



Foreword

The Southern African Trade Development project is an initiative of Trade & Industrial Policy Strategies (TIPS), a non-profit economic research organisation based in Pretoria, South Africa. TIPS is active in the trade and industrial policy arenas in South Africa and the Southern African region in pursuit of viable economic policy solutions to developing country needs. The project was made possible with the generous support of the Australian Agency for International Development (AusAID). AusAID manages the Australian Government's official overseas aid programme, which endeavours to advance Australia's national interest by helping developing countries to reduce poverty and achieve sustainable development.

This is the third year of the project, which initially arose as a result of a number of interactions with the policy and research community in Southern Africa. The project was partially developed as a response to the data gap that exists with regard to trade statistics available for the region that are not of a mirror nature. The idea has been to provide a database of trade statistics with region-wide coverage that can be used by academics, policy-makers and other interested stakeholders to move clearly towards the SADC goal of improved evidence-based policy-making.

Under the auspices of the project, a number of activities have taken place in an effort to bridge this data gap. TIPS researchers have undertaken numerous country missions to Southern African Development Community (SADC) member states to collect individual country trade data. These data have been cleaned, checked for reliability and structured in a consistent and comprehensive manner to allow for the creation of the first Southern African Trade Database ever.

The database, which is accessible online at www.sadctrade.org, is continuously updated as new trade data become available. Currently this resource contains data covering the period 1998 - 2006 for 11 SADC member states, with the most recent addition being Madagascar. The Southern African Trade Database also contains a downloadable analytical tool developed by TIPS, which can be used to generate key trade ratios and indicators, thus simplifying trade analysis.

Another facet of this project has been the publication of an annual Intra-SADC Trade Performance Review, which involves the analysis of the trade performance of SADC member states. An important innovation of the Programme has been that the introduction of a SADC-wide trade database enables the analysis of SADC countries' trade with one another. This has been difficult to do previously, as the trade data have simply not been available. Using the Southern African Trade Database, we are now able to track intra-SADC trade flows. Crucially, this is a first step to being able to assess reliably the impact of the SADC Trade Protocol (STP).

TIPS, through its regional network of in-country researchers, also increasingly complements the analysis of data from the Southern African Trade Database with more country-based policy insights. And so in the third year of the Trade Performance Review, TIPS endeavoured to enrich the policy focus by inviting two experts to provide their views on some of the burning regional trade issues occupying the minds of SADC policy-makers and researchers. In this edition of the Review TIPS therefore introduces two thematic chapters which expand the trade policy debate in the areas of Economic Partnership Agreements (EPAs) and non-tariff barriers (NTBs). Our traditional focus on country-related analysis remains, but we have selected a sub-set of representative SADC countries – Mauritius, Tanzania and Zambia – to analyse and comment upon.

The country reviews presented in this publication are not intended to be definitive assessments of Southern African countries' trade performance; rather, they aim to increase the sophistication of the trade analysis presented progressively, and by using researchers based in member states, also to improve the capacity and expertise of trade analysts in Southern Africa.

I am therefore pleased to present the third volume of the intra-SADC Trade Performance Review and to acknowledge the outstanding effort of all researchers who contributed to the publication. I also wish to acknowledge the trade officials who provided the raw trade data without which the project would not have not been possible.

Finally, TIPS thanks the members of its research and support team who were instrumental in implementing the project, and we gratefully acknowledge the generous support of AusAID in ensuring that this important project became a reality.



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Introduction

The SADC member states span some nine million square kilometers and comprise a market of more than 250-million people. Countries in the region span practically the full spectrum of development stages, from Least-Developed Countries (LDCs) such as the Democratic Republic of Congo (DRC) and Malawi to middle-income, developing countries such as Mauritius and South Africa.

As indicated in the previous editions of the Southern African Trade Performance Review, one key constraint to increasing trade in the region is the lack of accurate and reliable trade data and the systematic analysis thereof. The Southern Africa Trade Performance Review 2007 builds on the work of the previous two editions of the Review to further map the trade flows of countries in the region, as well as assess their trade performance, with particular reference to intra-regional trade. This year, the Review has further strengthened the policy insight perspectives provided in the analysis by in-country reviewers, as well as giving a more focused perspective on specific industries of interest. Whilst a smaller sub-set of SADC member countries has been selected in this edition, this analysis has been complemented by the introduction of a new facet to the Review. To broaden the policy perspectives of the region, two key themes of particular interest to the region are presented in a critical fashion by prominent experts in these fields. With the phase-out of the Cotonou and introduction of Economic Partnership Agreements, all SADC member states have been trying to assess which configurations would be most suitable to them. Chris Stevens of the International Economic Development Group at the Overseas Development Institute (ODI) tries to shed some light on this burning issue, whilst Gregory Mthembu-Salter, an independent researcher and consultant, tackles non-tariff barriers, another crucial issue for trade in the region.

