations at the national level is to ensure coordination and implementation of SADC programmes in member states. The

restructuring of SADC took off in 2001, with 21 SCUs and SADC commissions being upgraded to regional institutions and combined to form four clusters or four SADC directorates.

The amended SADC treaty obliged member states to establish SNCs, which should consist of all stakeholders. These stakeholders are the Government, the private sector, NGOs, civil society, and workers and employers organisations. The composition shall reflect the functions of the four SADC directorates (Le Pere and Tjønneland, 2005:24). According to SADC guidelines issued by the secretariat, SNCs shall *inter alia*:

- provide input in the formulation of SADC policies, strategies and programme of action;
- coordinate and oversee the implementation of the SADC programme of action;
- promote and broaden stakeholder participation in SADC affairs in member states;
- facilitate information flows and communication between member states and the SADC secretariat, and
- coordinate the provision of inputs for the development of the RISDP and monitor its implementation.

The timeline for the establishment of SNCs, according to the Review of Operations Report, was the end of 2001 (see Isaksen, 2002:4). The SNC has a mimic picture of the SADC secretariat in its organisational structure. It should have linkages to the ministerial, permanent secretary and stakeholder levels; it should have a secretariat and a national steering committee and five sub-committees corresponding to SADC directorates (including the OPDS).

7.2 Implementation, obstacles and outcomes of SADC National Committees

According to a 2005 review, by March 2005, twelve SADC member states (all except DRC and Madagascar) had established SNCs (MetaCom, 2005: Annex I). Nine states have also established the SNC secretariat and six states have officially launched these institutions. None of these institutions, however, correspond fully to

the required structure. Following the country visits by the *Monitoring SADC team* of researchers during October 2005, it was realised that SNCs are not established in some countries as reported. For instance, South Africa has signed all necessary documents with SADC, committing itself to establish the SNC, but has not yet done so. The Department of Foreign Affairs (DFA), which is the contact point for SADC, carries out coordination and implementation roles that were supposed to be undertaken by the SNC.

The main challenge facing SADC as far as SNCs are concerned is how to mobilise resources in order to equip these institutions for them to implement SADC programmes. The SNCs are still not autonomous (no financial and operational autonomy), but are rather funded under various government departments. The current status of the SADC secretariat, being in the middle of the restructuring process and faced with human capacity problems, is also a contributing factor to the lack of progress with SNCs.

The key difference to the old structures is that sector coordinating units were national institutions, staffed by civil servants (mainly through secondment) of the sector-responsible country. Following the restructuring of SADC, the SNC does not only need to be representative of all sectors of SADC, but also needs to attract representative stakeholders, undertake much wider mandates and thereby require more resources from the national government in form of finance, personnel and infrastructures. The fact that SADC had many ICPs involved in sector coordinating units, and almost none in the current SNC structures, has contributed to the slow progress within the overall SADC institutions. ICPs have rather moved to Gaborone to concentrate their efforts on assisting the secretariat.

A capacity-needs assessment was recently carried out by MetaCom (2005), which found that the challenges identified by the SADC secretariat workshop for SNC representatives in South Africa, 29--30 July 2003, are now genuine obstacles. These challenges were identified as (see MetaCom, 2005:6):

- the lack of qualified and experienced manpower;
- the lack of material resources (offices, equipment, etc.);

- the lack of clarity on the SNC linkages to SADC secretariat on budgetary provision for programmes and projects for implementation within RISDP context;
- the lack of mechanism for integration of SNCs into government systems and procedures;
- the lack of full comprehension;
- the lack of internalisation and understanding of the roles of SNCs by stakeholders; and
- the lack of technical capacity for SNC sub-committees.

According to Le Pere and Tjønneland (2005: 24), SNCs are established, but they are still dependent on and serviced by official SADC contact points or focal points for SADC affairs, in most cases the Foreign Affairs Ministry. This raises the feeling that they still need to define their role as an implementing agency. Most of these institutions are also not established with the recommended structure and their scope to encourage wider participation in SADC affairs is limited.

The SADC secretariat has secured working relations with government departments, agencies and public utilities, both in member states and at the regional level, but no such relations are established with the private sector, the civil society, or even with parliaments (Le Pere and Tjønneland, 2005:25). Some progress has, however, been made in improving relations with the private sector, including links with the SADC Business Council and the SADC Business Forum.

8. Conclusion: Outcomes of SADC regional integration, evaluation and recommendations

The key expected outcomes of RI are higher growth and lower poverty. SADC as a whole has recorded good average growth during the period of 2001 to 2004 when compared to the previous period (1995-2000). However, a disaggregated view shows that in almost half of the SADC countries growth was slower in the second period. Towards the end of this period, Zimbabwe recorded negative growth rates, attributable to economic crises in that economy, while other countries such as Lesotho, Malawi, Mauritius, Namibia and Swaziland have also recorded declining

growth rates. Mozambique, Angola, DRC, Tanzania and Zambia have joined Botswana to become the fastest growing economies in the region.

Owing to limited poverty surveys in the region, hard data on poverty is not readily available. In the long-run, there is an indication that poverty is falling in SADC. It is only in Zimbabwe that the proportion of the poor is increasing. However, this is not more than a tentative conclusion, as the data is incomplete. Nevertheless, the conclusion of overall declining poverty draws some credibility from the fact that it is in line with the global trend of decreasing poverty.

