

MAKING THE SADC FREE TRADE AREA WORK FOR YOU

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ROADMAP FOR SUCCESS**

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Background

- SADCC established in 1980, Lusaka, Zambia
 - Loose alliance of Southern African governments
 - SADC Established on 17th August 1992, Windhoek Namibia
 - Membership: 15 Countries
- 1 Angola 2 Botswana 3 Democratic Republic of Congo
- 4 Lesotho 5 Madagascar 6 Malawi 7 Mauritius 8 Mozambique
- 9 Namibia 10 South Africa, 11 Swaziland 12 Seychelles
- 13 Tanzania 14 Zambia and 15 Zimbabwe

SADC Regional Integration Agenda

- The SADC regional integration agenda targets TARH -Regional Indicative Strategic development plan (RISDP) are:-
- 2000 - **Preferential Trade Area**
(Preferential tariffs on imported goods)
- 2008 - **Free Trade Area**
(Duty free and no barriers to trade SADC originating imports)
- 2010 – **Customs Union** negotiations completed.
(CET established- creating a single customs territory)
- 2015 - **Common Market** negotiations completed
(Free movement of capital)
- 2016 - Monetary Union
(SADC Central bank established)
- 2018 – **Monetary Union**
(Regional Currency launched)

The SADC Free Trade Area

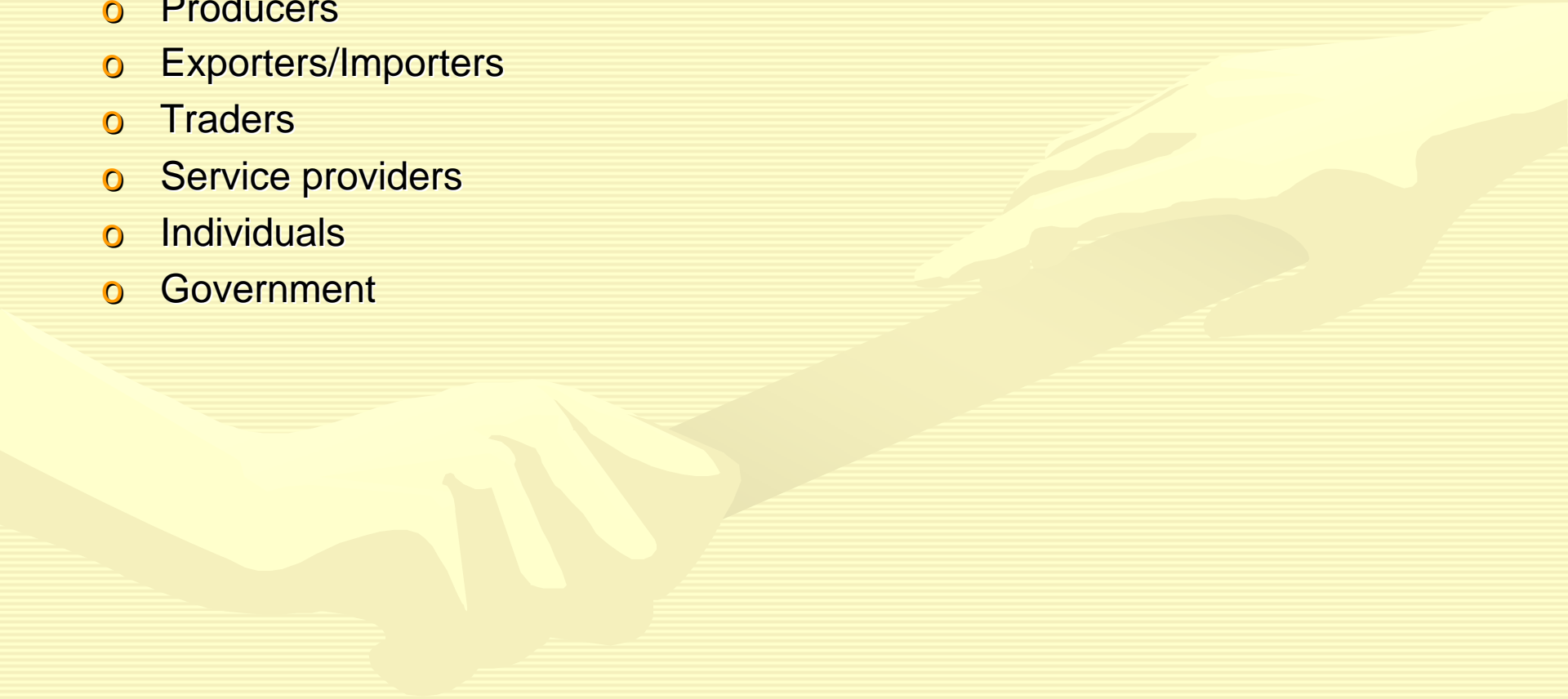
- Establishment of the SADC FTA is one of the objectives of the Protocol on Trade.
- SADC FTA launched on 17th August on 2008, Sandton, Johannesburg, South Africa
- Major milestone in SADC regional integration agenda.
- FTA key bench marks are:-
 - Tariff reduced to zero for substantially all products
 - 85% of goods trade in the SADC FTA will be duty free.
 - 15% , mainly sensitive products to be phased down to Zero by 2012.
 - Removal/reduction of Non Tariff Barriers (NTBs) to trade
 - NTB online reporting and elimination mechanism has been agreed upon.
 - Implementation in progress
 - Active participation of the private sector require
(reporting and monitoring implementation at National level)
- Eleven countries participating in FTA-Excluding
 - Madagascar (made tariff phase down offers)
 - Angola, DRC, Seychelles– Not Acceded to the Protocol on Trade

