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TRADE PROSPECTS IN SOUTHERN AFRICA: THE ROLE OF
THE SOUTHERN AFRICAN DEVELOPMENT COORDINATION CONFERENCE (SADCC)

by

ROBERT OWEN JONES

c. 1985 by ROBERT OWEN JONES

A thesis submitted to the Faculty of Graduate Studies and Research
in partial fulfillment of the requirements for the degree of Master
of Arts in International Affairs.

The Norman Paterson School of International Affairs

Carleton University

Ottawa, Ontario

Canada

December, 1985

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The undersigned hereby recommend to the Faculty of
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ABSTRACT

The Southern African Development Coordination Conference (SADCC) is one of the most recent and promising examples of inter-state cooperation in Africa today. The organisation is committed to the achievement of economic liberation for its nine member states, and to the reduction of dependence on the Republic of South Africa. In its founding Declaration, issued at Lusaka in 1980, the SADCC leaders pledged their commitment to two main objectives: to forge links between themselves in order to overcome the fragmentation that currently divides their economies; and to create, above all, the basis for a "genuine and equitable regional integration" for the southern African region. This study will focus on the vital role that intra-regional trade can play in helping the SADCC countries achieve these objectives, deemed vital to the struggle for economic liberation in southern Africa.

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LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific Countries
ADB	African Development Bank
BS	Botswana, Lesotho and Swaziland
CAF	Central African Federation
CEAO	West African Economic Community
DCS	Developing Countries
DMEs	Developed Market Economy Countries
EAC	East African Economic Community
ECA	United Nations Economic Commission for Africa
ECOWAS	Economic Community of West African States
EEC	European Economic Community
FAO	Food and Agriculture Organisation of the United Nations
GDP	Gross Domestic Product
LDCs	Less Developed Countries
MNCs	Multinational Corporations
MFN	Most Favoured Nations Clause
MNR	Mozambique National Resistance
MVA	Manufacturing Value Added
NTBs	Non Tariff Barriers
ODA	Official Development Assistance
OAU	Organisation of African Unity
PTA	Preferential Trade Area for Eastern And Southern Africa
RBI	Resource-Based Industrialisation
RMA	Rand Monetary Area
RSA	Republic of South Africa
RTTA	Ruvuma Free Trade Area
SACU	South African Customs Union
SADCC	Southern African Development Coordination Conference
SADF	South African Defense force
SATCC	Southern African Transport and Communication Commission
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organisation
UNITA	National Union For The Total Independence of Angola

INTRODUCTION

The task of this paper is to examine and evaluate the question of trade between the member states of the Southern African Development Coordination Conference (SADCC). The position of the trade sector within the organisation is ambiguous, for as yet, SADCC has not allocated sectoral priority to trade development, though the issue is currently under review by the SADCC secretariat. Intra-SADCC trade is, however, a key element in the organisation's stated aim of reducing dependence on South Africa. Regional trade also enhances SADCC's chances of achieving self-sufficiency in agricultural, industrial and energy production. Our discussion will examine the dynamics of the trade issue within SADCC. Special focus will be given to the potential for increased trade between the member states, an examination of the constraints to inter-state trade, and the formulation of a SADCC strategy that will help overcome these constraining factors. We first turn, however, to a description of the historical and regional setting within which SADCC's particular response to integration, and the position of trade therein, may be situated and understood.

SADCC's origins are to be found in the grouping of the so-called Frontline States (Mozambique, Angola, Botswana, Tanzania and Zambia) which emerged in 1975 following the flight of the Portuguese from their former southern African colonies. A number of key issues brought these five newly independent countries

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together, including the striving for a united front over the war of liberation in Rhodesia, joint concern over South Africa's illegal occupation of Namibia, and increasing anxiety towards Pretoria's economic aggression and military expansionism throughout the region. From about 1977 onwards, therefore, the notion of forming a regional organisation to promote coordinated economic development was pursued, mainly through the commendable initiative of the late Sir Seretse Khama, and key officials of the European Economic Community (EEC). On the 1 April 1980 in Lusaka, a declaration was signed by the five Frontline states, joined by Malawi, Lesotho, and Swaziland, along with the newly independent Zimbabwe, that formally brought SADCC

A) Integration in Africa: The Historical Record

It is essential to view SADCC within the context of the plethora of regional initiatives appearing across the African continent since the days of independence. Due to the small scale, fragility, inadequate resources and dependency of most African nations, frequent pleas have been made by African leaders in the post-colonial period for a pooling of potential to promote economic development at the regional level. To break the constraints imposed by a small internal market, to achieve the essential economic diversity associated with economies of scale, and to reduce their dependence on outside forces, the newly independent African states have come to view economic integration as an important means through which their political and economic

standing in the global division of labour may be improved.

Somewhat surprisingly, this enthusiasm for regional initiatives has not been dampened by the failure and dismal performance of most such economic groupings. Indeed, two of the three most important regional organisations in which SADC members have been involved have, to put it mildly, ended in disappointment.

Once the centre-piece of African achievements, the East African Community (EAC) was torn apart by the numerous problems associated with distribution of the net benefits of cooperation, as well as by inter-state rivalries within the organisation.⁽¹⁾ In the case of the Central African Federation (CAF), integration became both a political and economic tool of the colonial administration of Southern Rhodesia. With the aid of labour supplies from Nyasaland (Malawi), the copper rich resources of Northern Rhodesia (Zambia) were generally exploited to the considerable advantage of the white settler community in Salisbury (Harare). Ironically, the only regional grouping that has endured in southern Africa, the Southern Africa Customs Union (SACU), binding Botswana, Lesotho and Swaziland (RLS) to the Republic of South Africa (RSA), is characterised by asymmetrical dyadic relationships to the advantage of the apartheid regime. As Professor Green, an advisor to SADC has pointed out, SACU

(1) See for instance John Ravenhill, "Regional Integration and Development in Africa: Lessons from the East Africa Community", Journal of Commonwealth and Comparative Politics, 17, (November 1979).

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represents, "a regional system which is an extreme example of domination and dependence, and is overtly designed to achieve economic and political aims quite contrary to those of independent African States." (1)

Meanwhile, two examples from West Africa also point to the limitations of integration schemes on the sub-continent. The Economic Community of West Africa (ECOWAS), presently in its tenth year, is impeded with the familiar fissures that have plagued other regional groupings, namely the persistent emergence of disruptive national rivalries. Unfortunately ECOWAS member states have been reluctant to display the political will necessary to reduce the inevitable tensions arising from regional, as opposed to national development planning. Likewise, the francophone Economic Community of West Africa (CEAO) has done little, to date, to achieve its avowed aim of increasing intra-community trade. Like ECOWAS, the CEAO seeks to fundamentally diversify the economies of its member states, promoting industrial development and structural change. Again, the CEAO has only served, thus far, to reinforce the unequal development of certain participating states, especially the relative position of its strongest member, the Ivory Coast. (2)

An understanding of the failure of these integration schemes

(1) Reginald H. Green, *Toward Southern African Regionalism: The Emergence of a Dialogue*, *African Contemporary Record*, Colin Legum (ed.), Volume XI, 1978/79, pp A40-49.

(2) Julius Emeke Okolo, *Integration in West Africa*, *International Organisation*, 39, 1, (Winter 1985), p.121.

is essential, we suggest, if we are to analyse and evaluate the current attempt made by the SADC member states to overcome the economic and political obstacles that have in the past forestalled meaningful regional cooperation among African nations.

Firstly, the example given by the EEC, emphasising trade creation through integrative schemes aimed at enhancing industrial economies of scale, is for the most part inappropriate in the African context, for several structural reasons. Agricultural backwardness, lack of physical infrastructure and a dearth of capital and human resources cannot be overcome through the simple creation of a customs union or common market. Too often, integration in Africa has been seen as an end in itself, rather than one of the means through which economic development may be pursued. In traditional integration theory, as applied to the developed industrial economies of Europe, liberalisation of trade policies among integrated member states should lead to specialisation of production between participating countries and a more efficient use of installed capacity. Yet for the African states that trade very little among themselves, are generally at a low level of industrial development, and tend to produce competitive and primary export products, the scope for trade creation through regional economic integration is clearly far more limited.

Secondly, as Hazlewood has stressed, the problems associated with the sharing of the gains and losses of regional cooperation

has perhaps been the main impediment to regional integration in the African experience.(1) Within a common market of industrialised countries, the scale of productive structures and the levels of high complementarity are generally sufficient to offset the problems arising from the distribution issue. In the African context, however, sharing out the benefits, and spreading an equal load of the costs of integration, is of critical importance to economies suffering from relatively low productive capacity, whilst struggling to supply the growing needs of their rapidly expanding populations.

The dynamics of economic integration alone are not enough to offset regional disparities. Indeed dependence on the free play of market forces, central to orthodox integration theory, only serves to reinforce existing income inequalities amongst participating countries. As the case of Kenya in the EAC aptly demonstrates, numerous attempts introduced to offset the dominant position of the strongest member of a customs union, have often proved inadequate. The strong states have tended to grow economically stronger, at the expense of the weaker, less developed members. This would suggest that the problems associated with distribution have received inadequate consideration by African states endeavouring integration schemes, a factor that clearly influenced the SADC founding fathers in their particular response to regional cooperation.

(1) Arthur Hazlewood (ed.), *African Integration and Disintegration*, (London: Oxford University Press, 1967), p.14.

A third setback to integration projects of particular relevance in the African context, is the close interaction of political and economic phenomena. Thus, even where a suitable economic climate does exist, this is not a sufficient condition to ensure enhanced integration if hostile political and ideological differences among member states prevail. Again, where economic conditions are unfavourable to regional coordination, then the political will alone will not guarantee success. Furthermore, any rendering of sovereignty by independent nation states towards a regional (supranational) body is frustrated in Africa where both the salience of nationalism and the weakness of the existing state often oblige leaders to give priority to immediate, local issues, rather than to longer term, regional goals.

B) SADC'S Development Model

With the experience of these early attempts at regional economic integration uppermost in mind, the SADC initiators sought ways of pursuing their common interests, without falling foul of the recurring difficulties that had obstructed previous regional schemes. Steering well clear of the lofty ideals of Pan-African unity, the SADC leaders approached regional cooperation from a commendably pragmatic and flexible standpoint. The common goals between members, rather than a common market of member states was seen as the basis for economic coordination. As the late Seretse Khama pointed out, all SADC states had

previously had hostile experience with former models of trade creation, whether in the form of free trade areas or customs unions. All such ventures he claimed, had only served "to limit our development, to enrich externally based firms and interests, and to hamper national planning." (1)

Adopting a highly practical model to achieve "a genuine and equitable regional integration", (2) SADC avoided the creation of supranational institutions, pursuing instead a decentralised, consensus-based decision-making process. SADC has been quick to respect the national sovereignties of its member countries, clearly a priority for an organisation whose members encompass the entire spectrum of the ideological continuum, from the Marxist states of Angola and Mozambique to the conservative, capitalist regimes of Botswana and Malawi. (3)

Confrontation between members has been avoided within SADC, partly due to the respect paid to national as well as regional priorities, but mainly due to the group's ability to recognise its common interests, or more pertinently, to appreciate its common enemy. Nye identifies one of the key conditions to the

(1) in Amon J. Nsekela (ed.), *Southern Africa: Toward Economic Liberation* (London: Rex Collings, 1981), p. xiii.

(2) The Lusaka Declaration, in Nsekela, op. cit., p. xiii.

(3) As *New African* dryly put it, "Given the makeup of the member governments, a grab-bag of Marxist states, fervent anti-communists, a monarchy, a multi-party democracy, and a de facto dictatorship, the odds on a quick breakup looked good." *New African*, July 1985, p. 38.

realisation of regional schemes as:

the common definition of the external situation and the measures to be taken to deal with it(1)

Southern Africa's dependence on Pretoria, compounded by the Republic's economic and military aggression in the area, makes the "external situation" an ever pressing reality for SADC member states.

For these reasons, SADC has pledged its commitment to gradual integration from below. Emphasis, thus far, has been placed on improving rail, road and port facilities, creating telephone and electricity networks to link up otherwise divided capital cities, and the establishment of civil aviation projects to ease inter-SADC travel. Such infrastructural arrangements laid the groundwork for coordinated regional development, and improved production, to enhance unused productive capacity between member states.

However, SADC's attempts to reduce its dependence on Pretoria have not been taken lightly by the apartheid regime. A number of counter-strategies have been deployed by the South African government, including political, economic and military responses to the initiatives of her neighbouring states. It remains to be seen whether the RSA's destabilising policy, aimed at maintaining its hegemonic position in the region, can be

(1) Joseph S. Nye, "Comparing Common Markets: A Revised Neo-Functional Model", *International Organisation*, 24, (August 1970), p.819.

successfully countered by SADC's attempt at collective self-reliance. What is clear, nonetheless, is that the organisation emerged at an extremely difficult historical juncture, and faces a Herculean task ahead. So far, against heavy odds, SADC has succeeded where its predecessors have failed, and though only six short years into its regional experiment, has established a solid foundation for future cooperation.

Due essentially to the economic and political heterogeneity of its member states, the nature of SADC integration has so far been of only limited scope. Emphasising the more neutral and technical side of integration through a focus on infrastructural development, SADC has bypassed the potentially volatile issues such as trade. Yet as the realm of regional development broadens, and the SADC states face the inevitable coordination of asymmetrical national policies that genuine integration implies, the scope for conflict clearly arises. The issues common to any regional group will then be raised, such as the the location of new industries, the role of foreign capital and the reduction of tariff barriers between members, issues that will require complex negotiation over distribution of costs and benefits, and will entail harmonisation of divergent national development goals.

Our discussion will attempt to establish a framework for the analysis of the trade question, in order to evaluate potential areas of trade coordination and cooperation between the SADC member states. This study will raise a number of issues, relevant

to trade development, that must be brought to the fore if SADC is to achieve its stated goals of genuine regional integration. We maintain that a number of fundamental changes are required in economic structures and political attitudes, if self-sufficiency for southern Africa is to become a realistic aim. These include a shift in policy orientation on the part of the SADC countries, aimed at redirecting some resources away from export-led production, and a move instead towards a regionally based policy, one that emphasises production for the local and regional market. Though such a regionally autocentric policy will involve certain costs, it is nonetheless deemed vital to the well-being, and very survival of the SADC states, during the present recessionary conditions.

Trade between member states is an important vehicle in promoting economic cooperation in any program of regional integration. Although trade has only received peripheral attention by SADC policy makers to date, recent trends within the organisation would suggest that trade will become central to any future SADC blueprint. Weak and fragmented as they are individually, if the SADC states are sincere in their commitment to reduce dependence on the RSA, and in their long term objectives of diversifying their economic structures, then intra-regional trade cannot be ignored.

It was recognised in the Lusaka declaration that improved trade between member states was an essential step towards enhanced and meaningful integration in southern Africa. More

recent declarations, have also made it clear that SADC must now build on their infrastructural base to improve regional trade links:

"With the progress now being made in developing intra-regional transport and SADC industries, measures to remove constraints on trade and to improve facilities are now being studied." (1)

These constraints to improving trade links are indeed numerous, and can only be removed by the show of considerable political will on the part of SADC member states. Such obstacles will be the focal point of this paper, in the belief that only a complete understanding of the barriers to improved integration in the southern Africa region can lead to the necessary formation of policies aimed at improving development coordination. These barriers include inter-SADC differences in political and economic systems, not to mention extra-regional interference aimed at disrupting the development initiatives of member states. Only when these issues are addressed, it will be argued, and the potential frictions between SADC states are faced, can the coordination of national development policies, necessary for the promotion of regional trade, come about. With the evolution of such a policy, SADC can begin to give real substance to its stated objective of "genuine and equitable regional integration" in southern Africa.

Finally, a word on the existing literature on this topic is

(1) SADC Handbook, (SADC, Gaborone, 1984), p.17.

worthy of note. As stated at the opening, the question of the trade issue within SADC is presently at a crossroads. The topic is currently under review as to whether trade will be accorded sectoral status by the SADC Secretariat. It is to be expected that the member states will take quite different stands over the issue of an independent SADC initiative on trade, and it remains uncertain whether such differences can be resolved. Due to the sensitive nature of the topic, therefore, most studies relating directly to intra-SADC trade are confidential. What literature is available is limited in both scope and volume. For these reasons, the research carried out in this essay depends heavily on secondary sources (African periodicals and business reviews), and on official (indirect) SADC publications. It is hoped that this paper may contribute to a broader and more thorough investigation into the question of trade between the countries of southern Africa.

CHAPTER 1

TRADE RELATIONS IN SOUTHERN AFRICA

We believe that there is room for considerable increases in trade among ourselves. To this end existing payments instruments will be studied in order to build up a regional trade system based on bilaterally negotiated annual trade targets and product lists.(1)

A. SADC's Approach to Regional Trade and Integration

From the very outset of the creation of their fledgling organisation, the leaders of the SADC member states opted for an unorthodox approach to regional economic integration. SADC's initiators rejected the traditional, customs union model of regional cooperation, downplaying the free market, trade creating objectives that had previously formed the backbone of most inter-state ventures in Africa. The Lusaka declaration made it clear that increases in regional trade alone, would not solve the fundamental development problems facing the southern African region. Instead, the SADC blueprint emphasised the need for member states to promote national production capacity and through the coordination of national units, to enhance regional economic security, and collective self-reliance.

In its regional development objectives, SADC has followed the

(1) The Lusaka Declaration, in Anon J. Nsekela (ed.), *op. cit.*, p.4.

guide lines laid down by the United Nations Council on Trade and Development (UNCTAD). The UN organisation argued that cooperation among developing countries (DCs):

should be shifted decisively from trade issues toward joint endeavours in the development of regional industrial and agricultural resources and of a common transport infrastructure.(1)

Although acknowledging that policies of trade liberalisation had formed the cornerstone of earlier integration strategies, the UNCTAD document goes on to argue that market integration suffers from: "severe limitations as an effective mechanism for continuous, self-sustained generation of economic development."(2)

It is noticeable that SADCC has carefully put the UNCTAD recommendations into practice. Most of SADCC's resources have been channelled into the transport sector, rather than into the more traditional concern of participating countries in an integration scheme, namely to reduce the barriers to intra-regional trade. Some two-thirds of total SADCC investment has been channelled into the transport programme,(3) in an attempt to reduce the region's dependence on South Africa's

(1) United Nations Conference on Trade and Development (UNCTAD), Report on the Working Paper on Trade Expansion and Regional Economic Integration Among Developing Countries, (Geneva, 1982), p.7.

