

Gaining from Trade in Southern Africa

Also by Jonathan Leape

BUSINESS IN THE SHADOW OF APARTHEID (*edited with Bo Baskin and Stefan Underhill*)

PRIVATE CAPITAL FLOWS TO AFRICA: Perception and Reality (*with Nils Bhinda, Stephany Griffith-Jones and Matthew Martin*)

Gaining from Trade in Southern Africa

Complementary Policies to Underpin the SADC Free Trade Area

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in association with
COMMONWEALTH SECRETARIAT



First published in Great Britain 2000 by

MACMILLAN PRESS LTD

Houndmills, Basingstoke, Hampshire RG21 6XS and London
Companies and representatives throughout the world

A catalogue record for this book is available from the British Library.

ISBN 978-1-349-41754-4

ISBN 978-0-230-52346-3 (eBook)

DOI 10.1057/9780230523463



First published in the United States of America 2000 by

ST. MARTIN'S PRESS, LLC,

Scholarly and Reference Division,
175 Fifth Avenue, New York, N.Y. 10010

Library of Congress Cataloging-in-Publication Data

Gaining from trade in Southern Africa : complementary policies to underpin the
SADC free trade area / edited by Carolyn Jenkins, Jonathan Leape, and Lynne
Thomas.

p. cm.

"First published in Great Britain 2000 by Macmillan Press"—T.p. verso.

Includes bibliographical references and index.

1. Africa, Southern—Commercial policy. 2. Free trade—Africa, Southern. 3.
Africa, Southern—Economic integration. 4. Structural adjustment (Economic
policy)—Africa, Southern. 5. Southern African Development Community. I.
Jenkins, Carolyn M. (Carolyn Marion) II. Leape, Jonathan. III. Thomas,
Lynne, 1969—

HF1613.3 .G35 2000

382'.0968—dc21

00-031126

Editorial matter, selection and Chapter 1 © Carolyn Jenkins, Jonathan Leape and Lynne
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Chapters 2-9 and Appendices © Commonwealth Secretariat 2000

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10 9 8 7 6 5 4 3 2 1
09 08 07 06 05 04 03 02 01 00

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Foreword

The Economic Affairs Division of the Commonwealth Secretariat has, in the past few years, provided considerable support to the process of trade liberalisation among the SADC member countries. That work has included a number of studies on the likely impacts of trade policy changes on trade flows within the region. Trade policy, however, is at its most effective when the appropriate framework of complementary economic policies is implemented. This study examines an overall economic framework to sustain and promote more liberal trading arrangements in SADC.

The analysis focuses on several key issues. The role of macroeconomic policy coordination at the regional level is examined in some detail. Fiscal adjustments, in particular, are a subject of concern in many regional trading arrangements and SADC is no exception; this study analyses this issue. The process of developing an adequate competitive framework in the region requires, among other things, the removal of constraints on cross-border investments. The study assesses the progress which has been made in this direction. While trade liberalisation creates opportunities, it also requires appropriate policies to utilise those opportunities. The study also examines export promotion measures, initiatives to overcome sectoral adjustment difficulties and arrangements which can facilitate adequate distribution of the gains from trade liberalisation.

Since the latter part of 1998, SADC governments have been engaged, through the SADC Trade Negotiating Forum, in an intensive process to reduce tariff and non-tariff barriers in the context of the SADC Trade Protocol (concluded in August 1996). To reap the full benefits of the trade agreement, nevertheless, the framework of complementary policies described in this study should be created. The main conclusions and recommendations were presented to the SADC Trade Negotiating Forum, on 26 January 1999, in Harare. This study incorporates the comments made at this meeting.

The study has been prepared by a team of economists led by Dr Jonathan Leape, Director, Centre for Research into Economics and Finance in Southern Africa (CREFSA), at the London School of Economics. He has been ably supported by Dr Carolyn Jenkins and Lynne Thomas of CREFSA, and Professor Gavin Maasdorp, Richard Hess and Nora Hill of Imani Development.