In chapter two of this Review, Longinus Rutasitara of the University of Dar es Salaam provides an overview of trade developments in Tanzania. He shows that trade flows have increased sharply since 1999 and whilst exports have grown fairly robustly, the demand for capital and intermediate imports has resulted in a progressive widening of the trade deficit. Since 2001, economic growth has exceeded 5% per annum and the country continues to strive to improve growth and productivity. A National Trade Policy was developed and later integrated into the National Strategy for Growth and Reduction of Poverty. The government appears to be committed to increasing its competitiveness and exploiting market access opportunities that may exist both in the region and beyond. There has been a strong focus on improving the investment climate, as well as engaging the private sector, but Rutasitara feels more can be done. Challenges remain with regard to infrastructure, transport and communications, among others – all critical elements if Tanzania is to realise its vision of becoming more globally competitive.

In chapter three, Dale Mudenda of the University of Zambia analyses how trade has progressed in this country over the past five years. He finds that exports have more than doubled since 2000, whilst imports have trebled. SADC remains an important trading partner, although countries in Asia, including China, are highlighted as increasingly important trading partners, despite Zambia not having concluded any preferential trading arrangements with this region. Mudenda is upbeat about the country's future export performance, citing the government's trade policy and public-private partnership approach to attaining export-led growth as key drivers. The country's macroeconomic performance has clearly improved, with external debt having decreased substantially, inflation having been reduced and economic growth of over 5% being recorded since 2003. The level of foreign direct investment has increased to almost 7% of GDP, driven by higher copper prices. Whilst copper remains the country's primary export commodity, accounting for over half of the country's total exports it is evident that some diversification has taken place since 2000 when it accounted for around 70% of total export earnings.

In chapter four, Sawkut Rojid, an independent researcher, reviews the Mauritian economy with a specific focus on its trade elements. He relates that the country is finding it difficult to diversify its economy away from its traditional exports of sugar and textiles. These sectors have benefited from trade preferences granted by the European Union and the United States, but with the phasing out of such preferences and increasing loss of global price competitiveness in these sectors, Mauritius has begun to diversify into financial services and information and communication technologies (ICTs). Sugar and textiles exports do, however, continue to dominate, accounting for over 50% of total exports. Although the country's key trading partners are still the EU and the US, Rojid highlights that Mauritius is actively looking at increasing its trade with the region. Whilst South Africa remains the country's primary SADC trading partner, trade with Madagascar, for example, is growing robustly and the country is aggressively pursuing consolidation of trade ties with its Indian Ocean island neighbour.

In chapter five, Chris Stevens tackles an issue that has truly focused the energies of all SADC member states, including the three countries this edition of the Review has selected to analyse. Since 1975, African, Caribbean and Pacific (ACP) countries have benefited from preferential access to the EU, as well as from development aid under the Lomé and later the Cotonou Agreements. During the 1990s, the World Trade Organisation (WTO) declared such preferential treatment towards these developing countries discriminatory, but granted a waiver for the Agreement to continue to hold until the end of 2007. In the run-up to this deadline, the EU has been negotiating a series of Economic Partnership Agreements, seen as an attempt to replace the

Cotonou Agreement. However, the process has been fraught with difficulty, particularly for SADC member states as they were confronted with various configurations of countries negotiating these agreements – which had to be concluded by 1 January 2008. As Stevens points out, the outcome has been SADC member states initialling agreements that are incompatible with SADC's goal of a customs union by 2010. He concludes that whilst the way forward might be tricky, there are solutions available.

In chapter six, Gregory Mthembu-Salter tackles a concept that consistently occupies the minds of policy-makers and other stakeholders in the region, particularly the private sector. Non-tariff barriers have often been cited as a key issue holding back intra-regional trade within SADC. Mthembu-Salter takes a novel approach to previous work done in this area as he draws on specific case studies to illustrate the key issues at play in the region. He highlights how poor infrastructure is adversely affecting trade – and hence development – in the SADC region. Mthembu-Salter encourages further investment in addressing current capacity constraints, for example in port and rail. He also encourages regional co-operation to eliminate NTBs, citing successful examples that include the introduction of the single administrative document (SAD), which has decreased the transit time of commercial vehicles by 40%. Whilst Mthembu-Salter reveals that such positive strides towards encouraging greater intra-regional trade are evident, he emphasises that the broader economic policies of individual countries remain an important over-arching driver of change in the region.

Unless otherwise specified, all data used in this review have been collected from SADC member countries and collated in the TIPS/ AusAID Southern African Trade Database, which can be accessed at www.sadctrade.org.