Towards free trade in Southern Africa: the need to keep pace with world trends

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This paper examines the challenges and opportunities that present themselves to the Southern African region as far as free regional and international trade is concerned. The focus of the paper is on the Southern African Development Community (SADC), the one regional organization to which all Southern African countries are members. Issues that need to be dealt with include the existence of a total of three regional groups all concerned with trade: SADC, the Southern African Customs Union (SACU), and the Common Market for Eastern and Southern Africa (COMESA) and concern over productivity and competitiveness of the region internationally. The SADC region needs to move swiftly towards free regional trade as part of the process of gearing up to the ever increasing global competition. Domination of the region by South Africa is also alluded to briefly. There is very little discussion on the Democratic Republic of Congo and Seychelles, the lastest members of SADC. However, data on these two countries is presented in the three tables contained in this paper.

Introduction

The world is continuously moving towards a global market. This is a result of the flow of capital across national boundaries, dual listings of companies in stock markets around the world, technological advancement and the establishment of the World Trade Organisation among other things. This movement towards a global market is benefiting advanced countries more than it does developing nations. Developed countries have a technological and capital advantage over developing ones. They are, therefore, in a position to easily out compete developing nations. Developing countries, therefore, need to act together in regional groupings such as SADC if they are to stand a chance in the unfolding economic order. There is need for them to take concrete steps aimed at improving productivity, product quality and competitiveness in order to improve the regionís chances of competing favourably in the global market. As a first step, SADC should aim at genuine free regional trade to help businesses improve their competitiveness and productivity, and to attract venture capital.

Trade

Trade (exporting and importing) is important to each and every country of the world. Exports contribute to such things as job creation, favourable balance of payments, and economic growth and development in general. Goods and services not readily available can be imported to satisfy needs at home. Naturally, a country would prefer to export more than it imports in order to realise benefits associated with exports as outlined above. The desire to export more and import less has often led to sour relations between countries culminating, in some cases, in reduced trade between the nations involved.

Today it is common to find countries which have entered into bilateral trade agreements in order to promote and regulate trade between them. Also common is the increasing number of regions around the world that are grouping themselves into trade blocks and in some cases aim at all-embracing regional integration. Examples include the European Union (EU), Southern African Development Community (SADC), Common Market for East and Southern Africa (COMESA), Economic Community of West African States (ECOWAS), Association of South East Asian Nations (ASEAN),

Southern African Customs Union (SACU), and North American Free Trade Area (NAFTA) groupings. Countries enter into such agreements for reasons ranging from protection against global competition to securing and safeguarding larger markets for goods and services. Tariffs and non-tariff barriers are often put in place to ward off external competition.

The World Trade Organisation (WTO), an organisation which originated from the General Agreement on Tariffs and Tradeís (GATT) Uruguay Round, aims at promoting free trade throughout the world by eliminating trade barriers. The WTO took effect on January 1, 1995. Countries of Southern Africa are members of WTO and are, therefore, expected to implement decisions of this organisation. It is going to take a while, however, before the work of WTO can bear fruit to the extent of eroding regional groupings.

National policy makers often fear that free regional trade will benefit some nations more than others. It is this fear of unequal benefits which will pause a major challenge to SADC in its bid to attain regional integration and free trade objectives. It is certainly one of the things that will test SADC's resolve to the utmost as it forges ahead with regional integration. Unless national leaders and policy makers can depict a high degree of understanding and commitment to genuine regional integration, SADC is likely to fail this test.

Background to Southern Africa

Southern Africa is a region that is economically dominated by one country: South Africa. Over the years, most of the now independent countries of Southern Africa, notably Botswana, Lesotho, Malawi, Namibia, Swaziland, Zambia and Zimbabwe, were incorporated or linked somehow to the South African economy through a variety of factors. Today the region is aiming at equitable regional integration through its development community (SADC). One of the major objectives of SADC is promote free regional trade. It is worth noting that in SADC, it is institutional building which drives regional trade rather than detente following trade interactions as is the case in regions such as the Pacific (Poon and Pandit, 1996).