(2) *ibid.*, p.7.

(3) By 1984, 65% of SADCC's actual (pledged) resources had been committed to the transport sector. Self Reliance Versus Dependence in Southern Africa: The Case of SADCC, IDAFSA (Canada) Briefing Paper, May 1985, p.3.

railways, roads, and ports. Yet the success achieved by the Southern African Transport and Communication Commission (SATCC), to improve the region's infrastructural links, brings the issue of improved trade potential between SADC members to the forefront.

Although the trade issue has not received significant attention in the SADC programme to date, it is increasingly recognised by the organisation that trade can be an important tool to deepen cooperation between member states. Trade is consistent with the aims of the Lusaka declaration, in that transactions between SADC states can be used to enhance productive capacity, provide the goods necessary for economic security while creating the employment associated with economic growth and development. Intra-regional trade can also give the opportunity to each member country to specialise in the production of those goods and services for which it has an optimal comparative advantage, while encouraging the development of complementary, rather than competitive economic structures.

The need for greater trade to take place between the countries of southern Africa, is all the more relevant to their present developmental objectives when seen in terms of their past economic histories. The SADC countries, often ignored for most of their colonial eras as places unworthy of either social or economic infrastructural investment, remain today some of the poorest parts of the Third World. Indeed, four of the nine member states are among the least developed countries in the

world.(1)

The present distorted economies of the SADC nations, legacies of the colonial balkanisation of southern Africa, are characterised by asymmetrical and underdeveloped structures. Many of the SADC countries produce the same range of primary products, have inherited competitive and fragmented economic systems, and generally display low levels of industrialisation. Exports and imports make up a large part of their national incomes, with most external trade based on South African or Western markets, rather than on neighbouring states. Thus, there are only low levels of complementarity between the SADC economies, viewed in terms of existing export structures and currently competitive export markets for SADC goods. For these essentially structural reasons, the idea of a customs union was rejected outright by the SADC members.

Another important reason for the adoption of a development, rather than a free trade oriented model, was the general dearth of infrastructural links between member states.(2) Nowhere in southern Africa is the colonial legacy more apparent than in the

(1) The World Bank places Malawi, Tanzania, Lesotho and Botswana in the category of least developed countries.

(2)

Although trade is mentioned in the Lusaka declaration, and trade issues are clearly central to the whole question of reduced dependence on South Africa, SADC has also stressed that increasing intra-regional trade is not in itself the pivotal concern of the organisation, but rather one of the means through which the larger development imperatives of the region may be attained.

area of transport. SADC roads and railways were constructed as peripheral systems to the RSA's transport network. Infrastructural patterns radiated out of the Republic, according to the needs of foreign capital, eager to exploit the mineral wealth of the southern African region. SADC transport has thus come to reflect and reinforce the existing asymmetry of economic structures in the area. For these reasons, SADC's focus on "concrete programmes and projects"(1) specifically in the transport sector, is central to the nature of regional cooperation as articulated in the Lusaka declaration.

The final and most decisive reason for SADC's hesitation over trade issues, however, is the existence of a second, potentially competitive regional organisation in the form of the Preferential Trade Area for Eastern and Southern Africa (PTA). With six of the nine SADC members in its ranks, PTA's preference for centralised, multilateral arrangements, appears, at first sight, at odds with the SADC's flexible, bilateral approach. Some member states, such as Zimbabwe, have shown a distinct preference for the PTA, and its aims of reducing barriers to trade. However, Angola, who has shown little interest in the PTA, appears keen to develop an independent SADC initiative on trade, in an attempt to find alternative regional markets for its oil exports. Thus SADC, as yet, does not have an official view on PTA, but again it would appear that SADC's recent interest in intra-regional trade issues may overlap with the

(1) Lusaka Declaration, in Amon J. Nsekela, *op. cit.*, p.4

PTA's priorities in this sector. SADC has proposed a more gradual approach to enhancing regional trade links, essentially based on improving bilateral arrangements between member states. PTA, on the other hand, has promoted a more ambitious programme of economic self-sufficiency in southern and eastern Africa. PTA's policy essentially focuses on multilateral trading through a central clearing house, with economic transactions between participating states taking place in its own regional currency, the UAPTA.

To date, SADC has steered well clear of such trading arrangements for its own members, and it remains to be seen whether all SADC states will eventually join the PTA and thus use the larger organisation's financial facilities to extend trade links between themselves, or whether SADC will develop its own independent initiative in the field of trade promotion.⁽¹⁾ Whether SADC develops its own mechanisms to promote intra-regional trade, or comes to rely on the existing facilities provided by the PTA for this purpose, will clearly depend on future SADC/PTA relations and on the ability of both organisations to agree on a rational division of labour. The PTA is a more trade oriented setup, and would undoubtedly be in a better position to deal with the problem of lowering the barriers

(1) The most extensive study to date on intra-regional trade is presently being carried out for SADC by the Christian Michelson Institute (Bergen). It is charged with looking into actual or potential conflict between the PTA and SADC over the trade issue, and the implications of such conflict for SADC member states.

to trade in the region than SADC, whose development goals, till now, have been centered more on national production, rather than regional trade per se.

Nevertheless, coordinating national productive capacities at the regional level, a central element of SADC's constitution, can only be efficiently realised with simultaneous increases in trade between member states. Trade is essential if SADC states are to expand their existing and potential productive capacities, to acquire those inputs that are crucial to the security of the nation state, and to create higher-productivity employment through the expansion of those industries most needy to the development process.

Thus, for example, while a number of SADC states have currently underutilised capacity for the manufacture of many key consumer and intermediate goods, other members continue to import such products, especially machinery and food, from outside the region. If this productive capacity can be tapped and used for regional trade, then increases in export earnings will boost the economic strength of the producing countries, while adding to the self-reliance of the region as a whole.

The cornerstone of the Lusaka declaration is the effort being made by the member states to reduce their dependence on the apartheid regime of South Africa. Increasing intra-regional trade is also primordial to the achievement of this objective. If the southern African states are sincere in their commitment to reduce their dependence on the apartheid regime, then the nature of the

presently distorted economic relations between the two sets of actors must be profoundly changed. The SADCC states, in other words, can only achieve self-reliance when they have established the industrial and agricultural capacity to substantially reduce their dependence on the RSA as a supplier of many of the region's strategic imports. For this formidable, yet essential task to be accomplished, SADCC's members must not only upgrade existing, and install new productive units in a regionally rational and coordinated manner, but must also increase trade among themselves to make such productive capacity efficient and worthwhile.

B) Economic Relations Between SADCC and the RSA

It is important to review the present nature of SADCC/RSA relations to appreciate and evaluate the efforts being made by the southern African countries to reduce their dependency on Pretoria. This dependence is best demonstrated in the realm of two key inter-related sectors of most relevance to our study: trade and transport.

i) Transport

The Republic's transport system carries the bulk of the import traffic of the most dependent of the SADCC members, Botswana, Lesotho and Swaziland (BLS). South Africa has also assumed a position of increasing importance in handling foreign trade from Zimbabwe, Zambia, and Malawi, mainly due to security concerns in Angola and Mozambique. It remains to be seen if the

peace accords signed between South Africa and the governments in Luanda and Maputo will have a profound effect in contributing to the security of the region's transport network. Indeed recent reports indicate that the Mozambican National Resistance (MNR) have stepped up attacks on infrastructural targets, while the Benguela railway remains inoperable in Angola, due to UNITA action.⁽¹⁾ In 1983, two-thirds of Zimbabwe's foreign trade,⁽²⁾ and over half of Malawi's trade passed through South Africa, whilst some forty per cent of Zambia's exports and seventy per cent of her imports were channelled through the Republic.

MAP TWO (APPENDIX B)

SADCC TRANSPORT DEPENDENCE ON THE RSA

Resolving transport and communications problems within southern Africa remains a prerequisite to the achievement of SADCC's goals of economic independence. Much has already been fulfilled in this sector, though any change in the transport field is bound to be of a gradual nature, due to the length and cost involved in implementing transport projects. The dependence of the SADCC states on the RSA's transport network can only be

(1) Africa Research Bulletin (ARB), Political Series, Vol. 22, No. 4, May 15, 1985, p. 7565.

(2) Foreign trade forecasts predict that fifty per cent of Zimbabwe's foreign trade will pass through the RSA in 1985/86, even with the possible implementation of SADCC transport projects in Mozambique. (Gavin Maasdorp, SADCC: A Post-Nkomati Evaluation, The South African Institute of International Affairs, [Braamfontein: August, 1984], p. 57).

reduced when SADC port and rail services come to operate efficiently, a long term perspective which in turn is a prerequisite for increasing intra-regional trade and the subsequent reduction of dependence on RSA imports.

ii) Trade

In the realm of trade it is less easy, for a number of reasons, to discern possible changes in dependence between South Africa and SADC. Firstly, the RSA does not publish its trade links with individual African countries, but only reveals the total volume of its trade with the rest of the continent. Secondly, few independent Black countries are prepared to acknowledge their trade links with Pretoria for obvious diplomatic reasons. Thirdly, all statistics on South African foreign trade include the other members of the Southern African Customs Union (SACU)-the BLS states, and Namibia-with no information on trade-flows between member states available. The final problem is the reliability of the available data on regional trade. Both for technical and political reasons, such statistics that are published should be treated with some caution, and used to indicate approximate trends rather than accurate volumes.

The RSA claims to trade with some forty nations throughout the African continent,⁽¹⁾ though the vast majority of such trade

(1) Theo Malan, Regional Economic Cooperation in Southern Africa, *Africa Insight*, 13, 1, 1983, p.46.

is with its immediate neighbours in the southern African region. South Africa's trade links with the countries north of the Limpopo vary sizeably, depending on the colonial background, the present ideology and development imperatives of the particular nation state. For the BLS countries, the economic ties are of the greatest magnitude. These relations have been formalised into the SACU, a union that also includes a currency agreement, the Rand Monetary Area (RMA).⁽¹⁾ The economies of all three landlocked countries are virtually incorporated into the Republic, in a union which:

is determined by the economic needs and social philosophy of the Republic of South Africa, which are not the same as the BLS.⁽²⁾

For Swaziland and Lesotho, the monetary union maintained by the RMA binds these countries to South Africa's domestic monetary policy. The drawbacks, of being tied to a rand that is increasingly suffering from a loss of confidence on the international financial markets are considerable, and are further frustrated by the Republic's recent economic malaise. High interest rates, fluctuating exchange rates and rampant inflation are conditions unfavourable to capital formation and economic development in any country, but are especially grave in the weak and needy states of Lesotho or Swaziland. With inflation in

(1) The RMA does not include Botswana who elected to introduce its own currency scheme in 1976.

(2) P.M. Landell Mills, The 1969 Southern African Customs Union Agreement, *Journal of Modern African Studies*, 9, 2, (1971), p.274.

Pretoria running at over sixteen per cent, and the prospects of a deep recession looming large, there is little hope that Swaziland, importing over ninety per cent of her goods from South Africa, can attract the investment her economy so badly needs if the lilongeni remains fixed to the rand. With a weak and unstable rand as the central reserve currency, the RMA can only have detrimental effects on the development prospects of its member states. It is highly unlikely, however, that either Swaziland or Lesotho have the political independence or economic strength to withdraw from the rand union, and hold the lilongeni and maloti as convertible currencies.

Neither the SACU arrangement, nor the rand union are suitable mechanisms for attracting economic growth to the RLS states, but tend, instead, to reinforce the dyadic relations existing between the RSA and its SACU partners. Rather than seeking deliberate means to offset the considerable differences in size and resource endowments between the Republic and the RLS, the existing customs union, relying as it does on the free play of market forces, can only discourage the growth of indigenous industries in the smaller member states.(1)

As for the rest of the SADCC states, the trading relations with the Republic fluctuate from very important in the cases of Zimbabwe and Malawi, to virtually non-existent for Angola and

(1) See for example, Paul Mosely, The Southern African Customs Union: A Reappraisal, *World Development*, 6, (1978), p.33.

Tanzania.(1) The neighbouring states provide an important, though declining market for South African products.(2)

TABLE ONE (APPENDIX A)

RSA TRADE TO AFRICA, 1980-1983

As Table One clearly shows, the relative importance of the RSA as a trading partner for the African continent has contracted quite considerably, both in volume and in relative importance. This reflects a general decline in the South African economy since 1980, the year SADC came into being. Pretoria's share of the sub-continent's market has also been hard hit by the effects of drought in the region, wiping out the surplus food supplies that the Republic had previously been exporting to southern Africa. A further constraint on RSA-SADC trade has been the severe shortages of foreign exchange felt among the African countries in the past half a decade, a reflection of the generally hostile economic conditions that the SADC states have faced since the birth of the organisation. The significance of the RSA's trade

(1) Though Malan (op.cit.) does claim that South Africa is Angola's largest trading partner on the African continent. Despite official denials of any commercial interaction between Luanda and Pretoria, the relationship is formalised through Angola's indirect sales of diamonds to the South African based corporation, De Beers.

(2) It will be recalled that no official figures are available for trade between the RSA and individual African states, though it can be assumed that most of the Republic's trade with the rest of Africa is centered on the SADC region. See, for instance Gunnar Sollie, *Trade Patterns and Institutional Aspects of Trade, An Empirical Study of Trade in Southern Africa*, Working Paper No. 267, (Bergen: The Chr. Michelson Institute, 1982), p.27.

with the SADCC members varies sizeably, as shown by Table Two.

TABLE TWO (APPENDIX A)

RSA TRADE WITH INDIVIDUAL SADCC STATES.

It is noticeable that most countries in the region are highly dependent on South Africa as a source of imports. Leistner calculates that the RSA's partners in SACU bought an estimated five per cent of total direct exports from South Africa in 1982, (1) making the RLS states more important than the rest of the sub-continent combined as an importer of the Republic's goods. Maasdorp estimates that Lesotho receives 95 per cent, Swaziland 86 per cent and Botswana 85 per cent of the RSA's exports (2)

For other countries in the region, South Africa is also the main trading partner. The Republic remains the chief source of imports for Zimbabwe though it is significant that there has been an almost 100 per cent drop in the volume of South African goods imported by Harare since the formation of SADCC. Despite this impressive delinking on the import side, it is also noticeable that South Africa has grown in importance in the same period as a market for Zimbabwe's exports. South Africa is especially important as a market for Zimbabwe's manufactured goods. In 1980, for example, such exports were valued at \$82.9 million, or 41 per

(1) Erich Leistner, 'Southern Africa-The Market of the Future?', *African Insight*, 15, 1, 1985, p.18.

(2) Gavin Maasdorp, *op. cit.*, p.55.

cent of all Zimbabwe's manufacture exports. Of these, 353.4 million, or 60 per cent of all manufactured exports are covered by a preferential trade agreement between the two partners, providing some 7000 jobs to Zimbabwean workers.

Zimbabwe could ill afford to lose such a valuable market, a situation that the RSA is prepared to exploit to its own advantage whenever necessary. This came about in 1981, for example, when Pretoria indicated that it wished to terminate the existing trade preferences, and having used the threat of withdrawal to its required effect, turned around at the last minute the following year to renew the agreement. As Riddell has pointed out, the cessation of the agreement with the RSA would provoke "serious and far-reaching effects on the Zimbabwean economy." (1)

In the case of Malawi, a similar trend is discernible, with RSA imports declining in importance since 1980, yet a parallel rapprochement to South Africa on the export side. In both cases this trend would seem to reflect the highly competitive international market for the export goods of both countries. By selling to the more proximate South African market, Zimbabwean and Malawi exporters can thus reduce transport costs and gain more rapid access to much needed foreign exchange. RSA trade with Zambia and Mozambique is less evident to analyse, as neither country publishes trade figures with South Africa. Statistics

(1) R.C.Riddell, Zimbabwe's Manufacture Exports and The Ending of the Trade Agreement with South Africa, (Harare: December, 1981).

given by Malan however, indicate that Pretoria is the principal source of imports for the latter, and the second most important source of goods for the former.(1) Such trends, approximate as they are, suggest greater dependence by Zambia and Mozambique on South Africa since the formation of SADC.

The role of the RSA's trade in southern Africa is particularly significant in certain key sectors. In 1982, about 50 per cent of South Africa's exports of machinery and equipment and of artificial resins and plastics, went to Africa outside the SADC.

TABLE THREE (APPENDIX A)

RSA TRADE WITH THE REST OF AFRICA IN KEY ECONOMIC SECTORS

More than one third of chemical products, animal and vegetable fats and footwear were also exported to Africa in 1982. Though the Republic's overall trade with the rest of Africa remains only marginally important to Pretoria, it is obvious from Table Three that in certain key sectors, the trading relationship between the two partners is of a highly interdependent nature. The apartheid regime, it may be concluded, would be reluctant to lose these vital markets north of the Limpopo, especially in the light of intensifying calls for economic sanctions on South African goods from elsewhere in the international community. For instance, South Africa remains the most important supplier of manufactured

(1) Theo Malan, *op.cit.*, p.48.

goods to the SADC region(1) and is well aware of the potential threat posed to its own African export markets by meaningful cooperation among the SADC states. A concerted effort among the nine to promote industrial cooperation, could reverse SADC's existing dependency on South Africa's manufactured exports in the long run, a threat unlikely to be taken lightly by Pretoria.

iii) Labour

Apart from dependency in the realm of trade and transport, there are other examples of the asymmetrical relations between SADC and South Africa, notably in the employment sector. Traditionally, South Africa has been a major employer for the entire SADC area, as shown in Figure One.

FIGURE ONE (APPENDIX C)

EMPLOYMENT OF SADC WORKERS IN THE RSA, 1984

The Republic's gold, diamond and coal mines continue to draw today hundreds of thousands of black workers from the neighbouring states, the extreme case being Lesotho where some 110,000 labourers were employed in the RSA, against some 30,000 in wage employment at home.(2) Approximately 50,000 Mozambicans and 20,000 Malawi and Botswana workers were also employed in the Republic's mines in 1984, with remittances from immigrant

(1) Stein Rossen, Industrial Cooperation Among African Countries and Related Matters, Working Paper No. 267, (Bergen: The Christian Michelson Institute, 1984).

