Appendix 17. Intraregional Trade—Further Discussion

Regional Programmes for Food Security (RPFS) offer measures to expand intra-regional trade and competitiveness in external markets, to assist in creating improved conditions for the sustainable growth of agriculture, including through trade facilitation. According to SADC food security documentation (SADC Ministerial Briefs, 2003; FANRVAC Highlights, 2002and 2003) prior to the mid-1980s, most SADC countries had adopted inward-looking development strategies and interventionist / protectionist trade policies. Since then, most countries have undertaken substantial trade policy reforms in line with market liberalization and regional integration initiatives. In Namibia for example, the government has privatized support services such as tractor and seed provision and agricultural boards no longer set prices nor procure agricultural products. Most governments have reduced trade-restricting practices in both tariff and non-tariff areas as part of comprehensive economic reform programmes.

Current trade policies in most SADC countries aim at developing competitive economies with export- led growth, by harmonizing trade policies in line with the SADC Protocol on Trade and other regional and international trade agreements. The Economic and Social Research Foundation (ESRF) issued a similar report in March 2003. In this ESRF final synthesis report of the combined findings based on five country studies (South Africa, Tanzania, Zambia, Malawi and Namibia), substantial liberalization of trade policy, along with complementary domestic policy reforms over the 1990s, are observed. In a few cases, policies were found to be inconsistent with the SADC trade protocol. However, the policy environment has generally become more favorable to increased regional trade over the past decade. The table below summarizes the evolution of trade policies in the five countries that participated in the “Trade Policies and Agricultural Trade in the SADC Region study and presents the recent trends in intra- SADC trade.

Trade Policy Evolution and Trends in Intra-SADC Trade

	Trade Policy Evolution	Trends in Intra-SADC Trade
South Africa	Substantial liberalization of the economy through reform of the import regime and deregulation of the agricultural sector.	Rapid growth of agricultural exports to SADC member states, primarily of high value products. Much slower growth in imports than exports.
Namibia	Namibia has an open economy, with liberalized trade policies in line with WTO commitments.	Trade remains dominated by SACU Angola represents an important potential market.
Zambia	Standard trade reforms through SAP during 1990s. In 2002, introduced a six-month ban on imports for 14 Zimbabwean products (most of them agricultural).	Erratic but upward trend in non-traditional ag. exports. Increased imports especially of primary and high value products primarily from South Africa.
Malawi	Reduced tariff rates to a maximum 25%, eliminated some discriminatory taxes, and broadened tax base. Import/export licensing has been abolished for most, but not all products. Maize exports require a license.	*Declining* trade with other SADC countries, including both exports and imports.
Tanzania	Deep economic reforms over the past 15 years with an explicit export oriented development strategy. Export licenses still required for staple food products. Maize exports may be banned in times of shortage.	Share of exports to SADC in total increased from 3.3% in 1990 to 3.9% in 2000. Share of imports from SADC (mostly South Africa) increased from 1.2% in 1990 to 12.4% in 2000.

Source: FANRPAN Agricultural Trade Study, 2003

While substantial steps to liberalize trade have been taken, current policy still falls short of the free trade ideal. Many countries within SADC continue to impose some types of tariff, non-tariff and other technical barriers to agricultural trade. The SADC Protocol on Trade implies policy reforms to dismantle existing protectionist measures. The elimination of intra-regional tariffs, which frequently occur during the time of food crises needs to be immediately implemented. Countries should continue to move toward food self-reliance strategies and away from food self-sufficiency strategies.

Substantial cross-border trade opportunities exist in the southern African region, given its large size and diverse agro-ecological and climatological variations, which virtually assure good production potential in at least some parts of the region in any given year. Inappropriate and constraining policies can cause domestic market failures in some countries, perpetuating food insecurity. Within the SADC region there appears to be a direct and positive correlation between the degree of domestic market liberalization for food commodities and the level of national food security. Increasingly some southern African countries are using the private sector for targeted safety net programs.

Recommendations put forward by ESRF (2003) include curtailing policy "backsliding" by eliminating and renouncing temporary import and export bans or increases in tariffs, and eliminating licensing and publishing applicable tariffs well in advance. There is also need to capitalize on regional economies of scale by, for example: i) adopting common and mutually recognized standards and grading methods, ii) harmonizing regulations, and iii) coordinating market information services to make information available on a region-wide basis. The borders should be made less restrictive by simplifying customs procedures, and adopting as simple a rate structure as possible. The role and scope of existing regional and international agreements should be clarified and differences between intra-SADC bilateral agreements and regional policies eliminated. Areas, which require further study, include; financial sector issues (cross border payments systems, financing of storage and implications for trade and Intra-SADC capital flows and controls). Others are relationship between retail FDI and agricultural trade flows, and the possibility of adopting a common external tariff so that rules of origin issues can be avoided and links with agreement proliferation.

Intra-regional trade should increase economic growth in the region by directing scarce productive resources to their best uses. A unified approach of maximizing comparative economic advantages (CEA) in agricultural production and trade in southern Africa, as proposed by Hassan, Fairbanks, Magagula and Faki, (1999) needs to be implemented. Donors need to provide support to member countries in defining priority lines of regional action plans for greater mutual benefit, based on their CEAs, and in identifying policy issues whose success in one country depends on collaboration and support from the others. For that to happen it is crucial for every country to understand intra- regional agricultural trade patterns and policies, and the associated challenges and implications. Some of the challenges related to the development of trade in for example the SADC region include:

- A need for freer movement of good and services across borders.
- Improved competitiveness and quality of sanitary and phytosanitary standards and other food safety issues such as pest risk assessments, diseases and pests affecting sustainable use of cross boundary natural resources (such as water and fisheries resources), as well as mobilization of resources for addressing regional constraints to food security, agriculture and rural development.
- Progress towards harmonizing trade policies not only in the region but also to be in unison with development investors and the private sector.
- Ensuring that SADC trade policies conform to the global economy, as per WTO regulations.
- Diversification in tradable commodities according to each country's comparative advantage.
- Ensuring that membership in multiple trade blocks does not lead to conflicting or contradicting policies.