COMESA, to which all but two SADC countries (Botswana and South Africa) are members, has similar objectives to those of SADC. Recent developments indicate that COMESA may be facing a bleak future. Financial constraints forced COMESA to cancel its inaugural trade fair which was scheduled for April 1996 in Harare; its Heads of State summit which was to be held in Namibia in early 1996 was postponement; South Africa declined membership of COMESA; and most recent is the decision by Lesotho and Mozambique to pull out of the organisation.

SACU, whose membership consists of five Southern African countries (Botswana, Lesotho, Namibia, South Africa and Swaziland), represents a closely knit trade agreement that still permits domination by South Africa.[1]

The end of apartheid rule in South Africa, peace in Mozambique and hopefully Angola, accords the region a real chance for economic growth and development in which regional trade could play a very crucial role.

Facts and Figures

Geography: SADC covers a wide area of about 6 930 000 square kilometres. The countries of the region vary widely in size from Angola and South Africa covering 1 247 000 and 1 221 000 square kilometres to Mauritius, Swaziland and Lesotho with 2 000, 17 000 and 30 000 square kilometres respectively .

Population: The SADC region has more than 130 million people (see table 1), hence its market potential population-wise is tremendous. The distribution of the population amongst the countries of the region varies considerably. Botswana and Namibia are the least densely populated with Mauritius, Malawi, Lesotho and Swaziland being the most densely populated (see Table 1 overleaf).

Table 1

SADC bacic data (1996)

Country	*Population(millions)*	*Area(1 000 km≤)*	*Density(per km≤)*
Angola	11,90	1 247	10
Botswana	1,42	582	2
R. of Congo	45,4	2 344	19
Lesotho	1,99	30	66
Malawi	9,94	118	84
Mauritius	1,14	2	570
Mozambique	18,10	802	23
Namibia	1,62	824	2
Seychelles	0,75	0,46	1 630
South Africa	40,40	1 221	33
Swaziland	0,94	17	55
Tanzania	30,60	945	32
Zambia	9,65	53	13
Zimbabwe	11,80	391	30
Totals	185,65	9275	

[**Source**: The Economist Intelligence Unit, various *Country Reports*, 1996/97]

The majority of the peoples of Southern Africa are rural dwellers who still depend largely on subsistence farming. The rural population in SADC countries averages about 60 per cent of the total population. Malawi has the highest percentage of rural population at well over 70 per cent. South Africa and Zambia are among those with the lowest percentage of rural population. Throughout the region the majority of rural dwellers are poor and largely illiterate. More than half the urban population is illiterate or semi literate.

Investment: All Southern African countries have been trying very hard to attract foreign investment as they see this as part of the answer to their economic development problems. However, schemes aimed at attracting foreign investment to these countries have generally met with very limited success. Most of the foreign investment destined for the region flows to South Africa.

Individually, the majority of SADC countries are generally poor. Each country continues to register a positive population growth rate with some experiencing a declining economic growth rate. The GDP and GNP per capita have been declining in a number of these countries (see Table 2 overleaf). A SADCC report (1987, i) summarises the economic problems of the countries of this region very well indeed:

> The weaknesses of SADCC economies are well known - precarious dependence on South Africa for essential goods and services, relatively low incomes, small national markets, rudimentary production structures based on a narrow range of primary products, shortage of skilled manpower, and low levels of technology.

The fact that the inhabitants of SADC countries are mainly poor rural dwellers means that the purchasing power of the population of the region is low. The population per country is, in relative terms, generally low and in a number of cases settlements are widely scattered. Road and railway infrastructure is generally poor making it difficult to access certain areas of these countries. The majority of the people are without significant technological skills. Locally, therefore, conditions are hardly conducive for the industrialisation of most of the individual SADC countries. Given meagre financial resources, severely limited technical and managerial skills, too small a market for industrial and consumer goods, it is difficult to attract or stimulate the establishment of large manufacturing and industrial concerns. These become viable where markets outside the particular country can be accessed, hence the importance of free regional trade.