(2) Manchester Guardian Weekly, August 11, 1985, p.10.

salaries contributing sizeable sums to the national coffers of all three countries⁽¹⁾ This aspect of SADCC's dependency on the RSA has reached particularly acute proportions in recent months with the threatened expulsion of southern African workers from the Republic's mines and farms. Although the expatriation of foreign workers might be highly unlikely in the immediate future due to RSA's short term dependence on migrant labour, South Africa has shown in the past that it is ready to flex its economic muscles to achieve political gains, even if she may suffer immediate losses for her actions. Witness, for example, the expulsion of thousands of Zimbabwean workers in 1980 following the election of Mr. Robert Mugabe, a man considered hostile to the apartheid regime. The existence of such leverage clearly reduces the effectiveness of SADCC's policies to reduce its dependence on South Africa, while reinforcing the skewed nature of relations between the southern collopsus and the neighbouring territories.

iv) Investment

Aside from these more obvious links between the RSA and SADCC, other less visible but equally significant areas of interdependence remain which condition the southern African response to the apartheid policies of Pretoria. Dependence is

(1) It is estimated that in 1981 some 315 million rand was remitted to South Africa's neighbouring states, with Lesotho being by far the largest recipient. Theo Malan, *op.cit.*, p.48.

also apparent, for example, in the nature and volume of regional investment. Large volumes of western capital have reinforced the development of a South African core at the expense of a periphery of SADC states. As such, the international division of labour throughout the colonial period-based on such core/periphery relations-ensured that capital investment in the SADC region was principally channelled through South Africa and geared towards the extraction of primary products (especially minerals), and to the exploitation of labour that such extraction required.

South African exports of capital have been especially concentrated in the RLS states, and have been of importance in Zimbabwe and Zambia, and to a lesser degree in Malawi, Mozambique and pre-independence Angola. Most foreign investment to the area has been directed through Pretoria-based transnational corporations (TNCs), with the mineral extraction sector receiving the bulk of such capital.(1)

Of these TNCs the South African Anglo American-De Beers (AAC) group is by far the largest with investments spread across the SADC region. The interests of this mining and financial colossus stretch from diamonds, copper, coal and chrome to agriculture, ranching, forestry and manufacturing. The control of the AAC's diverse and complex network of investments is maintained by a labyrinth of subsidiary companies operating in the southern

(1) Although the RSA has also invested in agriculture, manufacturing, physical infrastructure and the service industries throughout the SADC region.

African region.(1) Such investments are vital to the economic welfare of many of SADC's members, especially the BLS states and Zimbabwe, and enable South Africa to tighten her economic grip on her neighbours whenever such pressure is deemed necessary. As cries ring out across the international community for economic sanctions against South Africa, the vulnerability of the southern African region on the Pretoria government, has once again surfaced.

President Botha's threat to repatriate foreign black workers is only one side of the dependency card. His warning that the RSA's technical, financial, medical and agricultural cooperation to the SADC states would be adversely affected if international sanctions were applied is another, perhaps more sinister side.(2) Naturally the intimidations by Botha's government to make the SADC states pay the price for sanctions must be seen as the response of a desperate regime with its back against the wall. In the capital cities of the neighbouring states, however, where the realities of South Africa's military, diplomatic and economic leverage are a daily and pressing concern, such menacing words ring far from hollow.

(1) For the most comprehensive account of the AAC's activities in southern Africa, see, Duncan Innes, *Anglo America and the Rise of the Modern South African State*, (London: Heinemann, 1984).

(2) The Potchefstroom speech, cited in *The Manchester Guardian Weekly*, August 4, 1985, p.4.

v) Sanctions

The SADC nations have focused their development strategies on the reduction of dependence on South Africa. This goal is all the more pressing at the present time, if the Frontline states are to attempt to support the much needed economic sanctions sought by Western governments against the apartheid regime. The RSA will no doubt tighten its economic stranglehold on the SADC states if such a situation arises. Any such pressure will be most immediately felt by the BLS states, South Africa's partners in the SADC. Pretoria will clearly attempt to force the members of SADC to take an active stand against sanctions, a policy which could have a potentially divisive effect on the SADC organisation as a whole. Clearly, such members that are less caught up in South Africa's dependency web, such as Tanzania and Angola can afford to take a more militant and detached stand over supporting economic sanctions against the RSA, while for most of the other southern African states, the eventuality of reprisals from the Republic over such support is a far more worrying preoccupation.

(i) Concluding Remarks

The trade issue is closely linked to the question of economic sanctions, and more generally, to the numerous facets of the dependency relations that affect the countries of southern Africa. Reducing SADC's economic subordination to the RSA can only come about with the coordination of national productive

capacities at the regional level, and by increasing trade between member states to replace RSA imports. The most effective constraint to the hegemonic ambitions of Pretoria in the southern African region, would be an economically healthy SADC. Such a prospective could best be realised through meaningful integration of the SADC economies, integration that would be greatly facilitated through enhanced regional trade. Trade of this nature must take place in all economic sectors that SADC has ascribed as priority including energy, industrial and agricultural goods, transport services and manpower. It is to this prospect that we shall focus our attention in the ensuing chapters.

CHAPTER TWO

TRADE POTENTIAL IN THE SADC REGION

A) The Economic Situation: Impact of the Crisis

The countries of southern Africa, like most African and developing countries, have been hard hit by the impact of the global recession. The shock waves that echoed around the industrial and Third World countries in the wake of the second OPEC oil rises left behind a string of economic disasters. These include major current account imbalances for the OECD and developing states alike, heavily restricted access to credit markets, real drops in the international prices of primary commodities and a protectionist mood in most of the industrialised nations. Furthermore, specific economic and political conditions that pertain to the Southern African region, have tended to reinforce and intensify the already severe effects of this crisis in the global political economy, such as the consequences of drought, South African destabilisation, and the structural fragility of most SADC states. A review of these conditions will form the background to our discussion on intra-regional trade and will provide a useful perspective for evaluating SADC's attempts at creating a more dynamic and integrated regional market.

In global terms the SADC countries are physically small,

economically weak and politically divided. They also depend heavily on external factors for their well-being and livelihood to an extent that is remarkable, even by African standards. With a combined Gross Domestic Product (GDP) of 27 billion dollars and a population of 65 million, the SADC region has four times the surface area, twice the population, yet only one third of South Africa's economic wealth.(1) Minerals and energy produced for export (oil, coal, electricity, gold, diamonds, and copper) are the basis of the region's economic welfare, with several SADC states displaying extremely low levels of economic diversity.

For three of the member states, one commodity provides over two-thirds of export earnings.(2) and Zimbabwe is the only country in the region displaying relatively high levels of industrial activity. For all the SADC member states, the production and processing of mineral and agricultural raw materials dominates their economic activities, at a time when world commodity prices are low and are forecast to remain dampened in the foreseeable future.(3) Each member state, with the exception of Tanzania, has more trade with South Africa than with their fellow SADC partners put together, whilst the volume

(1) Joseph Hanlon, SADC: Progress, Projects and Prospects. The Economist Intelligence Unit (EIU), Special Report No.182, 1984, p.12.

(2) Angola in oil, Botswana in diamonds and copper for Zambia.

(3) Price Prospects for Major Primary Commodities, World Bank Report No.814/84.

of SADC-RSA trade amounts to seven times the amount of intra-SADCC commerce. For these reasons it is not difficult to see why SADCC has committed itself to economic independence, especially independence from its apartheid neighbour.

Yet the SADCC initiative, launched in 1980 at the very outset of the recent economic recession, has had to face harsh and deteriorating conditions over the first years of its programme. Such conditions have gone a long way to frustrate both national and regional development goals. For southern Africa as a whole, the effects of a prolonged and crippling drought have provoked widespread malnutrition and famine across much of the region. In 1985, the direct loss to agricultural output, and to livestock attributed to drought conditions was officially estimated at two billion dollars.(1) Meanwhile some two million tons of grain had to be imported into the region in 1983/84, half of which was obtained on the open market at a cost to SADCC of some 200 million dollars.(2)

These heavy losses of foreign exchange and agricultural outputs were especially distressing in a region that was 95% self-sufficient in home grown foods in 1972.(3) The costs of the drought will not be over with the return of the rains, of course.

(1) SADCC Overview, Mbabane, Kingdom of Swaziland, 1985, p.12.

(2) *ibid*, p.13.

(3) Barry Munslow et al., *The Effects of World Recession and Crisis Upon SADCC*, Paper presented at the ROAPE conference, (Keele, England, September 1984), p.25.

Considerable assistance will still need to be mobilised to support losses in capital and livestock sustained by the region's farmers and peasants.

Meanwhile the costs of South African destabilisation on the SADC countries have been put in excess of 10 billion dollars since 1980.(1) This figure represents the entire value of foreign aid to the region in the 1980-85 period, or the equivalent of one third of all SADC exports in the past five years. The costs of RSA aggression have been felt in terms of direct war damage, lost economic growth as a result of the induced disruption and loss of investment opportunities, as well as higher transport and energy costs stemming from infrastructural attacks and sabotage.

It is not too surprising, therefore, that SADC's economic record in the five years following its birth, has been poor, even in relation to the limited performance of the world's least developed countries. Whilst the period from 1975-79 showed a healthy annual growth rate of 6% for the then independent states of southern Africa,(2) the post 1980 record has seen a real decline in GDP in the SADC region as a whole,(3) with drops in

(1) An Illustrative Assessment of the Cost of Destabilisation on the Member States of the Southern African Development Coordination Conference, SADC paper to the OAU Summit, 1985.

(2) Botswana, Lesotho, Swaziland, Zambia, Tanzania, Malawi.

(3) UNCTAD, Handbook of International Trade and Development Statistics, 1984.

output per capita in seven member states.(1) The figures for 1984, though showing slight improvements in economic performance, still did not rise fast enough to keep pace with an average rate of population growth of 7% for the region.

Despite the slight upturn in the international economic system in the 1984-85 period, it remains to be seen whether the economic growth in the industrialised countries will spill over to the LDCs, and especially to the SADC states. For example, though the prices for primary commodities rose in real terms in 1983, they have subsequently fallen since 1984, despite the recovery of the industrialised economies.(2) Meanwhile the protectionist spirit of SADC's major trading partners(3) has certainly not diminished, regardless of the improvement in the US economy. Demand for most of SADC's exported goods, along with international commodity prices generally, remains low,(4) causing sharp restrictions in foreign exchange earnings.

Restrictions on steel and textile imports in the West, for instance, have badly hit Zimbabwe's economy. EEC restrictions on agricultural produce, such as sugar, cotton and tobacco have been deeply felt in Mozambique, Tanzania and Malawi, whilst Japanese and European quotas on beef have reaped their toll on the

(1) SADC Overview, p.4.

(2) World Bank Development Report, (WBDR), 1985, p.32.

(3) The European countries, the United States and Japan.

(4) The exceptions being diamonds, gold and the precious and strategic metals.

Botswana economy. Even oil, the resource that once seemed the strongest development asset any country could possess, has been adversely affected by OPEC surpluses and volatile world prices, creating major balance of payments constraints in Angola.(1)

Moreover, the need to sustain imports for the maintenance of productive capacity and infrastructure, has fueled a sizeable debt burden amongst the SADC states. In a period of exceptionally high interest rates a considerable proportion of SADC's earnings from external trade are currently being used to service this debt. In Zambia, for example, the foreign debt represented 83.9% of GNP for 1983,(2) whilst for Tanzania the debt service represented some 30% of exports in 1981.(3) Even Zimbabwe, following an emergency loan from the IMF, faced a debt service to export ratio of 31% in 1983.(4)

The case of Mozambique, however, is the most striking. A 1984 UNIDO case study put the Mozambican external debt at a staggering 3,200 million dollars for 1983, or a full 27 times the value of Mozambique's exports in that year. This figure, furthermore, excluded the possible loans to the Eastern bloc countries. Even

(1) Bhagavan, (op.cit.), claims that debt servicing in Angola as a percentage of exports, rose from 2.5% in 1980 to 17.4% in 1982.

(2) WDRB, 1985, p.204.

(3) R. Munslow et al., op.cit., p.10.

(4) WDRB, 1985, p.204.

with an interest rate as low as 3% on such borrowings, this would still put Mozambique's debt/service ratio at several hundred percent.(1)

(1) SADC's Response to the Crisis

However these severe economic conditions, as bleak and forbidding as they might seem, must not simply be judged as a daunting impasse, dividing SADC's members, and frustrating the organisation's developmental aspirations. Rather, the prevailing crisis situation must be seen as a necessary condition for motivating integration in Southern Africa. It is precisely because of the current hardships facing the individual member states, we argue, that SADC's response must be of a regional rather than a national character, emphasising the need to promote regional markets, and to stimulate intra-SADC trade. Too many scarce resources, we maintain, have been ploughed into externally based trade, that has done little to date to ease the economic plight of the SADC countries.

In these austere times, SADC must look to itself to find the solutions to a number of its own economic difficulties. A SADC strategy must be firmly centered on the integration of the region's presently fragmented economies, in ways that are acceptable to all member states. Despite differences in political philosophy and economic policies, all SADC countries are effected by the scourges of drought, the costs of South African,

(1) UNIDO, Country Report on Mozambique, March 1984, UNIDO, 1984.

destabilisation and shrinking markets for southern African exports throughout the industrialised world. All countries of the region share an interest in attempting to balance their complementary industrial, agricultural or energy production in ways that will enhance regional market integration and trade. SADC integration of this type can play an important role in reducing dependence on the RSA, as well as helping SADC's efforts to support the West in economic sanctions against Pretoria.

The reasons for unity are therefore great, as too are the economic advantages to be reaped from a meaningful programme of collective self-reliance. A programme of this sort must clearly give attention to the implementation of mechanisms and support systems to foster trade links between the SADC countries.

SADC is not, of course, a free trade organisation, and with the level of state intervention that takes place within most of its member states, there are very clear reasons for the SADC leaders to stay clear of the establishment of a customs union or preferential trade area per se. Considering the failure of most previous integration schemes in the African context, and with the real differences that exist between the member states, SADC's policy to date of according low priority to trade and payments issues was to be expected, even applauded. The ground work first had to be completed, and the infrastructure laid in place before SADC members could build up the trust between themselves, to formulate a regional policy aimed at breaking their traditional

dependencies on the West and the RSA, look to each other for the production of key exports, and for the supply of strategic imports.

SADCC's goals are centered on the reduction of external dependence. The key to such independence, we would submit, is through the convergence of domestic and regional resource use, with that of the mass needs of the people of southern Africa. The vehicle to that independence should be the promotion of basic needs industries that have strong linkage effects on the local and on the SADCC economies, and which provide the conditions for the development of an appropriate and where possible, indigenous technology. Intra-regional trade would be a catalyst for the integration of a SADCC-wide, basic needs approach. A strategy of this nature is not inconsistent with the regional industrial development plans put forward by Tanzania, SADCC's coordinating country for industry.(1) The memorandum stresses development, in the medium to long term, of seven priority areas for industrial investment: food, clothing, housing, health care, water and power supply, transport and communications and education. As the Tanzanian Minister for Industries pointed out, SADCC's industrial plan should seek to "promote realistic projects....directed towards meeting the minimum needs of the masses of the SADCC population"(2)

(1) SADCC: Toward Regional Development, SADCC secretariat, December, 1983.

(2) SADCC: Notes on Industrial Development, Coordinated by the United Republic of Tanzania, 1985, p.2.

The 1983 memoranda, though limited in scope and complexity, is in accord with the general principles and guidelines laid out thus far in this paper. The Tanzanian Plan also underlines the key role that trade must play as a central feature of SADC industrial coordination, but lacks any specific recommendations or proposals on how to achieve the necessary trade links.

The strategy outlined in this present discussion goes beyond the scope of the 1983 memoranda, proposing instead an overall framework for regional trade development, one that is not restricted to the industrial sector alone. For movements of Angolan oil, Zimbabwean maize, Zambian hydropower or Tanzanian fertiliser, preferred status must be given to intra-regional transactions. This calls for the matching of export with regional import requirements, implying some redirecting of actual exports from external to regional markets. There is no question that such a policy is an ambitious undertaking that will involve costs and dangers for the SADC states, as well as demanding the political will to redirect existing trade routes.

However, if the southern African countries are to break the barriers that currently divide them, and transform their dislocated and fragmented economies, then a more rational division of labour is necessary at the regional level, that introduces a higher degree of efficiency to the economic activities of the SADC states. Regional trade may be a spearhead in carrying out a plan of this nature, stimulating the processes and mechanisms required for true regional

self-reliance.

Our discussion now turns to a brief look at the existing volume and the nature of intra-regional trade, before looking into future and potential areas of SADC trade promotion.

TABLE FOUR (APPENDIX A)

VOLUME OF INTRA-SADC TRADE (TRADE MATRIX), 1982

Table Four indicates the volume and direction of intra-regional trade for 1982. The total value of traded goods in that year stood at 272 million dollars, the equivalent of 4.4% of total SADC exports and 3.6% of total imports in that year. This represents a sizeable increase in the volume and value of regional trade since the formation of SADC in 1980.

TABLE FIVE (APPENDIX A)

THE RELATIVE IMPORTANCE OF INTRA-TRADE FOR THE SADC REGION
1979-82

Table five points to a fourfold increase in the relative importance of intra-SADC trade between 1979 and 1981, with a slight drop in trade in 1982. Much of the increase in the post-SADC period can certainly be attributed to Zimbabwe's expanded role in regional commerce following independence.

TABLE SIX (APPENDIX A)

PERCENTAGE OF ZIMBABWE'S TOTAL TRADE WITH THE SADC REGION
1979-1984

In 1979, as shown in Table Six, Zimbabwe's exports to the SADCC countries stood at just 36 million dollars, or 3.5% of total exports.⁽¹⁾ By 1984 Zimbabwe's regional trade had reached 11.4% of total exports.⁽²⁾ However Zimbabwe is not the only country that has expanded its regional economic activities since the launching of SADCC.