Life expectancy has drastically declined in the region, mainly due to the spread of HIV/AIDS. Only Mauritius, Madagascar and Angola have experienced increasing life expectancy between 1990 and 2003. Adult literacy has increased significantly in a number of countries over the last decade.

Thus, with the exception of the HIV/AIDS trend, the economic tendencies in the region are positive. However, this does not indicate that they are due to RI, and not, more specifically, to its institutional dimension, and even more specifically to the development of SADC. These are important research questions that are beyond the scope of this report. However, the overall picture allows the conclusion that over the past years there has been a gap between the rising dynamics of RI driven by economic as well as civil society actors, and the slow speed of RI on the institutional level – including, but not limited to SADC (Hansohm et al., 2000-2005). This evaluation has two implications. First, the picture is not as gloomy as seen by many observers who base this assessment on a narrow focus on the progress of institutional integration. Rather, the region is integrating fast in many economic and non-economic dimensions, on the micro level through interactions of various actors. But secondly, a worrying characteristic of RI in Southern Africa is the dominance of South Africa, a tendency that is unfolding and strengthening in the process.

Nevertheless, this carries a risk of a 'backlash' against RI in Southern Africa – a danger that needs to be urgently addressed. The development of institutional RI, notably competition and industry policies, would be key instruments to balance regional development. But the question of spatial effects of RI in Southern Africa and

ways to address regional inequalities are also research questions that have hardly been addressed yet.

A related and as yet neglected aspect of RI in Southern Africa is the role of small countries in the process, notably towards the dominant economy of South Africa. It is generally, but wrongly, assumed that every government is keen on RI. But in reality it needs to be recognised that small countries have serious concerns (Helleiner, 1996). These include:

1 Policy autonomy

Small countries' access to the integration arrangement is likely to be highly conditioned. Thus, it would be misleading to address benefits and costs of integration primarily (or even exclusively) on the basis of trade effects. Modern integration arrangements are increasingly about the rights and obligations of partner countries' governments in respect of foreign investors, capital flows, intellectual property, modes for the supply of a variety of services, and the 'harmonisation' of innumerable other laws. Small countries can expect to have little influence over the rules that are to be harmonised. Small-country negotiators need to devote most of their current attention to these non-trade issues. Despite the advantages of credibility, policy autonomy may be desirable to permit the encouragement of innovation, technical change, indigenous learning, and diversification into more developmentally 'nutritious' activities.

2 Credibility of commitments

The degree of dependence on the agreement in the small country is bound to be much greater than that of the larger countries. Reciprocal agreements can generate benefits for the small countries in terms of increased credibility of their own policies, but the policies to which such commitments are made may not always be in the development interests of the small countries.

3 Adjustment costs

The standard trade theory argument abstracts from adjustment costs, but these may be substantial – in any case they are larger for the small countries.

4 Risk

The small countries face the risk of non-adherence of the large country to the agreement. The short-term adjustment costs and large country's possible failure to adhere to the agreement pose significant risks to the small countries.

These concerns apply very much to the situation in the region and can explain why the progress of RI is not faster than it is. The concerns are reinforced by the vast differences between rich and poor countries in the region in terms of capacity.

This leads to the (research) question on the motives of the actors, the incentives – again an as yet largely ignored research question. It is an urgent question because only an understanding of the incentives actors face will allow policy recommendations that are successful in terms of contributing to policy change.

Following are some specific and relevant comments.

Adequacy of SADC monitoring indicators: These do not reflect all of the stated aims of RISDP. For instance, the necessity of policies addressing special needs of less developed countries such as industrial policy are not part of the indicators.

Concentration on trade: The discussion of economic integration is generally concentrated on trade policy. This has at least two shortcomings. First, there are other important links to the world: investment, labour migration and aid, to name but three. Second and more importantly, trade policy is intertwined and often confused with other, and in some cases more general, macroeconomic policies (Oyejide, 1998). The heavy focus on trade policy in economic reform policies overestimates the role of trade policy. A number of domestic policies are crucial to underpin the success of trade policy.

Regional versus global trade integration: There is a limited potential of regional trade because of similar production structures in SADC economies. Most member states of SADC continue to export predominantly raw materials, while importing manufacturers -- there is a lack of diversity in terms of product ranges traded in the region (Van Seventer and Kalaba, 2005: v).

Recent years have seen an unprecedented proliferation of preferential trade agreements (PTA) in the world as a whole and in Southern Africa in particular. There is also a number of bilateral agreements that are currently in existence and under negotiation by SADC members. As an FTA, the STP does not in general restrict external trade policies of its individual member states.

In this context, the future impact of the SADC FTA and its evolution to a customs union, planned by 2010, is complex and unclear. It needs to take cognisance of the evolution of other regional initiatives. Notable are SACU (all members are also SADC members), the East African Community (Tanzania is a member of both) and COMESA (some SADC countries are members). Both COMESA and EAC plan to establish customs unions in 2006. Any customs union will necessitate the establishment of a Common External Tariff (CET).

Regional versus national policy: Not all of the objectives of RISDP are best dealt with at the regional level – they are issues rather to be dealt with mainly at the national levels (see Kanbur, 2001).

Trade-growth-poverty: The relationship between these objectives is complex. This fact is not given much attention within RISDP.

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