Table 2
Growth rates Gross Domestic Product (GDP) & Gross National Product (GNP) per capita

	GDP	*GNP*	*Percentage)*		*(per capita in US $)*			
Country	*1990*	*1991*	*1992*	*1993*	*1994*	*1994*	*1993*	*1992*
Angola	3,1	4,1	5,2	−22,6	8,0	---	---	---
Botswana	6,9	8,8	6,5	0,4	4,1	2 800	2 790	2 790
DR of Congo	−2,4	−2,3	−10,5	−14,5	−7,2	---	---	---
Lesotho	5,0	4,0	2,4	4,5	6,0	720	650	590
Malawi	4,8	7,8	−7,9	10,8	−6,2	170	200	**210**
Mauritius	4,7	6,3	4,7	6,7	4,7	3 150	3 030	2 700
Mozambique	1,5	0,9	−2,4	19,3	5,4	90	90	60
Namibia	2,7	5,1	3,2	5,0	1 970	1 820	1 610	
Seychelles		2,7	6,9	−5,5	−0,4	6 680	6 280	5 750
South Africa	−0,3	−1,0	−2,2	1,1	2,3	3 040	2 980	2 670
Swaziland	4,0	4,5	2,0	4,1	3,5	1 100	1 190	1 080
Tanzania	3,6	4,5	3,6	4,4	3,5	140	90	110
Zambia	−1,9	−1,8	−2,8	9,2	1,4	350	380	370
Zimbabwe	2,0	3,6	−8,7	1,7	4,0	500	520	570

[**Sources**: SADC *Annual Report,* July 1992–June 1993, Gaborone, 1993, 11; ADB, *Economic Integration in Southern Africa,* Volume 1, 1993, 376; World Bank, *World Development Report,* 1991–1996; IMF, *World Economic Outlook,* Washington DC, May 1995, 128; Economist Intelligence Unit, Various *Country Reports,* 1996; UNDP, *Human Development Report,* 1995, 1996, 1997.]

Natural wealth: Collectively the SADC countries have abundant natural resources. These include under-utilised arable land, mineral deposits and hydro-electric power. Edlin (1983, 45) quantifies SADC's potential:

> ...while many of SADCC's ambitious projects have not gone beyond the blueprint state, its potential as a regional powerhouse is staggering. Angola, for example, produced 7 million tons of oil last year, and has offered to sell to fellow members - many of which spend up to 40 percent of export earnings on fuel - at preferential rates. Sixty per cent of Africa's coal is buried in Southern Africa, notably in Botswana, Mozambique, Swaziland, Tanzania and Zimbabwe. One-fifth of the continent's hydro-electric power is generated from SADCC states, 85 per cent of it by the Cabora Bassa and Kariba dams straddling the Zambezi River. ...The region sits atop treasure chests of raw materials that could fuel an industrial revolution. Apart from the energy, there are vast untapped reserves of uranium, iron, copper, nickel, zinc, cobalt, chrome, lead, gold, and diamonds. And much of the land is either arable or potentially rich with the help of irrigation.

Although resources are readily available, there are numerous problems involved in the industrialisation of the region. Besides those previously cited above, countries of the region in general face a negative balance of payments resulting in the shortage of foreign

exchange needed for the importation of spare parts and other industrial inputs (SADCC, 1989a, 1), inappropriate national economic policies (SADCC, 1989b, 1) which hinder domestic capital formation and stagnate the flow of foreign capital and regional trade. Hence the SADC countries remain largely poor, incomes remain low and the standard of living for the peoples of this region continues to be depressed. The SADC agenda needs to address these issues, safe that national governments are already dealing with some of them.