The continuing support provided by Mr A.T. Pallangyo, former Director of the SADC Industry and Trade Coordination Division (SITCD), and his colleague, Mr Nestor Rweyemamu, for our programme of work on regional cooperation in the sub-region is much appreciated. Dr John Evers, Deputy Director, had overall responsibility for the project which was undertaken under the supervision of Dr Jackson Karunasekera, Chief Programme Officer, Economic Affairs Division.

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Acknowledgements

The idea for this book originated with the announcement by policy-makers in the Southern African Development Community (SADC) of their intention to create a Free Trade Area in the region. Following consultations with the SADC Industry and Trade Coordinating Division (SITCD), the Commonwealth Secretariat commissioned a study to investigate what complementary economic policies SADC member states should pursue if they are to maximise the gains from entering into a regional free trade agreement. The study was carried out by the Centre for Research into Economics and Finance in Southern Africa at the London School of Economics, with the Southern African-based consultancy group, Imani Development. The conclusions and recommendations of the report were presented to the SADC Trade Negotiating Forum in Harare in January 1999.

This book, which is based on that report, is published in the belief that the study is of broad interest to policy-makers and researchers concerned with Southern Africa and also to those concerned with trade liberalisation and development. The key theme of the book – the importance of consistency between trade reform and the wider economic policy framework, including institutional development – is of general relevance to developing and emerging economies.

The authors wish to thank the Commonwealth Secretariat for their financial support and the interest shown in the project from inception to completion. In particular, John Eyers, Dick Gold and Jackson Karunasekera provided helpful advice throughout the project. We are also grateful for support from SADC, especially Mr A.T. Pallangyo at the SITCD in Dar-es-Salaam, who promoted the project; Drs P. Ramsamy and M. Stahl at the SADC Secretariat in Gaborone, who provided helpful comments; and Ms B. Kunene at the SADC Finance and Investment Sector Coordinating Unit in Pretoria, who was invariably supportive. In addition, government officials in SADC member states and participants at the Trade Negotiating Forum were generous with their time, their information and their interest in the project.

The study on which this book is based was carried out in the first half of 1998. Final revisions to the chapters were made following the SADC Trade Negotiating Forum in Harare in early 1999.

List of Abbreviations

ADB	African Development Bank
AEC	African Economic Community
BLNS	Botswana, Lesotho, Namibia and Swaziland
BOT	Build Operate Transfer
CARICOM	Caribbean Community and Common Market
CBI	Cross-Border Initiative
CEAO	Communauté Economique de L'Afrique de l'Ouest
CEN	Capital Export Neutrality
CIN	Capital Import Neutrality
CMA	Common Monetary Area
COMESA	Community of Eastern and Southern Africa
CREFSA	Centre for Research into Economics and Finance in Southern Africa
DBSA	Development Bank of Southern Africa
ERDF	European Regional Development Fund
EPZ	Export Processing Zone
EMIA	Export Marketing and Investment Assistance
FDI	Foreign Direct Investment
FISCU	Finance and Investment Sector Coordinating Unit
FTA	Free Trade Area
EU	European Union
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
GSP	Generalised System of Preferences
GST	General Sales Tax
GVM	Gross Vehicle Mass
IDZ	Industrial Development Zone
IMF	International Monetary Fund
MERCOSUR	Mercado Común del Sur
MSME	Micro, Small and Medium-sized Enterprises
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organisation
NSB	National Standards Bureau
OAU	Organisation of African Unity

OECD	Organisation for Economic Cooperation and Development
RILS	Regional Industrial Location Study
SABS	South African Bureau of Standards
SARA	Southern African Railways Association
SARC	Southern African Rail Corporation
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
SDI	Spatial Development Initiative
TRIMS	Trade-related Investment Measures
UEMOA	Union Économique et Monétaire Ouest-Africaine
VAT	Value Added Tax
WEF	World Economic Forum
WTO	World Trade Organisation

Notes on Contributors

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Jonathan Leape is founding Director of the Centre for Research into Economics and Finance in Southern Africa at the London School of Economics and Lecturer in Economics. He has undertaken numerous studies of economic and financial policy issues facing South and Southern Africa and has acted as consultant for a wide range of institutions.

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