Requirements for goods to be traded duty free

- Goods must meet Rules of Origin Criteria
 - These are a set of agreed **criteria** used to distinguish between goods produced within SADC Member States and are therefore entitled to tariff preference
- The two rules of origin criteria
 - **Wholly produced**
 - Products made from materials obtained from within the region
 - **Sufficiently worked/processed**-Must meet the following:-
 - Regional value content test (import content or value addition criteria)
 - Note- Rule allows for accumulation
 - Change of tariff heading (HS Tariff classification)
 - Produced within the region and classifiable after processing.
- Documentary evidence
 - Certificate of origin

Making the FTA Work for You

- **Who is YOU?**
- Who is the beneficiary of the FTA
- Private Sector-Core driver in the process
- Producers
- Exporters/Importers
- Traders
- Service providers
- Individuals
- Government



Challenges

Making the FTA Work for You-Firm level

- Supply
 - ▶ gains from trade liberalization depends on the supply capacity
- Lower productivity and competitiveness
 - ▶ Productivity and competitiveness are major determinants for a firm to participate in export trade
- Behind the border issues- Major factors affecting productivity and competitiveness (production, trade and transaction costs)
 - NB – **may be equal or greater than tariff costs.**
 - ▶ Firm level –incl. technology, human capital, product, firm strategy, natural resources advantage, industrial structure etc)
 - ▶ Economic environment-Ineffective and costly infrastructural services-**rail**, road, electricity, telecommunications)

Challenges

- Get out of the Primary product and single market “traps”
- Diversification
 - ▶ Products
 - ▶ Markets

(both involve sunk costs-major challenge for SMEs)
- Foreign market information (work with other chambers, Govt agencies missions).
- Meeting FTA / member states requirements- RoO, documentation, standards , SPS, packaging, etc, particularly difficult for SME
 - ▶ Customs Union may provide a solution- CU establishes single Customs territory.
 - ▶ Harmonisation requirements
- Marketing/distribution networks-currently limited.
- Competition from SADC imports, since duty free- also from third countries
- Non-tariff barriers to trade.

Challenges

Member State Level

- Legal and regulatory framework which create delays to imports/exports
NB . transaction costs are major determinants of manufactures exports.
- Trade support institutions –generally weak .
- Trade and industrial policies- Micro level mostly weak.
- Infrastructure services (**rail, road, tel. energy other utilities**)- Inefficient and expensive

SADC Level

- Private sector participation/consultations in programme implementation-national /regional programmes not adequate.
- Secretariat obtaining information on what the private sector needs to be addressed limited.
- Ensuring Member States implementation agreed programmes.
- Elimination of Non Tariff barriers to Trade

Some key issues to address

FIRM LEVEL

- ▶ Re-orient of marketing strategy from national to regional/international.
- ▶ Focus on improving productivity and Competitiveness – target international market (in global village)
- ▶ Improve processes/quality/packaging/innovation of products
- ▶ Establish marketing/distribution networks
- ▶ Improve collaboration/consultations with government and deduce barriers to production and trade.

GOVERNMENT /SADC LEVEL

- ▶ Reduce sunk costs associated with marketing in foreign markets
 - Improve efficiency in of export promotion agencies /missions abroad/trade ministries
 - Create/enhance export support programmes.
- ▶ Put in place trade policies which support production and trade
- ▶ Focus on addressing behind the border barriers to production and trade
- ▶ Improve collaboration/consultations with private sector
- ▶ Research and development on issues affecting the private sector
- ▶ Improve trade facilitating
- ▶ **Address non-tariff barriers to trade**

Effectiveness of SADC FTA and monitoring implementation of SADC Programmes

- SADC has two components
- Elimination of tariffs
 - ▶ By August 2008 when SADC launched nearly all Member States were on schedule with their tariff phase down offers
 - ▶ Some countries reduced tariffs on more than 85% of products.
 - ▶ SADC has been effective in reducing tariffs
- Elimination of Non-tariff barriers to trade
 - ▶ Studies undertaken in 2004/2007 shows that a number of NTBs still exist.
 - ▶ SADC has not been very effective in NTB elimination
- Mechanism to be used for eliminating NTBs in SADC has been agreed upon and is being implemented.
 - ▶ Private sector, government and individuals will be responsible for reporting NTBs.
 - ▶ Reporting of NTBs can be done via the internet, fax, telephone.
 - ▶ Government and Private Sector focal points have been designated in each member State who will be responsible for addressing NTBs.
 - ▶ Private sector will also be responsible for monitoring elimination NTBs. of Non-tariff barriers to trade
- Implementation of programmes under the trade protocol
 - ▶ Plans under consideration to implement an SADC wide Trade and Monitoring Compliance Mechanism to be used in monitoring and facilitating implementation of all trade programmes.
 - ▶ Planned to be an expansion of the NTB mechanism.

Conclusion

- ▶ The SADC offers huge potential for increased trade among Member States
- ▶ However, tariff reduction alone is not sufficient to make the SADC FTA Work for You
- ▶ Neither is Macro economic stability alone sufficient to make the FTA Work for You.
- ▶ Elimination of NTBs alone is not sufficient to Make the SADC FTA Work for You.
- ▶ But these are essential conditions.
- ▶ MAKE the SADC FTA work for You
 - ▶ Get out of the commodity trap
 - ▶ Get out of the single export market trap
 - ▶ Re-orient production and marketing strategies
 - ▶ Increased productivity and competitiveness of products
 - ▶ Confront challenges to exports at firm and Macro levels head on.
 - ▶ **Focus on specifics**
- ▶ Partnership/consultations amongst all stakeholders critical for success

Make the FTA Work for You

Thank You