TABLE SEVEN (APPENDIX A)
THE RELATIVE IMPORTANCE OF REGIONAL TRADE FOR
INDIVIDUAL SADCC STATES 1979-1982

A comparison of the 1982 ratios with those of 1979 in Table Seven, show that for five of the nine SADCC countries, their share of regional exports to total exports has increased. Indeed for three countries - Mozambique, Malawi and Zambia - the percentage share had doubled in the first three years of SADCC. On the import side, a similar pattern is discernible with the same three states plus Zimbabwe having made the greatest regional gains.

TABLE EIGHT (APPENDIX A)
SHARE IN REGIONAL TRADE AS PERCENTAGE OF TOTAL BY COUNTRY
1982

As shown in Table Eight, Zimbabwe takes by far the greatest share of regional trade: almost a half of all transactions, while

(1) Gunnar Sollie, *op cit.*, p.5, Table 3.

(2) Reserve Bank of Zimbabwe, *Quarterly Economic and Statistical Review*, Vol.6, No.1, (March 1985), p.10.

conducting two and a half times more regional trade than its nearest competitor, Botswana. For a second group of states comprising Zambia, Mozambique, Malawi and Botswana, regional trade is of relative importance making up between 5-10 percent of total trade, and worth between 25-50 million dollars. The final group includes Tanzania, Swaziland, Angola and Lesotho, for whom regional trade is presently only of nominal significance. Their total intra-SADCC trade represented just 6.2% of total regional commerce in 1982.

The main conclusions to be drawn from the above statistics are two-fold. First, as it presently stands, intra-SADCC trade of 200 million dollars worth of goods and services, represents only a marginal level of transactions. Although the relative importance of regional trade has increased quite substantially for the southern African states since the formation of SADCC, most of this increase must be attributed to the redirection of much of Zimbabwe's trade following the collapse of the Unilateral Declaration of Independence (UDI).

Secondly, it is evident from the above statistics that Zimbabwe enjoys a disproportionately large share of intra-regional trade. These findings add weight to the arguments calling for a SADCC compensatory financing mechanism to offset the dominant position of Zimbabwe in the region's economic life. The previous failings of the EAC and the present malaise within ECOWAS, are clear and precise indications of the need for such an instrument in SADCC. This will be crucial if the SADCC countries are to

attract investment to the region for the development of pole-of-growth industries away from the Harare-Bulawayo corridor.

Turning finally to the commodity composition of SADC trade, one interesting facet arises.

TABLE NINE (APPENDIX A)
COMMODITY COMPOSITION OF INTRA-REGIONAL TRADE
1979 AND 1982

Table Nine indicates that the commodity mix of SADC's intra-regional exports are quite different from the composition of its total exports. For nearly all the SADC states, the frequency of manufactured goods in total external trade is low even by African standards.⁽¹⁾ Only in the case of Zimbabwe do manufactures account for more than ten percent of total exports. By contrast, regional exports of the SADC countries are far more diversified.

This is an encouraging sign for regional trade advocates. It denotes that regional trade may be used as a vehicle for broadening the overall pattern of economic activities in the member states. Given the consensus by economists—especially radical scholars—on the dynamic role that industry plays in a

(1) Manufacturing accounted for just 14% of GDP in the SADC region, with Zimbabwe taking 38% of the regional total in 1982. Richard Peet, *Manufacturing Industry and Economic Development in the SADC Countries*, SIAS (Uppsala, 1984), p.38.

developing country, (1) there may be numerous advantages accruing to the SADC states in realising their regional market potential, over and above the strictly economic national for import substituting production.

For example, it may be assumed that the requirements on competitive standards for SADC's products will be less stringent within the regional context than on the highly competitive international markets. This being the case, greater scope will be offered to SADC producers to push their regional manufacture and marketing of intermediate and basic consumer goods, which should find a less exacting market within SADC than in the West. Furthermore, such goods as agricultural implements, bicycles, shoes and clothing, will have the advantage of creating substantial linkages with the local and regional economies, whilst encouraging the use of appropriate technological means of production.

A sine qua non to improved regional trade capacity is obviously the rehabilitation of SADC's transport system, as well as modifications in the pricing policies and the nature of existing trade agreements currently existing between member states. Such changes will involve much planning and coordination, not to mention the costs involved in breaking away from long-held, traditional export markets, to develop new and unknown

(1) See for example, R.B. Sutcliffe, *Industry and Development*, (Reading, 1971), A. Seidman, *Planning for Development in Sub-Saharan Africa*, (New York, 1974), J.E. Toro, *Industrial Planning and Development in Mozambique*, SIAS, Research Paper No. 50, (Uppsala 1979).

trading relations with neighbouring states. Some retaliatory actions are also to be expected from South Africa, the dominant actor in the sub-continent, if the SADC states successfully coordinate a meaningful strategy of regional economic integration. Support from the West will be necessary if the SADC states are to divert some of their trade away from the RSA, and give their support to the international plea for sanctions.

The benefits of enhanced regional trade will nevertheless be substantial. For instance, in Botswana, the new engineering and textiles industries may have good regional export potential once certain transport and payments difficulties are removed. Textile and agro-industrial production could be stepped up in Tanzania through the lowering of barriers to regional trade, whilst Mozambique's sales of cement, tyres and synthetics may also be increased. Likewise, the pulp and paper industries in Swaziland, and the production of agricultural hand tools in Lesotho will benefit from greater regional export potential. In Zimbabwe and Zambia, metal products and building materials could form the backbone of a regionally-oriented plan for the restructuring and the rehabilitation of the SADC economies.

D) Opportunities For Regional Trade By Sector

Trade is not limited to the industrial and manufacturing sector alone, moreover. An examination of SADC's trade potential by sector, underlines the range and diversity of goods, key to the development process, that may be regionally exchanged with

the further integration of the SADC market.

1) Minerals

Though not usually considered central to discussions on intra-regional trade, the mineral sector is far too important within SADC to be left out of regional-wide propositions. This previous neglect can mainly be attributed to the heavy dependence of the SADC states on both the RSA and the West for mineral exploitation and markets, a dependence that most SADC states have been trying to reinforce rather than sever by means of regional trade promotion during the recent years of economic austerity. However, the recession in minerals and metals, along with falls in production and export volumes in several SADC states, only strengthens the need to develop regional mineral markets. This situation was recently evaluated at a 1985 mining sector workshop in Lusaka, where promotion of regional trade was given priority status.

Increased intra-regional trade backed by appropriate mechanisms would result in better utilisation of existing capacities, enhance the viability of mining projects proposed in the national plans, and make possible the undertaking of mining processing enterprises that would otherwise be beyond the technical and financial capabilities for national projects.⁽¹⁾

The problems involved in the reorientation of traditional SADC markets was also discussed in the workshop, with the

(1) Analysis of Mineral Resources Development and Opportunities in the SADC Region, SADC Mining Sector Coordinating Unit (Zambia), January 1985, p.11.

conclusion that "considerable scope for development in intra-regional trade in minerals exists within SADC." (1) The following gives a brief breakdown of the most important tradeable minerals for the regional market.

Fertiliser is an essential component in agricultural development and production. Yet with the partial exception of Zimbabwe and Swaziland, the SADC members have currently very low levels of fertiliser consumption and production. (2) Even the inadequate levels of existing use are threatened by the high foreign exchange requirements needed to import the substantial volumes of nitrogen, phosphates and potash-key inputs in fertiliser production- into the SADC region. Yet the fertiliser minerals are found in sizeable quantities in southern Africa, making the establishment of a regional fertiliser industry a strong possibility. Demand for fertiliser is also projected to increase substantially throughout southern Africa, when drought conditions are finally overcome. Furthermore, SADC's high priority on achieving food security opens multiple opportunities for expanded trade in finished

(1) *ibid.*, p.29.

(2) Average fertiliser application rates for the SADC region as a whole were put at 20 kilogrammes per arable hectare in 1981, though there is sinister fluctuations in fertiliser use between states. In Swaziland, for example, the application rate was 45 kilos, compared to Angola and Botswana who consume a meagre 1.3 and 0.4 kilos per hectare respectively. (SADC: *Agriculture Toward 2000*, Food and Agriculture Organisation of the United Nations, [Rome, 1984], p.38).

fertiliser, as well as the fertiliser minerals.(1)

The planning and production of the salt industry has been considered as something of a "model" for SADC regional coordination. Used for both dietary and industrial purposes, salt is a key input into many of SADC's economic activities, such as food processing, textiles and the paper and pulp industries. While the SADC region has great potential in reaching self-sufficiency in salt production, non-salt producing SADC countries currently depend on extra-regional sources for their demand requirements. The salt industry, moreover, can be developed at reasonably low cost, with subsequent high returns to the member states,(2) as well as creating strong intra-regional trade links between states.(3)

Metals such as bauxite, aluminium and copper have also been considered for regional promotion. The Lusaka workshop paper suggested the establishment of a primary aluminium smelting industry in southern Africa, with the use of cheap local supplies of hydroelectric power (ie. Cabora Bassa or Kapanda dams), having a strategic volume of the output designated for the regional market. Due to the excess capacity and the sluggish nature of the international copper markets at present, attention

(1) Commonwealth Secretariat, SADC Industrial Projects (Fertiliser), July 1984.

(2) SADC: Industry Report, Vol.2 (Maseru, 1983), pp.1-3.

(3) SADC Mining Sector, (1985), pp. xii, p.150.

has also been brought to the potential trade in refined and semi-fabricated copper products in the SADC region.(1) Considering the key role that copper plays in the urbanisation, communications and industrialisation process (especially in the developing states), it might be expected that demand for copper will rise appreciably if and when economic stability returns to the region. The need would therefore come about for the linkage of copper processing capacity in Zimbabwe and Zambia with the potential needs of the copper deficit SADC states.

ii) Energy

SADC's commercial energy problems are not directly related to shortages of resources.(2) The SADC region is endowed with sufficient quantities of oil, coal and hydropower to achieve self-sufficiency in energy in the medium to long terms. Yet the energy bills of all the SADC oil-importing nations (Angola being the exception as the region's only major oil exporter) represents southern Africa's most important drain on foreign exchange. This paradox arises due to the critical imbalance of regional supply to demand, a factor more of geographical and political circumstance, than strict economic criteria.

Angola produces more than enough oil to supply the entire

(1) SADC Mining Sector, (1985), op. cit., p.153.

(2) African Economic Digest (AED), 27 July 1984, p.16.

SADCC region, and has in fact expressed its wish to do so.(1) As the Angolan Minister for Energy and Petroleum recently made clear, though Angola only infrequently sells its oil to her SADCC partners, she would be prepared to provide credit and to examine alternative purchasing arrangements, including barter, to develop her regional trading links.(2) This statement aptly demonstrates Angola's commitment to intra-SADCC trade, and underlines that regional trade in oil, besides the more obvious economic spin-offs, would provide a perfect opportunity for SADCC cooperation and planning.

Regional electricity generation is one of the most sensitive issues within SADCC, and yet one that is also crucial to both regional development and to trade. Again, SADCC's electricity problems have little to do with resource allocation, as the sub-continent has abundant supplies of coal and hydropower for electricity generation. Trade in SADCC energy would reduce Mozambique's current dependence on South Africa as an export market for Cahora Bassa's electricity. For Botswana, Swaziland and Lesotho the options are substantial imports from neighbouring states, such as Zambia or Mozambique, or greater energy dependence on the RSA in the near future.

(1) A concrete undertaking to this effect was made by at the first SADCC Regional Energy Seminar (Nov/Dec 1982), when Angola expressed its wish to supply all the SADCC states with oil or refined oil products. In J.T.C. Simoes (ed.), *SADCC: Energy and Development to the Year 2000*, SIAS, (Uppsala, 1984).p.53.

(2) AED, op.cit., p.17.

It is not clear as yet that the political will exists within SADC for a genuine regional energy policy. Zimbabwe's decision to push ahead with the Hwange thermal power plant is still a sore point within SADC, (1) demonstrating that despite the rhetoric, energy remains an issue of national rather than regional priorities. Some opportunities for intra-SADC energy trade have already been lost due to the entrenchment of nationalist sentiment within the organisation. Greater care should be taken in the future to stress the need for a regional approach, especially for the linking of national electricity grids.

Other potential areas of cooperation and trade do, however, still exist in the electricity sector. The further development of the Zambezi river's hydro potential is one such opportunity, which could play a vital role in regional trade and integration. The potential for an inter-regional transmission system, moreover, is great, due to the proximity of the major hydropower and coal facilities with the areas of population concentration. (2)

Another is the development of SADC's huge coal reserves. Coal conversion is potentially important solution to the region's energy shortfalls. Coal output is expected to rise in the region

(1) AED, (London), 18 January, 1985, p.11.

(2) Lusaka, Harare, Bulawayo, Lilongwe, Tete and Beira are located close enough to either the Zambezi River system, Cabora Bassa or the Kariba station to make regional electrical transmission a real possibility.

through the end of the decade⁽¹⁾ which presents the opportunity for significant substitution of SADC coal for oil that is presently imported from outside the region. This would reduce SADC's energy bill substantially, while encouraging viable trade reciprocation between member states.

A lack of energy resources is a major impediment to economic development, and a drain on foreign exchange reserves in most LDCs. The SADC region, however, is endowed with abundant natural resources of commercial energy which have yet to be fully exploited to meet regional requirements. What is needed, for energy to become a dynamic vehicle for integration, is the creation of the pertinent economic, political and institutional arrangements, including the facility for barter exchanges, among member states.

(iii) Agriculture

Agriculture is the backbone of the region's economy, and achieving food security through southern Africa is central to the development aims expressed in the Lusaka declaration. Yet the performance of the agricultural sector since the formation of SADC has been critically hit by deteriorating terms of trade, global recession and the crippling effects of drought. For instance, the total cereal production of the member states fell from 9.3 million tonnes in 1981 to 7.0 million in 1984, requiring substantial increases in the volume of food imports from the West and South Africa to ensure the survival of the region's people.

(1) J.T.C.Simoes, *op.cit.*, p.35, Table 13.

Even with the return of the rains, and the bumper harvest recorded last year in Zimbabwe, several SADC states-especially the BLS-remain heavily dependent on Pretoria for imported foodstuffs. The apartheid regime has not hesitated in the past to use the "maize train" for its own political ends, in fact, the food leverage has been central to South Africa's ambitions of creating a constellation of southern African states in the region. For these reasons, it is imperative that the SADC states consolidate their attempts to increase food production, and examine ways of promoting regional agricultural complementarities. With the achievement of enhanced production, trade will be vital if the SADC region is to establish self-sufficiency in foodstuffs.

Indeed, numerous possibilities for intra-SADC trade in agricultural produce already exist, especially with the great variations in land and water resources that prevail between member states. Zimbabwe of course is the regional bread basket in good years, and in 1985 stepped up its exports of wheat and maize to many neighbouring states, including Angola, Mozambique, Zambia and Tanzania.(1) An FAO report also indicated that Mozambique and Angola may have export potential in cereals by the end of the century.(2) SADC sugar production exceeds existing demand in the region, and the sugar deficit countries of Botswana and

(1) "Africa Feeds Africans", CDA NEWS, 2, (Brussels, April 1984), p.2.

(2) FAO, op.cit., p.7.

Lesotho could easily obtain their supplies from fellow SADC members, rather than from the RSA. Livestock also has regional trade possibilities, with excess production in Botswana, and also in Zimbabwe.

Another sector worthy of mention is that of fisheries. 16,000 tonnes of fish is already regionally traded, mainly shrimp and lobsters from Mozambique and Tanzania, and fishmeal from Angola. With increased yields from both SADC marine and inland fisheries, trade in this labour intensive economic sector may help the region to meet its total demand requirements.

v) Industry

To date most of the discussions on intra-SADC trade have taken place within the sector on industrial cooperation. As already pointed out the limited trade now taking place in the region has a relatively high content of manufactured goods. For this reason what little work has been carried out (mostly indirectly) on intra-SADC trade flows, focused on the industry sector. (1)

Most of SADC's existing industry, based on the processing of local minerals and agricultural produce, is highly dependent on volatile internal and external factors for its success. Internally, SADC industry relies on the achievements of the mines and the productivity of the farmers and peasants, neither

(1) For example the studies carried out by R.H.Green (1981), I.F.S. Brussels (1983), Stein Rossen (1982), and G.Sollie (1982).

sector of which has fared particularly well over the recession of the past half decade. This factor has contributed to SADC's loss of export earnings, and worsening terms of trade.

Moreover, the weak demand for agricultural and processed goods on world markets suggests that SADC industry, with its existing emphasis on export-oriented production, has only a remote chance of success. We have argued in this paper that, due to the protectionist character of the international political economy, SADC's industrial, indeed its overall regional strategy, should question the existing emphasis given to external trade. A more balanced approach is called for, furthering production for the regional market alongside that of the existing export sector.

It may be assumed that the SADC countries alone could not generate the necessary funds required to finance regional industrial development. This has been especially clear during the recent economic climate, when immediate constraints on foreign exchange earnings and limited access to overseas credit, have forced all the countries of the region to give priority status to their external trade sectors, and encouraged SADC to make as many friends abroad as possible.(1)

In the same vein, it cannot be expected that all the member states, with their diverse political and social systems, would

(1) Witness, for example, President Machel's decision to join the IMF, and to make Mozambique a signatory to the FFC's Lome Convention, not to mention the circumstances that drove the FRELIMO government to Nkomati.

display the political will to encourage a solely regionally autocentric industrial development plan, at a time when most developing countries are in dire need of outside capital to finance their most basic economic activities. As a result of these ideological differences, it has proved impossible for SADC to reach a consensus on trade and payments, let alone an investment code for the region as a whole.

Nonetheless, the above plan of action stresses the need for regional self-reliance through the promotion of intra-SADC trade, with the recognition that relations between southern Africa and the outside world are not only necessary, they are central to the overall aspirations of integration and economic development among the SADC states. What needs to be clarified is the ways and means open to foreign capital to encourage this essential process of dynamic change.

With the release of some resources away from export-orientation towards the regional market, we argue, relations can be enhanced between the SADC partners that can only aid the process of coordination. A long term rise in the living standards of the African population, is not possible without structural economic change, in which industry must play an increasingly dynamic role. Even the moderate voice of the World Bank agrees that: "in the long run, industrialisation will play a vital role in Africa as elsewhere." (1)

(1) Industrial Strategy for Late Starters: The experience of Kenya, Tanzania and Zambia, World Bank Staff Working Paper No. 457 (May 1981), p. 28.