Manufacturing in the SADC: There is very little manufacturing that goes on in the SADC countries (see Table 3). With the exception of South Africa, Zambia and Zimbabwe, manufacturing contributes less than 15 per cent of GDP. Furthermore, there is hardly any heavy industry in these countries, and most of what exits is located in South Africa. Manufacturing activities involve mostly agricultural products (SADCC, 1987, 9). Nearly all of their exports are in the form of primary products. In 1992, for instance, the SADC countries' total exports and imports (Mauritius and South Africa excluded) were estimated at US$10.3 billion and US$11.5 billion respectively, with mineral exports accounting for about 60 per cent and the remaining 40 per cent made up of mostly agricultural commodities such as coffee, sugar, tea, tobacco, etc. (SADC, 1996, 13).

Table 3
Structure of production: percentages of GDP, 1994

Country	*Agriculture*	*Industry**		*Services, etc.*
		Manufacturing	*Other*	
Angola	17	3	52	28
Botswana	5	4	45	46
Lesotho	14	17	29	40
DR of Congo	53	6	10	31
Malawi	31	14	7	48
Mauritius	9	22	11	58
Mozambique	33	? 12-total indus.	?	55
Namibia	14	9	20	57
Seychelles	4	? 18-total indus,	?	78
Swaziland	11	36	4	49
Tanzania+	57	8	9	26
Zambia	31	23	12	34
Zimbabwe	15	30	6	49
South Africa	5	23	8	64

* *Industry comprises value added in mining, manufacturing, construction,electricity, water, and gas.*

[**Sources**: World Bank, *World Development Report*, 1996; The Economist Intelligence Unit, various *Country Reports*, 1996/97.]

Manufactured exports in the SADC countries represent less than 20 per cent of regional exports and less than 10 per cent if South Africa is excluded. Concurrently manufactured goods account for more than 70 per cent of imports in most SADC countries with fuel imports making up most of the balance (SADCC, 1989a, 185]) The potential for manufacturing ventures aimed at import substitution in an economically integrated Southern Africa region is, therefore, quite considerable.

It is expected that the end of wars in Angola and Mozambique and the attainment of majority rule in South Africa will leave the region in a much better position to expand its manufacturing activity. This would result in a substantial increase in Manufacturing Value Added (MVA) and should go a long way in improving the balance of trade ratios for countries of the region. SADC will need to come up with innovative investment schemes if the region is to fully exploit opportunities presented by peace in the region.

The trend of trade in SADC

This section outlines some of the obstacles to intra-SADC trade. These include tariff and non-tariff barriers as well as national economic development strategies which generally fail to complement each other. SADC should aim at eliminating these obstacles sooner rather than later.

Regional Trade: There is very little trade between the SADC countries. Intra-SADC trade accounts for less than 4 per cent of the total trade for its first ten member countries (South Africa and Mauritius being the eleventh and 12th members respectively) (African Development Bank, 1993, Vol. 1, 35). There are a variety of reasons for this state of affairs. In addition to the insignificant amount of manufacturing that goes on in these countries, their economies largely fail to complement each other.

Trade Barriers: Regional trade has also been hampered by such factors as insufficient transport network and civil wars in Angola and Mozambique. Trade-related factors include risk, high costs, lack of credit, small markets, and the strength of established trade connections (SADCC, 1986, xvi). Tariffs and quotas have also hindered regional trade. The first ten members of SADC trade mainly with South Africa and the countries of Western Europe as well as Japan and the United States of America.

Even though SADC's predecessor (SADCC) initially concentrated on the provision of infrastructure, road and railway networks connecting the SADC countries are still inadequate. Yet apart from the sea these provide more affordable transportation as compared to air. There are no direct railway linkages between some of the countries bordering each other (Botswana–Namibia; Botswana–Zambia; Malawi–Tanzania; Malawi–Zambia; Mozambique–Tanzania; Mozambique–Swaziland; Mozambique–Zambia). For years the railway lines connecting Angola to Zambia and Mozambique to Zimbabwe have been paralysed by war. With six of the SADC countries landlocked, a well developed regional railway network would facilitate the movement of goods throughout the region thus contributing to the promotion of intra-SADC trade. The end of wars in Angola and Mozambique means that the railways connecting these two countries to Zambia and Zimbabwe, respectively, should be fully operational fairly soon. This will go a long way in improving the regional railway network, resulting in utilisation of shorter and more cost effective routes by a number of countries of the region. Further development of the regional railway network should be considered, particularly the linking of Namibia and three of the landlocked countries of Botswana, Zambia and Zimbabwe.[2]

