

Promoting Regional Integration in Southern Africa



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Challenges in Structuring Trade Relations
with Third Parties

Presented by Minister Davies, September 2009

Washington DC, USA

- Widespread agreement about desirability and necessity of accelerating regional integration in Africa;
- The fundamental issue is how to do this in a way that is sustainable and contributes to promotion of economic growth and development.

Theoretical Perspectives: Neo Classical CU Theory

- Elaborated by Jacob Viner in 1950s
- Envisages movement, in linear succession, up the “ladder of integration”
- Preferential Trade Area; Free Trade Area (WTO legal “substantially all” or literal); Customs Union; Common Market; Economic Union; Political Union
- Viner theory broadly informed European integration process.

Neo-Classical CU Theory ctd

- But Viner argued for regional integration to be economically beneficial “trade creation” must > “trade diversion” .
- Such conditions generally occur when high degree of complementarity.
- Generally exist in developed, but not developing regions; latter low levels of intra regional trade; export similar primary products outside region; limited capacity.

Alternative Development Integration Approach

- Questions mechanical sequencing of Viner stages in developing regions;
- Argues major barriers to intra-regional trade often inadequate infrastructure and underdeveloped production structures rather than tariffs or regulatory barriers;
- Concludes integration processes must be complemented, and indeed preceded, by advances in cooperation and coordination programmes to address real economy constraints.

Development Integration ctd

- Latter must create objective conditions to make trade integration moves viable and sustainable;
- Depends on high level of political cooperation at an early stage of process.

SADC Milestones

- 1996 Trade Protocol initiates asymmetrical and differentiated process of removing duties on “substantially all” intra SADC trade;
- SADC FTA launched August 2008, establishes regional market worth \$ 360 bn with population of 170 mn, will increase by \$ 71 bn and 77 mn people when Angola and DRC join.

SADC Integration: Next Steps

- Subject of Debate: RISDP says CU by 2010, but this won't be realised;
- For SA immediate priorities - consolidate the FTA and widen integration across RECs starting with SADC-Comesa-EAC FTA

Consolidating SADC FTA

- Advance agreed agenda of RoO, customs cooperation and other trade facilitation;
- Address reality that despite fact that SACU has removed duties on 97% plus imports from other SADC, still big trade imbalance.
- Says to us major barriers not tariffs, but underdeveloped production structures and inadequate infrastructure.

Consolidating SADC FTA Cont

- Consolidation of FTA must therefore be complemented by more effective cooperation to promote infrastructure and industrial development;
- Moving to a CU a major endeavour that will require a common understanding of tariff policy as tool of development and proper negotiation of a CET

Broadening Integration across RECs

- SADC-Comesa-EAC Heads of State agreed to enlarge FTA across three regions;
- SADC Trade Ministers identified this as next major priority.

Potential Impact of 3rd Country Agreements

- EPA negotiations between EC and ACP regions an important case study;
- Driven by desire to move from non-reciprocal preferences to reciprocal FTA agreements;
- Also perceived need to distinguish between LDCs, so-called “advanced developing countries” and other developing countries;

The Case of EPAs Cont

- Also shaped by broader ambitions to promote “trade related” commitments in areas of investment rules, competition law etc as well as develop trade in services agreements.
- SADC countries divided into 4 separate negotiating configurations with differing tariff phase down schedules.

The Case of EPAs Cont

- Some countries involved in negotiating trade in services, others not in a context where no regional trade in services agreement yet exists.
- Trade related commitments imposed on some (in context of potential loss of market access) while others not included.

The Case of EPAs Cont

- Even within SACU (the oldest CU in the world) differentiated commitments undermine cohesion.
- Altho' stated aim of EPAs to strengthen regional integration, SA's view is that up to now they have become a complicating factor.

Implications for AGOA

- Our view is that basic AGOA architecture doesn't need replacing.
- It could, however, be improved.
- Greater certainty about long term (post 2012/15) would encourage investment.
- Inclusion of all countries in regional groupings in same arrangement would enhance regional integration.

Implications for AGOA Cont

- Widening product coverage would assist product diversification.
- Agree with US GAO Report to Congress that infrastructure development, trade capacity building are critical complementary measures.

Implications for AGOA Cont

- Recognise that at this point building trade capacity is fundamental in supporting regional integration.



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Thank you