D) Conclusion

We have shown that the current volume of trade between the SADC member states is minimal. Amounting to some \$270 million worth of traded goods and services in 1982 (Table Six), intra-SADC transactions accounted for just 4.6% of total regional exports and 3.1% of total imports in that year. Moreover, Zimbabwe, with its central location and mature production structure, is the most important regional trade actor, taking almost a half of intra-SADC commerce in 1982. Despite the low level, and uneven distribution of inter-state trade, there are nonetheless some positive signs that regional trade may aid the process of southern African development and integration. Thus, unlike the commodity composition of external trade, the basket of goods traded on the SADC market are relatively diversified (Table Ten), including quite a high percentage of manufactures. This regionally-oriented production could be built upon in the future, to serve as a vehicle for economic diversification and structural change in the SADC states.

Moreover, we have argued, that southern Africa's natural resources provide ample opportunities for regional trade in energy, agricultural produce and mineral raw materials and processed goods. It is to the role that the member states and the international community can play in converting this potential into tangible trade that we will now focus our attention, reviewing the barriers to regional trade and integration, and ways to overcome them.

CHAPTER THREE

~~CONSIDERATIONS TO INTRA-SADCC TRADE AND WAYS TO OVERCOME THEM~~

Enlargement of intra-regional trade is an essential component of SADCC strategies for reducing external dependence. With the progress now being made in developing intra-regional transport and SADCC industries measures to remove constraints on trade, and to improve facilities are now being studied.(1)

In recent times, there has been growing interest on the part of SADCC officials and donors alike over the future of the trade sector. Increasingly the need is being expressed for greater efforts to promote the use of the regional market, and to expand the volume of inter-state trade.(2) Indeed SADCC has made some tangible albeit moderate progress in this direction since 1980. An expanding number of bilateral agreements between southern African countries over the past half decade has shaped a distinct pattern of trade relations that closely reflects the trade blueprint laid out in the Lusaka Declaration. The regional orientation of a good number of SADCC projects, whether coordinated through the sectors on food security and mining, or whether related to energy and industrial development, will depend

(1) Southern Africa Development Coordination Conference: A Handbook, (SADCC, Botswana, 1984), p.17.

(2) Potential investors have for instance shown concern that SADCC is not doing enough to promote the regional market upon which several SADCC projects will depend for their viability. (AED [London], January 18, 1985 p.12.).

for their success on exports of surplus production to the regional market. Meanwhile, in the realm of transport and communications, "invisible earnings" on transit trade are increasingly significant for several countries, as regional projects are implemented linking up the member states.. In many respects, therefore, much is already being done to improve inter-state commerce as SADC's development initiatives continue to unfold.

There are, nonetheless, very real limits to the expansion of intra-SADC trade that must be taken into account. These barriers include a lack of information on regionally produced goods and services, a shortage of regional credit facilities, poor communications and transport links between member states, and a certain "inferiority complex" on the quality and availability of SADC-made items. These constraining elements tend to reinforce an already exaggerated degree of dependency on imports of South African or Western goods.

It is to these barriers that we now focus our attention, the greatest of which remains the prevailing depressed condition of the international economic system. The effects of the global crisis on the SADC region are manifold. They include drops in real per capita purchasing power, chronic balance of payments constraints, rising debt service burdens and often crippling shortages of foreign exchange. As a result, the SADC states have been unable to import the raw materials and capital goods necessary for production. With the SADC industries starved of

critical inputs, increasing production for regional export promotion remains an ever illusive goal.

SADCC's shortage of foreign exchange, imposing severe import restraints on the southern African countries, will be considered throughout this discussion as a fixed constraint on the southern African states, one that limits the development of the trade sector regionally, and forestalls economic growth nationally. Indeed the region's paucity of hard currency is largely responsible for SADCC's approbation of a bilateral, rather than a multilateral approach to trade, and thus forms a constant backdrop to this present analysis of the limits to intra-regional business. With the international economy firmly entrenched in its protectionist confines, implying slow global demand growth for many of SADCC's primary products, it may be assumed that a shortage of foreign exchange will be a permanent feature of the southern African economies, at least for the foreseeable future.

A) A SADCC Strategy for Trade Promotion

With these limitations held firmly in mind we shall endeavour to formulate a SADCC policy for regional trade promotion, one that is best suited to the pressing development needs of the area. If trade is to become instrumental in the process of regional economic integration, we argue, the cooperation of the external community is of paramount importance. Donor countries and international organisations alike can play an important role in the strengthening of the regional market,

aiding the member states to overcome some of the most important obstacles standing in the way of regional trade. A number of options are open to SADC sponsors. Helping with the facilitation of payments arrangements, providing better credit facilities and giving their regional aid through indirect, trade creating channels can do much to enhance intra-SADC business.

This is not to say that the SADC states themselves do not have a role to play in regional trade promotion. Their part is obviously vital to the process of enhancing the regional market on which their export goods will eventually be sold, not to mention improving domestic productive units that are necessary for the creation of trade in the first place. However, as long as the SADC states are lacking the means to pay for their imports, and finance many of their exports, they will need to solicit the help of those members of the development community that share a real interest in SADC's development aspirations.

ii) Trade and Aid

The central theme of the Lusaka Declaration was the need for economic independence for the southern African region. It is not without a degree of irony, therefore, that the SADC states find themselves today largely dependent on foreign aid rather than domestically-generated capital, for the realisation of most of their regional projects. Yet this aid can be put to dynamic purposes that will serve, rather than hinder, the cause of regional independence and self-reliance. Total foreign aid to

the region is put at an estimated one billion dollars per annum, thus constituting more than four times the volume of intra-SADCC trade.⁽¹⁾ By using the appropriate channels, and with the political will of donors and members alike, this money could have a strong catalytic effect on regional economic growth and trade. The oft-cited example of the Marshall Plan helping the recovery of the war-torn European nations, provides a well-worn, yet important precedent of how development aid can enhance trade and promote economic integration between states.

One way that Official Development Assistance (ODA) can have trade creating potential is through indirect or third party aid distribution. Thus if Tanzania, for example, was owed a certain amount of reimbursement from the EEC's STABEX fund, the money could be channelled indirectly through Mozambique, under condition that it be used exclusively for purchases of goods of Tanzanian origin. Aid distributed in this way strengthens the regional market, while creating production and employment in both countries. The same principle could easily be applied to donor sponsorship of specific SADCC projects. The UK, for instance, may wish to finance the construction of a fertiliser plant in Swaziland. Instead of purchasing machinery and equipment from the United Kingdom (or even from South Africa as is so often the case), the British donor would provide the government in Mbabane with a chit or credit note that it would in turn use to purchase the necessary plant from a SADCC source, say Zimbabwe or Zambia.

(1) *New African* (London), July 1985, p.38.

Economic activity is again generated across the region through this indirect allocation of ODA.

Many international institutions such as the World Bank, and the African Development Bank (ADB) already make provisions for third party procurements in their development aid distribution. The Lome convention also encourages the use of ACP sources of supply for Community financed projects. These initiatives, though all too infrequently employed, are encouraging trends that help break down the barriers to intra-regional trade, and promote South-South cooperation.

An example of trade creating aid already underway in the SADC region is the use being made of Zimbabwe's food reserves to help feed her neighbours. Acting as an agent for bilateral aid donors, the Harare government supplied food to Angola, Mozambique, Tanzania and Zambia in 1984.(1) This triangular use of food aid not only provides needy foreign exchange to both Zimbabwe and Mozambique (whose ports and railways were used for the distribution of the grain), it also enhances regional trust as SADC sources come to be viewed as reliable suppliers of a sensitive economic good, such as food.

In these times of economic austerity and high levels of unemployment in the Developed Market Economies (DMEs), attempts at reducing the tied content of SADC aid may be expected to meet with resistance from the donor governments. However, it must be stressed that this kind of ODA allocation goes beyond aiding the

(1) ODA News (Brussels), 2 (Apr, 1984), p.2.

regional market alone. Indirectly the industrialised nations stand to gain from a stronger SADC providing a more buoyant market for Western imports. Moreover, there are some direct, though rarely considered benefits accruing to the DMEs, as a result of third party aid deals. Suppose that a donor organisation like CIDA has more than one development objective for its aid to southern Africa. It may wish to provide bilateral food aid to Lesotho, and secondly to furnish industrial equipment for a tractor assembly plant in Malawi. Rather than give money directly to Malawi for purchases of Canadian tractor spares, the cash could go instead through Lesotho, with stipulations that it be used to buy Malawi grain. In turn the Malawi government will use the revenue from its maize sales to buy the industrial equipment it requires from Canadian producers. This kind of trade creating aid has a multiplier effect across the region with a positive overall impact on regional integration.

Another possibility for governments whose SADC aid is exclusively project oriented, would be to give financial priority to those endeavours that depend for their success, on production (partial or total) for the regional market. ODA to these projects could come in the form of technology transfers, or the establishment of training facilities to build up SADC-based marketing and management skills. A regional dearth of such skills is an obvious constraint to the growth of the SADC market, which can only be overcome with appropriate help from the developed nations.

Furthermore, development assistance from the donor countries could be dynamically employed to promote intra-SADCC trade, by means of regional support funds. In many cases the price of a number of SADCC goods is inflated by the cost of the inputs, imported from overseas, and paid for in hard currencies. SADCC producers are frequently reluctant to offer these goods in bilateral deals on the regional market, unless they can receive in exchange, goods and services that offer them comparable savings in foreign currencies. A donor supported "import content fund" could provide hard currency compensation to the importing country, to help finance the purchase of such goods. The receiving country would benefit by replacing overseas imports with subsidised SADCC products, and would thus be expected to reimburse the fund over time. A pre-financing scheme of this order, could be modelled on the World Bank revolving fund, presently made available to both Tanzania and Zimbabwe.(1) The fund is designed for the purchase of essential imports to maintain production for extra-African trade, but could easily be modified to include production for the regional market.

B) Barriers to Trade

i) A Shortage of Credit

A lack of credit facilities for intra-SADCC purchases is

(1) The revolving fund provided \$60 million to Zimbabwe and \$50 million to Tanzania for the financing of these imports. (International Funding Services [Brussels], A Strategy for the Integration of SADCC markets: Final Report, [November, 1983], p.14.).

another impediment to the growth of the regional market. Existing credit open to SADC traders is usually biased towards external as opposed to regional purchases, and only rarely competes with the favourable credit terms offered by the RSA.(1) SADC governments, desperately short of resources, often demand the repatriation of export profits within two to three months of sales, placing draconian restraint on available credit. Exporters in the Republic, however, do not suffer from the same limitations, and can often offer up to six months of credit. The relative advantage of South African credit over that offered through SADC, led The Economist to conclude that everything "naturally comes cheapest, and above all quickest from South Africa"(2).

For SADC products to compete on a more even footing with Pretoria's goods, extra credit extensions will be required to encourage SADC buyers to break their traditional dependence on South African capital and consumer imports, and to look instead to the regional market to meet their demands. Donor support in the form of a regional credit fund, financed with member states' contributions and soft external loans, would help ease the credit crisis that presently constrains regional trade.

ii) The Information Barrier

Knowledge is another important factor affecting

(1) The Economist (London), 16 July 1983, p.26.

(2) ibid., p.27.

intra-regional transactions. An official SADCC document identified the lack of information on the regional market as a major drawback to the development of intra-SADCC trade.(1) A similar problem faces SADCC buyers, as the one seen above, in that the bulk of available information is focused on Western and South African rather than regional sources of supply. Knowledge on SADCC-wide producers and importers, as well as regional payments methods, is frequently inadequate at the level of businessmen and government traders alike. Catalogues detailing the availability of SADCC goods are seldom available whilst information sharing and commercial exchanges between member states are all too rare.(2) This poverty of knowledge between the SADCC countries reflects the low priority allotted to intra-regional transactions, itself a product of the economic and political fragmentation of southern Africa.

iii) Communication and Documentation

Links between member states, commercial or otherwise is indisputably the sine quo non to regional trade. These could be built up over time with the support of technical, administrative and financial resources provided by the Western nations. Regular visits between SADCC firms and ministries, and the exchange of

(1) Lack of knowledge on regional trade patterns is placed at the top of the list of present constraints to inter-state trade. (SADCC: Towards Regional Trade Development, Dec. 1983, p.30.).

(2) R.H.Green, SADCC: Toward Regional Trade Development, (1983), p.74.

data and marketing know-how might be a first step in improving the regional information network. Trade fairs could be promoted by member governments through special foreign exchange provisions, or with the allocation of import licences for those traders attending the trade fair. National advertising campaigns, aimed at SADC goods, would also be a bonus for regional-wide commerce.

International organisations might provide support teams to help form a data bank aimed at breaking down the knowledge barriers dividing SADC buyers and sellers. Western experts could work with SADC officials to standardise trade documentation between member states, an initiative that will contribute to the SADC-wide coordination of payments and customs procedures.⁽¹⁾ None of these measures in isolation will have a dramatic impact on trade flows between member states. Yet in conjunction with national initiatives aimed at enhancing the productive capacity of key regional industries, these measures may bring about a gradual build up of the SADC market and contribute to collective self-reliance.

v) The "Image Factor"

Lack of knowledge on regional trade tends to reinforce a certain "inferiority complex" on the quality and image of SADC

(1) To this end an UNCTAD group based in Blantyre has already started working on the simplification of SADC procedures and documentation. (Letter from J. Moe, Senior Trade Facilitation Advisor, UNCTAD, [Geneva, August 18, 1985]).

goods and services. Hanlon points out, by way of an example, that many member states import South African coffee mixed with chicory, rather than the superior Tanzanian product.(1) Furthermore, SADC states often import substantial volumes of shoes, textiles and foodstuffs from the RSA, goods which are frequently produced for export in the region, yet all too often are not considered equal to "superior" imported products.(2) This demand for Western and South African products is seldom more than an elite preference for luxury goods, purchased at the expense of regionally manufactured basic items. SADC governments could investigate ways to restrict the import of Western luxury items, and promote instead, local and SADC products. It must be made clear that regionally produced goods are not necessarily inferior in quality to extra-regional imports. For this to come about SADC producers will obviously have to guarantee that their goods are sturdy and reliable, capable of meeting the needs of the larger rural community, and not just those of an urban elite.

iv) Overpricing

Apart from suffering an image problem, SADC goods are also consistently over-priced vis-a-vis extra-regional imports, or indeed, compared with manufactures sold on the domestic markets of the member states. This is sometimes due to the high cost of

(1) Joseph Hanlon, *op. cit.*, p.78.

(2) Gunnar Sollié, *op. cit.*, p.27.

inter-SADCC transports, often inflated by the security problems that affect the region's overland transport routes. (1) Another factor that increases the cost of SADCC items is the high price to be paid for the imported inputs contained in many regionally produced goods.

High costs are frequently related, nevertheless, to national pricing policies. Production for both the local and the external market is often protected through tariffs and exchange controls. Domestic manufacturing is protected under the infant industry argument if and when foreign imports threaten local production. (2) Only rarely, however, do the countries of Southern Africa extend their protectionist privileges across national borders to cover production for the regional market. As a result, SADCC goods are often priced above marginal cost, and are disadvantaged compared to extra-regional products. As a good number of the projects envisioned in SADCC's industry sector will depend for their success on regionally-oriented production, SADCC states in the future will have to afford some equally privileged status to intra-SADCC exports.

A reduction in regional trade barriers may help, as would coordination of SADCC-wide exchange rates. Yet with the high

(1) The price involved in the deployment of Zimbabwe's troops protecting rail lines through Mozambique against MNR attacks, is an example of how political factors may push up the price of regionally traded products.

(2) Though all the SADCC states have used protectionist policies to some extent through their national development strategies, the practice has been most applied in the interventionist states of Tanzania, Mozambique, Angola and Zambia.

volume on intra-trade conducted at the bilateral level the effects of these policies may not be as widespread as is frequently assumed. The best way for regional goods to be priced competitively is therefore to increase national production, allowing SADC firms to operate at greater capacity. With eventual export orders being won in neighbouring states, levels of output will be increased and economies of production achieved. In this way, SADC producers would naturally operate at a more cost efficient level, making regional goods cheaper and more competitive.

It is nonetheless recognised that not all SADC products could compete successfully with imported goods, even assuming conditions of improved productive capacity. The intention of this study is simply to demonstrate that through a SADC-wide campaign of advertising, selective import controls and increased output, much can be done to enhance the use of many regionally produced items, central to meeting the basic needs of the southern African people, items such as bicycles, shoes, textiles, building materials and agricultural inputs.

C) The Role of the Private Sector

Aside from seeking the help of foreign aid allocations to promote inter-state trade, the SADC member states will also have to explore means to encourage private investment from the international community. Increasing the production of goods and services for intra-regional trade will require substantial

inflows of private capital into southern Africa. It is true that potential private investors have not always been welcomed to the SADC region. However it must be stressed that many of the conditions that brought about initial mistrust between some member states and private foreign capital have changed substantially. Much can doubtless be attributed to the austere economic conditions that have modified national development aspirations. Pragmatism has often overruled political ideology in a region hit by drought and economic constraint.

Yet, many of these changes are good news for foreign investors attracted by SADC's mineral and energy wealth. With the present levels of political violence and economic turmoil gripping South Africa, the SADC region looks increasingly like a valid alternative for Western capital. This opinion was echoed by Prime Minister Robert Mugabe at SADC's London conference in 1984. Speaking for all the SADC states, he called on the industrialised countries to redirect their investment programmes away from the RSA and towards the SADC region, thus transforming "the SADC dream into a concrete achievement".(1)

However, the SADC states still suffer an image problem, especially, though not exclusively in the United States. The region remains one wherein the heterogeneity of member states is perceived, not only in terms of differing political and social systems, but also in its divergent, and frequently hostile attitudes towards foreign capital. It is not surprising that

(1) AED (London), July 27, 1984, p.16.

many SADC countries in the immediate post-independence independence period remained suspicious of private investment. Most foreign capital invested in the SADC region, often of South African origin was highly exploitative, doing much to extract the mineral wealth, but sadly little to satisfy the needs of the people of southern Africa.(1) This mistrust of foreign capital led the statesmen of southern Africa to question the formation of a common market or customs union for their regional development needs. These previous attempts at economic integration, they claimed, had only: "served to limit our development, to enrich externally based firms, and to hamper national planning."(2)

Yet a number of very positive gestures recently made towards foreign investors would seem to indicate a change of attitude on the part of several SADC countries. The Marxist/Leninist FRELIMO government, for example, aside from joining that bastion of capitalism the IMF, and dropping its ideological principles by signing the Lome convention,(3) has, of late, made some very conciliatory noises towards foreign capital. In 1984, for

(1) See, for example, A. Seidman and M.N. Seidman, *Outposts of Monopoly Capitalism*, (Zed Press, London, 1980); Duncan Innes, *Anglo American and the Rise of the Modern South African State*, (Heinemann, London, 1984); Greg Lanning, *Africa Undermined*, (Penguin Books, Middlesex, 1979).