For now, the fairly well established South African businesses offer a much higher degree of reliability than those of any other SADC country in relation to the timely supply of goods and services. As a result, businesses in several other SADC countries which, historically, have had trade links with South Africa prefer to deal with South African based suppliers. Businesses in some of the SADC countries experience problems of shortages of spare parts which in turn are caused by shortages of foreign exchange needed to import them from overseas and from South Africa. This, combined with transport problems, means that these businesses are not regularly able to meet orders.

The cost of production in most SADC countries tends to be higher than that of developed countries and in some cases even higher than that of the hitherto highly protected South African economy[3], thus making their products uncompetitive price-wise. The quality of goods manufactured in SADC countries generally does not measure up to that of goods manufactured in developed countries or in South Africa.

The majority of manufacturing concerns in SADC countries are classifiable as small to medium by international standards. By their nature, small and even medium size businesses are risky and, therefore, often experience difficulties accessing credit facilities. This problem compounds the difficulties outlined in the preceding paragraph. The non-availability or the limited availability of export pre-financing revolving funds means that

the operational capacity of most export oriented businesses remains low and even insignificant.

Political stability in Southern Africa will likely lead to the extension of credit facilities for manufacturing industries both by regional and national lenders be they government or privately owned. Concerted efforts by SADC governments in promoting venture capital and related services should transform the manufacturing sectors of the SADC countries substantially.

An African Development Bank study (Vol. 1, 1993, 21-25 & 37 & Vol. 2, 1993, 24) summarises SADC's non-tariff trade barriers. Included in the list are the following, most of which have already been covered or alluded to above:

- an acute foreign exchange shortage which impairs the ability of [SADC] countries to pay for imports;
- import licensing;
- lack of trade finance facilities;
- high internal transport costs;
- border controls;
- unfavourable macroeconomics policies;
- the dominance of parastatals in the productive and trading sectors [in SADC countries];
- lack of market and product information for sources within the region;
- a limited and undiversified indigenous production base in most [SADC] countries;
- the paucity of investment capital;
- conflicts between national and regional objectives under structural adjustment programmes;
- the absence of uniformity in regional standards and specifications for products, services

A move towards economic co-operation and regional integration as envisaged by SADC should see the region overcome most of the non-tariff trade barriers listed above. Genuine regional economic co-operation should eradicate problems relating to import licensing, border controls, and market and product information easily. Countries of the region are already addressing issues concerning their unfavourable macro-economic policies and are reducing the role of government in productive and trading sectors by privatising parastatals and similar government organs. Current work on improving the regional transport network should result in lower transport costs overall. As discussed above, availability of trade finance and venture capital will likely improve given the stability that the region has begun to enjoy after years of turmoil in some of the countries.

Lessons from the Southern African Customs Union

In Southern Africa, SACU is the longest standing regional organisation concerned with trade. SACU has a long history dating back to the last decade of the 19th century. The SACU Agreement as it is known today took effect on July 1, 1910. The members of SACU then were South Africa, Bechuanaland Protectorate (now Botswana), Basutoland (now Lesotho) and Swaziland. The 1910 Agreement was reviewed and a new agreement implemented from April 1, 1969. The 1969 Agreement still applies to this day with hardly any modifications. Namibia became the fifth member of SACU in 1990 as a sovereign state. Before then Namibia was a defacto member of SACU as it was under South African rule from 1919 to 1990.