(2) Nseketa, *Southern Africa*, op.cit., p.xii.

(3) By agreeing to the "Berlin Clause" of the Lome Convention that pledges all signatories to recognise West Berlin as an integral part of the FRG, Mozambique ran the risk of provoking the wrath of its East European and Soviet allies.

instance, legislation was passed in Mozambique that offered potential foreign investors significant tax holidays and formal guarantees against nationalisation.(1) Under the conditions of the Ukomati accord, moreover, the Maputo government has pledged that it is prepared to allow investment by South African agribusiness firms in Mozambique, and would even permit white farmers from the Republic to use Mozambican farmland.(2) President Machel's has also encouraged close ties with the British multinational Lonrho, whilst praising "the efforts and skills of private entrepreneurs".(3)

The same picture holds true in Zimbabwe, where, despite the socialist orientation of prime minister Mugabe, much has been done recently to welcome back private capital, mainly of South African and British origin, that fled the country following independence.(4) Indeed, this policy has recently paid handsome dividends. The return of 800 white families to Zimbabwe in 1984 was an encouraging vote of confidence for the Mugabe government. More important still for the economy, is a recent 26130

(1) Economist Intelligence Unit, Quarterly Economic Review (EIU:QER), Tanzania/Mozambique, Annual Supplement 1985, p.41.

(2) Robert M. Price, Southern African Regional Security, World Policy Journal, Vol.2, No.3, (New York, 1985), p.542.

(3) EIU:QER, (Tanzania/Mozambique), No.3, 1985, p.28.

(4) See, for example, Roger Riddell, Zimbabwe: The Economy Four Years After Independence, African Affairs, Vol.83, No.333, 1983, p. 472.

investment from the company GMHL Holdings (70% held by the UK firm, Aberfoyle Plantations). The investment, one third of which is in foreign capital, is easily the largest since Zimbabwe achieved independence in 1980.(1)

Meanwhile in both Tanzania and Zambia, the imposition of the standard IMF package of reforms—devaluation, import controls, ending food subsidies, and shrinking the bureaucracy—represent the sort of structural change that should appeal to prospective investors.(2) Even in Angola, the most isolationist of the SADC members, foreign capital has had few problems coping with a Marxist government in Luanda.(3) Again capitalists have been encouraged to invest in the Angolan economy through legislation protecting against nationalisation, and laws allowing the expropriation of profits of up to 25% on investment capital.(4)

This moderation of attitude on the part of the SADC countries towards foreign capital reflects a broader rapprochement of the member states that has beneficial implications for regional investment and trade. A distinct trend among southern African nations, over the past half-decade is

(1) EIU:QEB, Zimbabwe/Malawi, No.3, 1985, p.18.

(2) Manchester Guardian, October 6, 1985, p.16.

(3) Cabinda Gulf, for example, that produces the bulk of Angola's oil, is jointly owned by the Luanda government and the US-owned Gulf Oil Corporation. Meanwhile all Angolese diamonds are sold through a sister company of a South African MNC, De Beers, in London. Financial Times (London), Sept.14, 1981, p.11.

(4) Joseph Hanlon, op.cit., p.87.

discernible. It clearly points to a shift away from the extreme poles of socialist autarchy on the one hand and open-market capitalism on the other, towards a more centralist, mixed economy approach to economic development. The reasons for this rapprochement are beyond the scope of this present discussion.(1) All that is suggested here is that an increased level of political and economic homogeneity between the states of southern Africa is a positive signal to foreign investors, and a healthy incentive to regional trade and integration.

D) The Southern African Customs Union (SACU)

Some constraining factors to the growth of the regional market will naturally remain, even assuming conditions of increased production, improved transportation, better investment opportunities and renewed political will on the part of member governments. SADCC goods will have a hard task, for instance, piercing the SACU tariff wall which protects industries within the BLS states.(2) By the same token it will be difficult for the BLS countries to reduce their dependence on the Republic and purchase goods from SADCC suppliers. The SACU agreement does not allow its member states to offer preferential tariffs to other nonmembers. Thus if SADCC firms are to sell their goods on the

(1) Radicals would probably accuse foreign capital of pushing the SADCC countries to the wall with threats of adapt or die. Liberals, on the other hand, might view the diminishing gap between member states as integral to the inevitable progress of Western capitalism.

(2) G.M. Maasdorp, op. cit., p. 65.

BLS markets, they will have to compete against cheaper, and more diversified products from the RSA.

Other barriers also restrict SADC's entry to the BLS economies. Pretoria's geographic proximity to her SACU partners makes for faster delivery time of South African goods to the BLS. Retail trade in the three SACU members is also dominated by the Republic's firms. In Botswana it is difficult even for Botswana companies to compete against the larger South African enterprises, who can make preferential purchases of raw materials and industrial inputs in the RSA.(1)

Zimbabwe, nonetheless, does have a preferential trading agreement with Botswana that dates back to the days of the Central African Federation. It allows for the virtual free flow of goods between the two partners, under condition that at least 25% of value is added in the importing country.(2) Between 1980-82 imports from Botswana escalated rapidly, reversing Zimbabwe's normal trade surplus. In 1984, Zimbabwe imposed severe quotas on trade with Gaborone, especially on textile imports, on the grounds that South African companies were channelling their goods through Botswana as a means to penetrate the SADC

(1) Peter Robson, Reappraising the Southern African Customs Union: A Comment, *World Development*, 6, 4, (April 1978), p. 331.

(2) Total trade between Zimbabwe and Botswana stood at 78.2 million dollars in 1982, making this the largest mutual trade flow through SADC (Meorsom, *op.cit.*, p.39).

(3) *African Research Bulletin: EEI*, Vol.21, (1984-1985), p.7404.

market.(3) An obvious setback to trade development in SADC, the Zimbabwe reprisal clearly shows that cooperation will be difficult to achieve between competitive SADC industries.(1)

Overcoming the existing information barriers that divide SADC producers and purchasers, or promoting the image of SADC goods through selective advertising will help build up a regional trade network. Providing enhanced credit facilities, and using bilateral donor aid in more creative, trade promoting ways will have a similar effect. Encouraging investment to the region, and increasing contacts between SADC firms is a healthy sign for inter-state business.

However, in isolation, these measures alone will not create trade. A recent IMF study into trade expansion in the region concluded that "existing economic structures and physical barriers rule out any pronounced shift in regional trade."(2) The IMF study overstates the level of fragmentation dividing the SADC members, and largely ignores the dynamic role that the international community can play in transforming trade potentials into actual transactions. It does, however, confirm SADC's development priorities: that emphasis must be given to increasing regional productive capacity, and improving infrastructural links

(1) This is something that SADC's industrial cooperation sector must keep firmly in mind, as it plans for complementary industrial structures in the region.

(2) S.J. Anjaria, *Payments Arrangements and the Expansion of Trade in Eastern and Southern Africa*, IMF Occasional Paper, (Washington DC, July 1982), p.3.

between member states before any meaningful increment in trade can come about.

F) Bilateral Trade

With the recognition that ~~production~~ production, rather than trade per se, is the vehicle for development, SADC has rejected a free trade approach to regional integration. Instead the organisation sees the existing network of bilateral countertrade packages, as the appropriate means for transforming expanded productive capacity into enhanced inter-state trade. SADC is not alone in its rejection of multilateral, in preference to bilateral trade. As much as one fifth of world trade is currently accounted for by countertrade deals, much of which is taking place at the South-South level.⁽¹⁾ Bilateral arrangements of the type carried out by the SADC states are frowned upon by the IMF and free trade advocates alike. Yet countertrade is clearly an established trading practice, and one that can increase production and employment by the exchange of goods and services for which there exists no available market through existing trading channels.

A good number of bilateral trade deals already exist within SADC, many of which have come into operation since 1980, as shown in Table Ten.

(1) The Economist Intelligence Unit, North/South Countertrade: Better and Reciprocal Trade With Developing Countries, Special Report No. 174, (EIU, London, 1984), p. 26.

TABLE TEN (APPENDIX A) AND FIGURE TWO (APPENDIX C)
BILATERAL TRADE AGREEMENTS AMONG THE SADC STATES

The typical SADC agreement specifies a list of products to be exchanged between the trading partners, with accounts usually opened in each others' respective central bank to facilitate payment settlements. A swing credit is then normally agreed upon, and any outstanding trade imbalances are cleared at the end of each settlement period in foreign exchange. This period is six months in the case of most inter-SADC accords.

The model for SADC-wide bilateral agreements is the one currently in operation between Mozambique and Tanzania, also known as the Ruvuma Free Trade Area (RFTA).⁽¹⁾ The Ruvuma accord, signed in 1981, replaced an earlier agreement made between the two countries in 1978. It calls for the gradual elimination of tariffs on all goods traded between the two partners by 1992.⁽²⁾ There is no foreign exchange settlements in the RFTA, instead the deficit country simply seeks ways to step up its exports to the surplus country to offset the imbalance.

TABLE ELEVEN (APPENDIX A)
TRADE BETWEEN TANZANIA AND MOZAMBIQUE (1979-1982)

(1) In the Industrial Cooperation Memoranda presented at SADC 3 in Plantyre 1981, the RFTA was cited as an example of an agreement that worked to the satisfaction of both partners.

(2) The Ruvuma Treaty, cited in J.E.Torp, Industrial Cooperation Within Manufactures: Country Case Study on Mozambique, CDR Project Paper, (Copenhagen, 1983), p.35.

This was in fact the case, as shown by the figures in Table Eleven. Tanzania ran a sizeable surplus in the first years of the agreement, that was offset by a major export drive on the part of Mozambique in 1982. In that year, in fact, the trade balance was reversed, and Mozambique ran a slight surplus with Tanzania.(1)

F) SADCC v. PTA

An important, constraining factor to the growth of regional trade is the existence of a second, potentially competitive regional organisation in the form of the Preferential Trade Area (PTA). SADCC's emphasis on bilateral trade differs quite markedly from the approach adopted by its regional counterpart. While both PTA and SADCC are overlapping in area and membership, and though each recognises the achievement of "regional integration" as their ultimate goal,(2) they have nonetheless opted for very different routes to attain their development destinations. The PTA foresees the reduction of barriers to intra-regional trade, and the promotion of mechanisms to enhance regional commerce as the means towards establishing a common market. Admittedly, PTA has not limited its development

(1) Stein Rossen, *op. cit.*, p.120.

(2) The Lusaka Declaration calls for "genuine and equitable regional integration" among the SADCC states (SADCC Handbook, [Gaborone, 1984], Annex 1, p.18), whereas the PTA Treaty is more specific, striving for the "establishment of a common market and eventually of an economic community for Eastern and Southern African States" (PTA Treaty, Article 29, p.23).

objectives to questions of trade alone.(1) Yet reduction of tariffs and non-tariff barriers (NTBs), and the creation of a clearing and payments facility to intensify the use of national currencies in regional trade, remain PTA's principal area of concern.

Although it is still too early to judge the performance of the PTA, (the Treaty only came into operation in 1982),(2) a number of factors appear to be in SADC's favour relative to the classic approach to regional economic integration adopted by the PTA. First, though existing payments arrangements may have a restrictive impact on intra-regional transactions, they are not, as previously argued, the principal handicap to regional trade.(3) Secondly, the bitter taste of failed common market ventures still lingers in the mouths of many of the region's leaders. Naturally the PTA does not necessarily have to run the course of these earlier schemes, yet it does have to overcome the legacy passed down by the previously aborted African economic communities.

(1) As an "all embracing" document, the PTA also claims responsibility for a number of sectors common to SADC's own initiatives, such as transport, agriculture and industrial development. *ICI Industrial Review* (Harare), October 1984, p.7.

(2) Comparison between the PTA and SADC is nonetheless deemed vital if we are to effectively compare and evaluate the different approaches adopted by the two regional organisations.

(3) IMF, *op.cit.* p.12.

Thirdly, all SADC governments practice some level of state intervention and national planning, as well as controlling the issue of import and export licences. This led Green to conclude that "the free market logic of the regional integration body is directly in conflict with the interventionist logic and practice of the national member states." (1) Though PTA's multilateral approach is not exactly "free trade logic", it does nonetheless aim to establish a sub-regional common market, implying free movement of labour and capital among and between member states. Policies of this nature are bound to run into opposition from those states most committed to policies of public sector intervention and socialist planning.

Finally, the PTA has, thus far, sunk much of its energies into the formation of a regional clearing house, designed to remove the "biggest constraint" (2) to regional trade, namely the shortage of hard currency among member states. It is doubtful, however, that the PTA facility can act as a catalyst for inter-state business in the foreseeable future. The clearing house aims to reduce the working balance of convertible currencies held by the participating countries, since foreign exchange would only be used for settlement of net balances at the close of each settlement period. Yet it could be expected that only a marginal volume of hard currency will be saved, due to the

(1) R.H. Green, op. cit., p.3.

(2) CII Industrial Review, op. cit., p.8.

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unbalanced character of trade patterns in the south and eastern African regions. Not only is the share of intra-PTA transactions small, relative to the total trade of member states, (1) but the ratio of compensable trade (where deficits with one country or group of countries are offset by surpluses with others) to intra-regional trade is also low. This implies that the distortions in regional trade flows would inhibit the effective operation of the clearing house.

This prognosis is in fact confirmed by disappointing results on the use of the facility to date. By July 1984, of UAPTA 9.7 million passing through the Harare account, a full 9.1 million, or 94% of all transactions took place, not in local currencies, but in US dollars. (2) Zambia ran up a debt of almost \$16 million with the clearing house in its first six months of operation (3) causing payments arrears that only serve to undermine regional confidence and cooperation. These initial misgivings on the development of the PTA during its first years of operation lead us to a tentative conclusion. That PTA's multilateral trade agreements, tariff reductions and clearing house will do little, in isolation, to iron out the distortions in regional resource endowment, and export potential that currently divide member

(1) Worth one billion dollars in 1981, intra-PTA trade, at 5% of total exports and 4.1% of total imports, was slightly less than the equivalent SADC level in the same year. (Theo Malan, *op. cit.*, p.84).

(2) Africa Research Bulletin: EEI, 1984, pp.7436-7437.

(3) Joseph Hanlon, *op. cit.*, p.77.

states.

Despite official statements to the contrary(1) there is an obvious uneasiness in the relationship between SADC and PTA. This is not just a question of style. It also reflects real differences in approach. More important though, tension arises over possible overlaps between the two bodies which are nowhere more obvious than in the trade sector. A number of knotty issues need to be unravelled over the future division of labour between the two organisations, issues which are intensified by differences within SADC over the future status of the PTA.

Zimbabwe, which probably has the most to gain from PTA's free trade stance, and Zambia, an original signatory and host of the PTA secretariat, are the strongest advocates within SADC of PTA's policies. Angola, on the other hand is the one SADC member that has voiced its preference for an independent SADC trade initiative.(2) Botswana, meanwhile, appears hesitant to

(1) In 1983 a letter was sent from the UN Economic Commission for Africa to the SADC council of ministers that confirmed "absence of conflict" between PTA and SADC, (R.H.Green, op. cit., p.63). However tension between the two bodies flared up again at the SADC conference in Lusaka the following year, which threw doubts on the possibilities of peaceful coexistence between PTA and SADC, (AED [London], Feb 17, 1984, p.5).

(2). J.T.C.Somoos (ed.), SADC: Energy and Development to the Year 2000, SIAS, (Uppsala, 1984), p. 53.

sign the PTA lest its actions invoke the wrath of the RSA.(1) The other six states have so far ignored any potential conflicts between the regional groups. Thus, to date, SADC has no official position on PTA, nor has there been any framework instituted for formal negotiation between the two bodies.

There is no a priori objection to the SADC members participating in other regional organisations, and as shown in Table Twelve:

TABLE TWELVE (APPENDIX A)

SADC MEMBERSHIP IN REGIONAL AND INTERNATIONAL ORGANISATIONS

Nor does the PTA treaty make any objection over this question of multi-membership. However, as long as Mozambique, Angola and Botswana remain outside of the PTA, the spectre arises for conflict between those members of SADC which are signatories to the PTA treaty, and the three states that have not joined. PTA member states, for example offer each other MFN status, which, under the provisions of the treaty cannot be afforded to non-members. Article 18 clearly states that "in no case shall trade concessions granted to a third country be more favourable than those applicable under this treaty".(2) It remains a moot

(1) Even though South Africa has agreed in principle to the BIS states signing the PTA treaty, Anglin points out that considerable differences in opinion remain within the Botswana cabinet over the future of the PTA. Douglas G. Anglin, Economic Liberation and Regional Cooperation in Southern Africa: SADC and PTA, *International Organisation*, 37, 4, Autumn 1983, p.690.

(2) PTA Treaty, Article 18, p.17

point as to the status of the RFA between the PTA member Tanzania and the non-member Mozambique under Article 13. Similarly, a PTA signatory like Zimbabwe, under the wording of the treaty, could not in principle grant duty free access to Botswana's goods that it does not likewise offer to its PTA partners.

It is doubtful that the PTA treaty can be stretched even further, granting special status to SADC's existing network of bilateral goods.(1) This would tacitly imply PTA approval for SADC's bilateral countertrade approach, undermining PTA's multilateral principles, and would almost certainly provoke the non-SADC members of PTA, like Kenya, to demand similar preferential treatment for its trade agreements with third party countries.

In summary, there appear to be a number of valid reasons for concern over the future co-existence of SADC and PTA, compounded by the hesitation of those SADC countries who are dragging their feet over signing the PTA treaty. A degree of complementarity is still possible if a rational division of labour can be agreed upon. In the long-run, conflict between PTA and SADC could be resolved with the return of normal economic conditions to the sub-continent, and the completion of SADC's infrastructural projects.

(1) The Treaty already makes provisions for the "unique situation" of the BLS (Article 30), as well as allowing for the "special economic conditions" of the Comoros and Djibouti (Article 31).

At that juncture, SADCC could be expected to relinquish a number of its countertrade deals, in favour of multilateral agreements. Bilateral trade, as we have made clear, does create economic activity at a time when foreign exchange shortages rule out trade through traditional channels. However, if applied over the long term, countertrade leads to protected markets that produce economic inefficiencies. It also creates a sizeable bureaucratic burden, as bilateral trade requires the provision of export and import licences,⁽¹⁾ along with state sector planning of trade and export targets. It is also extremely difficult to balance countertrade deals between two countries. This has been the experience of the Ruvuma agreement wherein total volumes of trade were matched, but not total value: Mozambique was exporting mainly capital goods, with high import cost, whereas Tanzania's exports were mostly raw materials that had little import value added.⁽²⁾ For these reasons, foreign exchange is frequently used to offset these distortions in bilateral trade. At some latter stage in its development, therefore, as SADCC's bilateral deals are extended into trilateral and multilateral agreements, it can be assumed that member states will have a need for PTA's system of reduced tariffs and its multilateral clearing house.

(1) Licences that all too frequently are used as a system for rewarding political patronage, thus fueling the power of government officials.

(2) J.E.Torp, op. cit., p.36.

In the interim, the peaceful coexistence of SADC and PTA would seem to hinge on two questions: first, whether Botswana, Mozambique and Angola will put their names to the PTA treaty, and second, if the former rivalries and animosity that existed between the PTA and SADC (at least between officials of both organisations), can be buried once and for all, and a pragmatic and realistic approach be adopted, stressing cooperation and development of complementarities between the two regional schemes. This will involve, for example, joint action over some sectors of trade development, such as data collection, exchanges of information and technical services, as well as cooperation over standardisation of documentation and product quality requirements. If SADC does establish its own forum for southern African trade promotion, then a framework will have to be set up for regular consultations between officials of SADC's trade sector and the PTA secretariat.

In conclusion, we have noted that numerous constraining factors impinge upon the growth of intra-SADC trade. Of these, the paucity of foreign exchange that limits the buying and selling power of member states is the most serious, and the least easy to eradicate. The growth of SADC trade, like the economic performance of the region as a whole, will closely depend on the future performance of the international economic system. However, we have pointed to several key areas in which a concerted efforts by national governments, coordination on the part of SADC development sectors and financial aid from

international donors, could greatly encourage the use of regional products and further the integration of the southern African market.

Finally, the prevailing uneasy relations between the PTA and SADC has been identified as a significant constraint to regional trade and integration. Conflict between the SADC states on the status and prospects of the Preferential Trade Area largely accounts for the organisation's hesitant attitude over the trade issue thus far. These same conflicts help explain why SADC has been so reluctant, to date, to establish its own independent sector for trade development. It can only be hoped, along with Anglin, that "common sense and a spirit of compromise will ultimately prevail", (1) in relations between the PTA and SADC. If not, and if overlaps between the two organisations over the future of the trade sector are not resolved, one of the regional groups will undoubtedly find itself politically estranged from its member states, and economically isolated by the international donor community. Considering the widespread recognition and financial support that SADC has built up in its first half decade, it is our conclusion that the PTA would suffer most if inter-group tensions override the achievement of constructive coexistence.

(1) D G Anglin, op.cit., p.702

CONCLUSION

Today, half a decade down the road from the signing of the Lusaka Declaration, SADC has made considerable progress towards the realisation of its development goals. If judged on its credibility and image abroad, (1) SADC has achieved a success that most initial observers-cynics and realists alike-thought beyond the reach of such a politically diverse and economically disparate group of states. With its 260 regional projects, many of them already underway or completed, a solid base has been laid upon which further levels of intra-SADC integration and trade promotion can be built. With the acquisition of over one billion dollars from the international community to fund its development initiatives, and a further one billion in the pipeline, (2) SADC has already been heralded as, "the most successful example of economic cooperation in Africa today". (3) Though too early to make bright and rosy forecasts over SADC's future, the organisation has undoubtedly succeeded, better than any other African or international grouping, in focusing the attention of

(1) SADC has the support of some 40 donor governments, two dozen international organisations, and a network of non-government organisations around the globe.

(2) CIDMAA/INTER PARES, The Southern African Development Coordination Conference: Resource Dossier, (Ottawa, November 1985), p.2.

(3) New African (London), July 1985, p.38.

the West on the struggle of the southern African states against the apartheid regime.

One field in which SADC has made much headway, with positive ramifications for intra-regional trade, is that of transport and communications. Inter-connecting electricity grids, inter-state satellite telecommunications, and inter-linking regional airline networks are the first, and in many ways the most difficult step to make towards fostering trade links across a traditionally fragmented region. Furthermore, rehabilitation of the Nacala-Malawi railway line, upgrading the ports of Dar es Salaam and Beira, or the construction of a road from Zimbabwe to Maputo are projects that will provide the infrastructure without which intra-SADC trade would never be possible.

Yet despite these tangible results, SADC has so far adopted an overly cautious attitude over the trade issue. As multilateral donors and Western governments alike show increasing interest in SADC's regional projects, there is obviously a growing need for the organisation to take positive steps towards the creation of an integrated southern African market. To date, SADC has avoided many of the delicate problems that are common to all integration schemes, such as the distribution of regional costs and benefits, the harmonisation of domestic monetary policies, or inter-state competition over the allocation of industry. SADC's respect for the saliency of national sovereignty has, till now, overruled the emergence of conflict between regional goals, and domestic priorities.

SADCC's specific approach to regional trade development reflects the organisation's concern to down play national rivalries and depreciate economic differences between member states. SADCC's rejection of free trade, in lieu of a bilateral model of trade and integration, displays the kind of respect for national policies (state planning, government control of trade licences, etc.), that has become the hallmark of the organisation. However, if SADCC is to become something more than a rational, albeit useful vehicle, for aid distribution to southern Africa; if there is substance behind the Lusaka Declaration's stated goal of "genuine and equitable" regional integration; and if the member states truly wish to reduce their dependence on the PSA, then SADCC can no longer afford to ignore the trade issue.

Thus far, the SADCC member states have not treated intra-regional trade as an end in itself, but only as one of the means towards increasing national production and employment opportunities. This emphasis on production and transport has indeed been the organisation's strength. All too often in the past, regional initiatives have falsely assumed that a reduction of customs barriers alone, would increase the level of inter-state trade. SADCC, on the other hand, has rightly stressed that production is required, first and foremost, before increments in regional trade can come about. On previous occasions, calls for regional cooperation have rung hollow, due to the paucity of inter-state transport and communications

infrastructure that marks the African continent. SADC has thus emphasised, that providing the facilities for the movement of goods and services between member states, is the prerequisite to regional trade, yet one that has seldom attracted sufficient attention within African integration initiatives.

However, if trade is now to become a vehicle for inter-state cooperation, we have argued, then some scarce resources must be redirected away from export-oriented production, and turned instead, towards those economic sectors that produce for the regional market. Such a regionally centered strategy is deemed essential for three principal reasons, relating to the need, the potential and the mechanisms necessary for regional trade promotion.

A) The Need for Intra-SADC Trade

Our findings on the present volume and structure of intra-regional trade prompt the conclusion that the need for SADC independence is greater today than it was at the time of the signing of the Lusaka Declaration. With a 1982 volume of \$272 million, just 4.6% of the region's total exports and 3.6% of its imports (Table Six), intra-SADC trade remains marginal for most member states. Despite a healthy and encouraging increase in the level of intra-regional transactions since 1980, the region as a whole remains more dependent today on the RSA as a source of imports, and as a market for exports, than it did at the outset of SADC's struggle for "economic liberation". For each

individual SADC member, with the exception of Tanzania, trade with South Africa remains of greater magnitude than total trade with the neighbouring states together (Table 3). (1)

These levels of dependency have indeed been intensified in the past year, as the international markets for the Republic's goods, especially her manufactured and chemical products, continue to diminish in response to the growing call for sanctions. In 1985, Pretoria launched a determined campaign to step up its export sales north of the Limpopo. The Republic's trade with the rest of Africa (primarily the SADC states) has doubled over the first six months of 1985 relative to the same period in 1984, up from \$190.8 million to \$371.2 million. (2)

In the realm of transport, we have pointed out (Table One) that concern over security issues in both Angola and Mozambique has in fact increased the transport dependency of the SADC members since SADC's formation. For example, Zimbabwe, Zambia, and Malawi currently send between 40-70% of their transit trade through South African rail, road and port facilities. Meanwhile, the BLS states, already closely locked into South Africa's transport network, have tended to increase their transport dependency on the Republic in recent times, despite SADC's aims of delinking from Pretoria. Swaziland's decision to build a new

(1) An exception to this, is Zimbabwe who has delinked from the RSA on the import side since 1980, even though the Republic has become a more important market for Zimbabwean products, especially manufactures in recent years.

(2) AED (London), 17 August 1985, p.16.

rail link to Komatipoort, for instance, and Botswana's proposed rail line through Zeerust, will both depend on increased volumes of SADC transit trade passing through the RSA to become economically viable.(1) Our data thus tends to confirm that SADC is more dependent on the Republic's trade and transport today, than it was half a decade ago. The need to promote regional transactions, to replace SA imports with goods of SADC-origin, and to strengthen inter-state communications, is therefore even greater in 1985 than it was in 1980.

Secondly, due to the continuing depressed state of the global economy, the arguments in favour of increasing levels of intra-regional trade grow ever more valid. Weak prices and low demand for Malawi tobacco, Tanzanian cotton, Zambian copper and Swazi sugar have seriously affected the economies of the region. Nearly all SADC states have suffered declining terms of trade for their mineral and agricultural commodities, over the past five years,(2) making it increasingly difficult to purchase even those basic imports vital to the region's survival. Furthermore, when the source of such imports, including foodstuffs, remains

(1) Gavin Maasdorp, *SADC: A Post Ykomati Evaluation*, The South African Institute of International Studies, (Braamfontein: SAIIS, 1984), p. 59.

(2) Between 1970-1982, for example, Zambian terms of trade slumped by an alarming 73%, while in Tanzania, Malawi and Mozambique during the same period, terms of trade fell between 20-25%. Even Angola and Botswana have been adversely affected by falling prices of diamonds and oil especially between 1980-83, (Richard Moorsom, *Industrial Development Through SADC*, mimeo, [Vienna: UNIDO, 1984], p. 8.)

the apartheid regime in Pretoria, dependence on extra-regional markets becomes a political as well as an economic issue. In the past Pretoria has not hesitated in exploiting, to its own advantage, the dyadic nature of RSA/SADCC relations.

The present structure of export-oriented production of primary products has done little, we maintain, to rectify these unequal trading relations, nor has it contributed to the independence of the SADCC region. If some of the resources so keenly expended at present on third-party exports could be used, instead, to generate regional economic activity, then substantial savings could accrue to the SADCC states. Certain products of SADCC-origin, for instance, could be expected to replace goods imported from the RSA or from Western sources, and paid for in hard currencies. Again, production and employment would be generated within the SADCC states as a result of regional trade, whilst the overall security of the region would also be enhanced.

The distorted structure of tariff barriers prevailing in the industrialised countries, provides a final reason for upgrading the present level of intra-SADCC economic activity. The developed market economies tend to set higher nominal tariffs on processed and semi-processed products than on raw materials. Such tariffs make it difficult for the LDCs to break their dependence on exports of raw materials, and tends to limit the economic diversity considered essential to the development process. Highly protected markets in the West for several of SADCC's manufactured exports, such as textiles, footwear and leather goods, items

excluded from the Generalised System of Preferences (GSP), severely limit SADC's export potential to the DMs. Moreover, with high levels of competition coming from the Newly Industrialising Countries (NICs), SADC producers will have difficulty breaking into Western markets with their processed goods. Yet if these same manufactures were produced instead for regional sale, they could promote the economic diversification of the region, help meet the demands of SADC's peoples, and establish a vital link between regional needs and the development of an appropriate means of production.

a) The Potential for Intra-Regional Trade

If the need for enhancing regional commerce is great, our research has also shown that the potential for intra-SADC trade is considerable. More than any other part of Africa, the SADC sub-region has ample supplies of those natural resources so vital to the process of agricultural and industrial development in any country. The abundant oil, hydropower and coal reserves of southern Africa provide unique opportunities for regional-wide cooperation and trade. For a region so richly endowed with agricultural resources, an unnecessary percentage of foreign exchange earnings are presently devoted to imports of basic food staples. The SADC states collectively produce all the raw mineral ores-copper, iron ore, bauxite-necessary for metal working and machine building, industries that are fundamental to the process of industrialisation and structural change in any

country. Enhanced regional integration would provide the SADC states with the opportunity to exploit these potentials. Inter-state industrial cooperation would allow member states with a diversity of natural resources to achieve economies of scale, and acquire greater levels of comparative advantage through specialisation.

One example of this is the potential for mineral processing that exists in the SADC region. Resource-Based Industrialisation (RBI) might, we suggest, be economically viable if national resources could be pooled. The cost of a regional aluminium smelter, for instance, would be justified if a link up with national aluminium fabricating enterprises were achieved, and a market for the output of a refinery acquired across the SADC states. Again, expanded production of Zambia's semi-fabricated and refined copper goods, or Zimbabwe's steel and iron products could be feasible if economies were achieved. With the vital role played by steel, copper and aluminium in industry and construction, a more integrated regional market might provide considerable scope for a SADC-wide strategy of RBI.

We have shown that considerable potential exists for trade in practically all of SADC's economic sectors. Intra-regional opportunities, for Zimbabwean grain, Swazi pulp and paper products, and Mozambican hydropower could be realised through a more integrated SADC market. If Angolan oil supplies can be tapped to meet regional demand requirements, or if Botswana coal

reserves were used to fuel SADC industries, then regional self-sufficiency in products currently obtained from extra-regional sources at considerable cost, would become a reality. It will obviously take great political determination on the part of the SADC states, and financial support from the donor countries, if a regionally oriented policy is to be achieved. Such a strategy, however, is more than just economically expedient; it is vital, we maintain, to the very survival of the SADC states over the coming years.

(C) Mechanisms for Trade Promotion

While the need and potential for intra-regional trade are vast, the mechanisms for promoting such trade in the SADC states have been sadly lacking. Due to the politically sensitive nature of the trade issue within the organisation, the member states have done little, thus far, to establish structures for trade promotion. Now, however, it is primordial that a framework be established within which a healthy regional market can develop. To attain this goal, the national governments of the member states, SADC's international supporters and a regional trade sector would each have a role to play.

At the national level, the emphasis given by the member states to increasing their national productive capacities is clearly the most important incentive for intra-regional trade. However, a number of other measures must also be taken by member governments to boost inter-state commerce. The SADC states will

need, for example, to promote the use of southern African products through national advertising campaigns. Selective controls on imports of extra-regional luxury goods would also provide vital foreign exchange that could be used to purchase mass consumption products of regional origin. If the knowledge barrier is to be overcome, then greater efforts could be made to link up national airline schedules between the SADC's capital cities. Additional action could also be made to improve the region's postal services for more efficient movement of mail, and to strengthen inter-state telephone and telex links, allowing for better communication between SADC members. Regional trade fairs, organised by firms or state trading companies in the SADC countries, could also do much to forge business links between the fragmented economies of southern Africa.

The recent initiatives taken by the SADC member governments to attract private sector investment into the region, is another important mechanism for regional trade promotion that may pay healthy dividends in the future. As political turmoil increases on a daily basis in South Africa, it may be hoped that international firms and corporations will take active steps to shift their investment portfolios out of the Republic, and into

C

productive sectors north of the Limpopo.(1) Furthermore, the potential of a more integrated regional market might stimulate some foreign investment to the SADCC area, considering its sizeable market potential.

At the international level, the role of the donor community may be enhanced through the indirect allocation of ODA, or through the use of SADCC-made industrial and agricultural inputs in bilateral aid and project financing. SADCC's sponsors could also boost regional trade by providing technical assistance - managers, engineers, researchers - to help overcome the dearth of regional skills and expertise. Assistance of this kind could contribute sizeably to the simplification of SADCC trade documentation, and customs and licencing procedures. Information on the availability and price of regional goods and services could be improved through a SADCC data bank, a venture that might receive funding from an international organisation.

At the regional level, a SADCC trade development sector would be a useful channel for promoting the use of southern African goods and services. It would be charged, primarily, with facilitating payments arrangements between member states, and coordinating national trade initiatives. The regional trade

(1) One encouraging example of this was offered by the US company Heinz, in 1982, who shifted its investment out of Pretoria and into Harare. Heinz spokesmen stressed the political nature of the deal, and that the company was "taking sides" by viewing Zimbabwe as a viable base from which to expand into the SADCC market. (Joseph Hanlon, *SADCC: Progress, Projects, and Prospects*, Special Report No. 182, [London: EIU, 1984], p.96.)

facility, for example, would assume responsibility for enhancing credit facilities for the existing network of bilateral trade agreements in the region. External credit facilities are generally available for financing extra-regional imports, yet are frequently absent for intra-SADCC trade. To overcome this, SADCC's sector for trade development could provide liquidity in the form of a swing credit fund, with debtor countries receiving credit over an agreed period to restore trade imbalances. A regional "import content fund" is a second possible credit facility that could be sponsored by those donor governments (UK, US, Germany, and France) producing most of the goods to be purchased by the fund.

A Regional Development Bank might also be a useful vehicle for providing credit facilities for SADCC traders,⁽¹⁾ provided that its functions were clearly defined, and its role not overly ambitious. The Bank could be financed through subscriptions from member states, calculated as a percentage of GDP. Again, multilateral funding may be attracted from the UN or World Bank. Aside from providing credit facilities, a SADCC Development Bank may also serve as a useful mechanism for funding regional projects, or coordinating donor investment to the region. As yet, however, such a scheme has only received lukewarm support from the SADCC states, principally due to the EFTA's plans to launch its own development bank. A SADCC trade sector could also

(1) A SADCC initiative of this kind might find it useful to draw upon the charter of the East African Development Bank as a starting point.

promote closer cooperation between central and commercial banks of the member states. For instance, Central banks in the region should be encouraged to open reciprocal accounts with each other, where these do not already exist. An initiative of this kind would facilitate prompt payments to SADC exporters, and would promote consultations and contacts between member states. Moreover, credit elements could easily be built in to these reciprocal accounts to facilitate bilateral trade.