SACU represents market integration at a relatively high level by world standards. SACU, though of some benefit to the BLNS (Botswana, Lesotho, Namibia, Swaziland) countries, has been criticised largely for its undemocratic nature as far as decision making and control is concerned, and the stifling effect it has on the industrialisation of BLNS member countries. The current agreement permits South Africa to effect any tariff structure on the Union without prior consultation with the other members of SACU (see Article 5 of the Agreement). This, South Africa has done from time to time even in recent years. The other members of SACU are expected to implement the changes so effected. Tariff increases on goods produced outside the Union have meant that the BLS/ BLNS countries either import such goods at a higher cost or resort to South African produced ones. Protection of the South African industry in this manner must have contributed to manufacturing inefficiencies. This partly explains why South African manufactured goods are generally not competitive internationally. Either way, the BLS/ BLNS countries end up paying much more for goods that they consume. This is particularly so because at the same time SACU has served to limit production in the region and consequently these countries do not produce much of the non-traditional products they consume.

Article 11 of the SACU Agreement allows any member country to use national laws to prohibit or restrict importation or exportation of goods. Under this article the national laws supersede provisions of the SACU Agreement. Other members of the SACU are expected, in such a case, to co-operate with a fellow memberís import restrictions. South Africa has repeatedly used this non-tariff trade barrier to the detriment of trade between BLS/ BLNS countries and non-SACU members. South Africa has even used non-tariff trade barriers to restrict imports from other members of SACU. Whenever manufacturers based in one of the other SACU countries posed significant competition to South African based manufacturers, the Government would use the relevant SACU provisions to protect its industry. This South Africa does in response to lobby pressure from its local industry. Examples of products which faced such action from South Africa include motor vehicles (Botswana), pasta products (Botswana), edible oil (Botswana), fertilisers and sugar (Swaziland). All that South African industry needs to do is point out that competition from BLNS countries will translate into loss of jobs in South Africa and reduced Government revenue, things politicians cannot easily ignore.

While the BLNS countries benefited[4] in certain ways by being members of SACU, it is strongly suggested that overall they lost more by not being able to attract significant foreign investment and by paying high prices for goods manufactured in South Africa or imported from outside the SACU region.

The foregoing paragraphs serve to illustrate some of the difficulties faced by BLNS countries and the benefits enjoyed by South Africa as a dominant partner under the SACU Agreement. SADC will do well to avoid integration strategies that do not benefit the entire community.

Post-apartheid regional integration and trade

The long awaited SADC trade protocol has now been presented and adopted by the community. At the time of adoption, it was hoped that all the SADC member countries would ratify the protocol by August 1997. Thereafter, SADC was to embark on a programme of tariff reduction over a period of eight years, culminating in free regional trade. However, at the end of 1997 only two countries (Mauritius and Tanzania) had ratified the protocol. This may mean that SADC will take longer to achieve free regional trade. The recent expansion of SADC membership from twelve to 14 with the admission of the Democratic Republic of Congo and Sechelles will make it even more difficult for the community to move rapidly towards free regional trade. The Democratic Republic of Congo needs to put its house in order before it can be expected to

participate meaningfully in regional initiatives concerning trade. This will likely take a while given the socio-economic and political problems facing the country.

The admission into SADC of both the Democratic Republic of Congo and Seychelles increases the cultural diversity of the community. While this may not have significant adverse effects on trade issues it may, nonetheless, create more hurdles that the community will have to cross before achieving free regional trade. The Democratic Republic of Congo and Seychelles also present problems similar to those of the other members of SADC ñ insignificant manufacturing sector, very little if any trade with other members of the community and a high degree of dependence on primary products. Unlike the other members of the community, these two countries are not members of the World Trade Organisation, and Seychelles has no plans of joining this important trade body. Unless these countries can be persuaded to join WTO this might be a source of problems for the community in future.

The Democratic Republic of Congo is, however, a potential source of considerable hydroelectric power given its huge water resources. Population wise the country offers the single largest market in the region. However, the purchasing power of the population is very low, rendering the country an insignificant market, at least for now. A well managed Democratic Republic of Congo would have a lot to offer the rest of the community in the not too distant future.