D) Tariffs and Trade

Bilateral/countertrade trade arrangements, we have argued, were an important first step towards building an economically viable regional market. Yet countertrade is not an ideal system. It involves high administrative costs, and tends to perpetuate economic inefficiencies if applied over the long-run. Therefore, SADC may wish, in the future, to develop this bilateral network into a more comprehensive system of multilateral trade. This approach may benefit from the use of a revitalised PTA clearing facility, and could also take advantage of PTA's reduced tariff structures.

We have argued throughout this discussion that the existing system of payments arrangements and tariffs, do not represent a significant constraint to intra-regional trade in southern Africa. The main obstacles have been identified as those barriers-poor infrastructure low productive capacity, and the ability of member states to pay for their imports- upon which

SADCC has focused its development efforts so far. However, as SADCC's rail links become operational, as production returns to idle plant in the southern African countries, and as regional economic conditions improve, SADCC may generate considerable advantage from PTA's tariff preferences. The PTA common list that came into operation in 1984, includes some 200 items from food to footwear, with tariff reductions of up to 70% foreseen. With a more buoyant market for regional products, the movement of goods and services, as well as capital and labour, would be greatly enhanced through such a reduction of tariff and non-tariff barriers to trade.

The application of a common external tariff to protect SADCC industries would be an economically rational though politically improbable policy under present conditions. The region remains far too dependent on RSA goods and services to make a common tariff against South Africa possible. In the extreme case of the 115 states, strongly integrated into the South African economy, Pretoria would never accept a common tariff against her goods that provide 95% of Lesotho's, 90% of Swaziland's and 96% of Botswana's import needs. With the high degree of economic leverage that it holds throughout much of the region, South Africa would doubtless make the SADCC countries pay a heavy price if such protectionist measures were ever imposed against her products.

E) Trade and the future of the Region

However, it may be assumed that once the political problems are resolved in Pretoria, and normal inter-state relations are allowed to develop between the SADCC states and a free Azania, a common external tariff might realistically take effect. The SADCC countries have consistently stated that with a politically acceptable government in Pretoria, South Africa would be welcomed into the fold as a natural member of an enlarged southern African integration scheme.⁽¹⁾ SADCC considers that its present opposition to South Africa must therefore be seen as a political, rather than an economic, affair. Remove the structures of apartheid the organisation assumes, and normal relations between the RSA and SADCC would naturally transpire. As political events inevitably unfold in South Africa, however, it is essential for SADCC to review its policy towards a liberated Pretoria. If SADCC was to realistically counter the hegemonic role of the RSA, black or white-majority ruled, then a future tariff against South African products would be economically expedient. Just as some Canadian industries have developed behind tariff walls protecting them from US competition, SADCC would be justified in strengthening its own regional market through similar protectionist policies against a future, apartheid-free RSA.

Increasing the trade between SADCC member states, we have argued, is an important element in SADCC's search for

(1) This point was clearly brought out in the address of SADCC's Executive Secretary, Dr Simba Makoni to the SADCC-NGO Conference (Ottawa, November 13, 1985), and also in an interview with President Kenneth Kaunda (Agence France Presse [Paris], 26 July, 1983).

independence. If the organisation can successfully promote the production and the use of its own basic consumer goods to serve the development requirements of the region, a key link would have been forged between the needs of the southern African people, and the regional means of production employed to meet these needs. If food and mass market manufactures, produced by SADC industries, can gradually come to replace goods presently imported from extra-regional sources, then SADC would have made an important step towards achieving regional self-reliance. An increase in the use of SADC-made textiles, footwear, construction materials or farm implements could do much to help overcome the "inferiority complex" that presently characterises relations, economic or otherwise, between the SADC states and South Africa. Greater use of the region's own considerable natural resources would, in short, help the peoples of southern Africa look to themselves for the solution of their own development problems.

Turning our eyes to the future, we have argued that even when the political differences between SADC and the RSA are eventually resolved, there will still be a need for a strong SADC, linked by its own regional transport network, looking to itself, rather than to extra-regional sources, for the production and exchange of key industrial, agricultural and energy supplies. An economically healthy SADC region would be in the best long-term interests of the entire sub-continent, and would strengthen, not hinder inter-state cooperation.

To date, SADC's flexible approach to regional integration, with its modest institutional structures and decentralised sectoral responsibility, has well served the development needs of the region. Its adoption of a bilateral approach to intra-regional trade displays the type of respect for national sovereignty expected of an organisation comprising such politically and socially diverse member states. SADC's development model has, over the past five years, proved to be a successful vehicle for furthering regional cooperation and for promoting the economic independence of the southern African countries. SADC must now consolidate its earlier achievements through a programme of viable integration for its member states, one that gives increasing priority to the promotion of intra-regional trade and development.

APPENDIX A

TABLE 1

RSA Trade to Africa, 1981-1983 (U.S. \$ m)

	1981	1982	1983
RSA Exports to Africa	1,186	834	772
As % of Total Exports	5.7	4.7	4.0
RSA Imports from Africa	362	305	288
As % of Total Imports	1.7	1.8	1.8

Source: Theo Mañan, Africa Insight, 13,1, (1983).

IMF, Direction of Trade Statistics Yearbook, (1982-83).

Richard Moorsom, Industrial Development Through SADCC.
UNIDO (1985).

TABLE TWO

Trade of SADCC Member States With the RSA
As a Percentage of Their Total Exports/Imports
1979-1982

	1979		1982	
	Exports to the RSA	Imports from the RSA	Exports to the RSA	Imports from the RSA
Angola	2.17	11.99	N/A	N/A
Botswana	6.98	87.67	8.70	86.60
Lesotho	70.00	94.00	57.00	N/A
Swaziland	19.80	87.00	37.10	82.90
Zimbabwe	16.00	38.00	20.50	19.80
Zambia	0.08	5.78	0.50	15.70
Malawi	3.75	41.74	7.60	36.50
Mozambique	4.77	14.35	3.30	N/A
Tanzania	0.00	0.00	0.00	0.00

Source: G. Sollie, Trade Patterns and Institutional Aspects
of Trade in Southern Africa. (Bergen, 1982)

Moorsem: (1985)

TABLE THREE
RSA TRADE WITH THE REST OF AFRICA IN KEY
ECONOMIC SECTORS
(According to Sections of the Brussels Nomenclature)

Section	Description	1980	1981	1982
01	Live animals and animal products	30.5	20.5	19.1
03	Animal and vegetable fats and oils	23.0	27.3	35.4
06	Products of chemical and allied indus	32.2	41.2	36.0
07	Artificial resins and plastics, etc.	58.1	64.8	53.5
12	Footwear, headwear and others	20.7	32.7	41.9
13	Articles of stone, glass, etc	42.1	50.3	44.1
16	Machinery and Equipment	63.6	60.3	51.4
17	Vehicles, aircraft, etc.	65.9	44.1	25.9
18	Instruments and apparatus	41.3	47.1	24.8
20	Misc. manufactured articles	13.8	15.9	19.2

Source: Eric Leistner, Africa Insight, 15, 1, (1985)
 Theo Malan, (1983)

TABLE FOUR
VALUE OF INTRA-REGIONAL TRADE
1979 and 1982 (U.S. \$ m)
Imports and Exports to the SADCC Region

	Exports to SADCC		Imports from SADCC		Trade Balance With SADCC	
	1979	1982	1979	1982	1979	1982
Botswana	38	52	30	36	8	16
Lesotho	0	0	0	1	0	-1
Swaziland	4	8	3	3	1	5
Angola	1	N/A	27	7	-26	-7
Mozambique	7	17	21	36	-14	-19
Malawi	8	23	15	24	-7	-1
Tanzania	33	6	7	12	26	-6
Zambia	29	38	26	51	3	-13
Zimbabwe	35	128	28	101	7	27
Total	156	272	156	272	-	-

Sources IMF (1984)

UNCTAD, Handbook of International Trade and Statistics, (1985)

Moorsom (1985)

TABLE FIVE

**Relative Importance of Intra-SADCC Trade for the Region
1979-1982**

	1979	1981	1982
Intra-SADCC exports as a % of total exports	1.97	5.1	4.6
Intra-SADCC imports as a % of total imports	2.05	3.7	3.6

Sources: Sollie (1982).

International Funding Service (IFS) A Strategy for the
Integration of SADCC Markets, (Brussels, 1983).

Richard Moorsom (1985)

IMF (1982-83).

TABLE SIX

**Percentage of Zimbabwe's Total Trade With The SADCC Region
1979-1984**

	1979	1981	1984
Intra-Trade as a % of total exports	3.51	10.	11.8
Intra-Trade as a % of total imports	3.61	6	6.8

Sources: Sollie (1982).

IFS (1983).

Zimbabwe Reserve Bank, Quarterly Economic
and Statistical Review, (March 1985)

TABLE SEVEN
The Relative Importance of Intra-Trade for the Individual
SADCC States
1979-1982

	1979		1981		1982	
	Regional Exports as % of total Exports	Regional Imports as % of total Imports	Regional Exports as % of total Exports	Regional Imports as % of total Imports	Regional Exports as % of total Exports	Regional Imports as % of total Imports
Angola	1.82	2.64	N/A	N/A	0.00	0.7
Botswana	11	6.65	9	6	7.5	5.2
Lesotho	0.0	0.0	0.4	0.0	0.0	0.0
Swaziland	1.94	1.12	N/A	N/A	2.6	0.6
Zimbabwe	3.51	3.61	10	6	10	6.2
Zambia	1.86	1.36	4	5	3.6	5.1
Malawi	4.38	0.46	10	8	9.9	8.2
Mozambique	2.64	2.49	9	3	5.6	4.5
Tanzania	1.57	0.46	0.9	0.8	1.3	1.1

Sources: Sollie (1982)
 IFS (1983).
 Moorsom (1985).
 UNCTAD (1984)
 IMF (1984)

TABLE EIGHT

**Share in Regional Trade as Percentage of Total By Country
1979 and 1982**

	Exports		Imports	
	1979	1982	1979	1982
Botswana	24.3	19.1	19.2	13.2
Lesotho	0	0	0	0.4
Swaziland	2.6	3.0	1.9	1.1
Angola	0.6	N/A	17.3	2.6
Mozambique	4.5	6.2	13.5	13.2
Malawi	5.1	8.4	9.6	8.8
Tanzania	21.1	2.2	4.5	4.4
Zambia	18.6	14.0	16.7	18.8
Zimbabwe	22.4	47.0	18.0	37.1

Sources: Moorsom (1985).
Sollie (1982).

Table Nine (A)
Commodity Composition of Intra-Regional Trade, 1979

Exports from	Exports to	Angola	Namibia	Botswana	Lesotho	Swaziland	Zimbabwe	Zambia	Malawi	Mozambique	Tanzania
Angola											
Namibia											
Botswana	01						29 841 411 65				
Lesotho											
Swaziland											
Zimbabwe				061 65 698 421 661 821 629 691				541 661 629 673 651			
Zambia	044						121 351				
Malawi								03 074 042 65 061 899			
Mozambique											
Tanzania									071 841 65 684		

1) The eight trade flows that appear in this table, and only these eight, satisfied in 1979 the criterion of being larger than or equal to 3.0 Mill. US\$.

2) Only the most important (in value terms) commodities in each of the trade flows are represented in the table. Commodities in each of the trade flows are represented in the table by 2- or 3-digit SITC-numbers.

These numbers correspond to the following commodity descriptions:

01 -meat and meat prod.
03 -fish and fish prod.
042-rice
044-maize
061-sugar
071-coffee
074-tea
121-tobacco, unmanufac.
29 -animal and vegetable crude materials n.e.s.
351-electric energy
411-animal oils and fats
421-fixed vegetable oils, soft

541-medicinal and pharmaceut products
629-articles of rubber n.e.s.
65 -textiles
651-yarn and thread
661-cement
673-iron and steel bars, rods and angles
684-aluminium
691-finished structural metal parts
698-manufactures of metal n.e.s.
821-furniture
841-clothing
899-manuf. articles n.e.s.

Source (Sollié), 1982

Table Nine (B) Commodity Composition of Intra-Regional Trade (1981)

ISIC	exports from:	1	2	3	4	5	6	7	8	9
		Angola	Botswana	Lesotho	Malawi	Mozambique	Swaziland	Tanzania	Zambia	Zimbabwe
	exports to:									
31	food, beverages, tobacco									
311	meat & by-products	1,5					1,5	1		
312	milk					1,7				
313	processed fruit & vegetables			1	5,6,8,9					
314	processed fish prod.	5,6,8,9				6,8,9				
315	palm oil	7,8								
315	edible oils		1,7,8				1,7,8	1,8		1,7,8
316	groundnuts				2,6				1	
316	dried beans & peas				1					
316	coffee	2,5,6,8						1,2,5,6,8		2,5,6,8
318	sugar				1,2,3,7		1,2,3,7	1,2,3	2,3	1,2,3,7
3121	spices							6		
3121	tea				1,2,8	1,2,6		1,2,6,8		8
3121	honey							3		
313	beverages						1	1		1
314	tobacco & products	2,5			2,5			1	2,5	2,5
32	textiles, garments, leather									
321	textiles				1,2,5				1,2,4,5	
3211	cotton				9					
3212	blankets							2		
3215	sisal products	9						9		
322	garments			1,2,4,5		1,2,4	1,2,4,5	1,2,4,5		1,2,4,5
3231	hides & skins	3,7,8	2,7,8							3,7,8
3233	leather goods				1,2			1,2,4		
324	footwear			1,2,4,7		1,2,4,7				1,2,4,7
33	wood and wood products									
3319	wood & byproducts					7,8,9		8,9	1,9	
332	furniture			1,2,5,9		2,8	2			
332	upholstery			1,2,5,9						
34	pulp and paper									
3411	wood & pulp ²	8,9					7,8,9			
3411	paper products				1,2,5,7,8		1,2,4,5, 1,8			
							7,8			
35	chemicals and products									
351	chemicals									6,7
3511	lime								6,9	
3511	soda ash		8,9							
3512	fertilisers						1,7	1		
3512	insecticides							5,9		
3513	PVC	2,3,4,6, 7,8,9								
3521	paint & varnish	2,5,7,9					2,5,7,9			
3522	medicines			1,2,4,6 7,9						
3523	soap & detergents							1,2		
3529	tallow & candles		4,6,8,9	4,6,8,9			9			
3529	explosives						7			
3551	tyres & tubes	6						1		
36	non-metallic mineral products									
361	ceramic ware	6,9		6,9			7,9	6,9		
362	glass products					1,9	1,9	1,9	9	
3692	cement	2,3,6,7,8				6,7,8			2,3,6,7 2,3,6,7,8	
37	basic metal industries									
371	steel ingots & bars									1
371	steel tubes & pipes							1,2		
371	reinforcing iron	8								
371	iron sheets					2,9				
372	copper & products, lead, zinc								1,5,7,9 1,7	
38	metal products and machinery									
381	fabricated metal items							1,2,9		
3811	agricultural implements							1,4		
3811	aluminium utensils								1,9	
3813	structural fabrication ³				1,2,9					
3813	building materials ³		2,7,9			2,7,9		2,5,9		
3819	GLS lamps					7				
3822	tractors						1			
3822	industrial machinery				6					6
3824	earthmoving equipm.									1,2,4,5,6,7,8
3829	refrigerators					7				
3829	agricultural pumps					1,4,7				
3843	trailers					4,7				
3863	cars & parts									1,2,4,6

Gen: Numbers in the columns indicate destination countries coded as at the head of table.

Derived From: Moorsom (1985); Industrial Cooperation (Blantyre, 1981), Sollie (1982)

TABLE TEN

Bilateral Trade Agreements Among SADCC Member States
Nature of the Bilateral Agreement

	Planned Trade Promotion	Preferential Trade Duties	Unidentified
Angola			Mozambique
Botswana		Zimbabwe, Malawi	Zambia
Lesotho			Zimbabwe*
Swaziland			Zambia, Mozambique Malawi, Tanzania
* Zimbabwe	Mozambique*	Botswana, RSA	Malawi, Zambia* Lesotho*
Zambia	Malawi	Tanzania*	Botswana, Swaziland Zimbabwe*
Malawi	Zambia	Botswana, RSA, Mozambique	Swaziland, Zimbabwe
Mozambique	Zimbabwe* Tanzania	Malawi, Tanzania*	Swaziland, Angola*
Tanzania	Mozambique	Mozambique*, Zambia	Swaziland

* Came into operation since 1980

Source: Sollié (1982).

Moorsom (1985).

Hanlon (1984).

Africa Economic Digest, July 17, 1985.

TABLE ELEVEN

Tanzanian Trade With Mozambique (Millions T. sh)
1979-1982

	1979	1980	1981
Exports to Mozambique	126.9	139	22.2
Imports From Mozambique	15.0	21.7	37.8
Tanzanian Surplus/Debt	111.9	118	-15.6

Sources: Stein Rossen, Industrial Cooperation Among African
African Countries (Bergen, 1984).

J.E.Torp, Industrial Cooperation Within Manufactures
Country Study on Mozambique (Copenhagen, 1983).

TABLE TWELVE

Composition of Economic Groupings in Southern Africa

	SADCC	PTA	RMA	SACU	LOME	IMF
Angola	*				(1)	
Botswana	*			*	*	*
Lesotho	*	*	*	*	*	*
Malawi	*	*			*	*
Mozambique	*				*	*
Namibia			*	*		
South Africa			*	*		
Swaziland	*	*	*	*	*	*
Tanzania	*	*			*	*
Zambia	*	*			*	*
Zimbabwe	*	*			*	*

* Member

(1) Applied to Join

APPENDIX B

MAP ONE - The SADCC Region

Source: Gavin Maasdorp (1984)

SADCC TRANSPORT DEPENDENCY ON THE RSA

Source: Maasdrop (1984)

APPENDIX C

(Appendix C)

Figure Two: Bilateral Trade Links Between SADC States

Source: Hanlon (1984)

Figure One (Appendix C)

EMPLOYMENT OF SADCC WORKERS IN SOUTH AFRICA 1985 Source: Guardian Weekly, Aug 11th, 1985

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