For purposes of the protocol, the SACU region will be treated as one country. One of the weaknesses of SADCC has been that even though infrastructural, investment and related programmes were co-ordinated at the regional level, trade was left to individual countries to negotiate bilateral agreements. Negotiations on bilateral trade arrangements do not always go smoothly. Regretably the SADC trade protocol has not done away with bilateral trade arrangements. While bilateral trade agreements will eventually get eroded by the attainment of free trade in the SADC region, their continued existance in the interim period will serve to retard progress towards free regional trade.

All countries of the region are counting largely on foreign investment for significant economic growth and development. For the past several decades SADC countries (excluding South Africa) were not able to attract significant foreign investment, even at a time when South Africa was under relatively strict investment and trade sanctions from the international community. South Africa has almost always been more attractive to foreign investors than anyone of the other SADC countries. Today, with a democratically elected government, South Africa is even more attractive to foreign investors. However, peace and stability in Angola and Mozambique should lead to significant amounts of foreign investment in these two countries. Even though South Africa stands to benefit the most from an economically integrated Southern Africa, at least initially, the other countries will likely experience substantial economic activity as well, thus creating opportunities for expanded regional trade.

South African businesses are better established in general and produce goods quite often perceived to be superior in quality to those produced in most of the other SADC countries. In a number of cases the difference is in the quality of packaging as opposed to the actual quality of the product. Initially, therefore, the South African based manufacturer already has a competitive advantage over manufacturers based elsewhere in the Southern African region. This is an advantage which will take time to erode, and in some cases competitors in other SADC countries may even be forced out of business before they can be in a position to overcome this obstacle. It is worth noting that South African based businesses have already captured new markets in Tanzania and Angola where they had none prior to political changes that led to the Government of National Unity. They have also increased their market share in some of the other countries of the region. This they have achieved with hardly any capital investment in these countries, if at all.

Efforts of SADC on Trade: Apart from developing a trade protocol, SADC has really not done much to bring about free trade to the region. It will be a while before the protocol can benefit the free regional trade cause. It is taking rather too long to bring free trade to SADC, much to the detriment of businesses in some of the SADC countries. In the past SADC has carried out trade surveys or studies on the region. A SADC Business Council set up in the late 1980s to handle trade issues collapsed before it could make any significant achievements. Everything now seems to hinge on the recently concluded trade protocol. Businesses should probably lobby their national governments on this matter with a view to speeding up the process leading to free regional trade. In the meantime, it is advisable for businesses to strive for excellence in production and marketing. There is an urgent need for SADC businesses to improve product quality and production efficiency in order for them to be internationally competitive.

Conclusion

The changes taking place in this region; proposals for regional economic integration, elimination or reduction of tariff and non-tariff trade barriers, structural adjustment programs, and the end of apartheid rule in South Africa, are certainly important developments which should be encouraged and guided to their logical conclusion. Southern African countries need to push forward regional schemes as rapidly as possible if they are to keep pace with global economic changes.

It will be difficult to prevent regional economic domination by South Africa even with the co-operation of that country. Southern African countries would do better by concentrating their development efforts in areas in which they have the potential to achieve a competitive edge, rather than blindly seek economic growth and development. Governments should offer incentives in these areas and let the private sector do the rest. A fully integrated Southern Africa has the potential to achieve rapid economic growth and development and to uplift the living standards of peoples of the region. This is the route that SADC should follow in preparing the region for global competition in trade and investment.

It appears that SADC will take a while before it can be of significant benefit to its member countries trade-wise. There is the danger that if SADC does not move quickly, international trade initiatives spearheaded by WTO will soon overshadow SADC programs rendering the organisation redundant.

SADC, SACU and COMESA should be urged to find a workable solution to the likely trade problems relating to dual membership in these three organisations. Industry should lobby national governments on this matter because any further delay in finding a lasting solution affects it directly.

Businesses need to work hard on achieving high product quality, lowering the cost of production and should aim for market penetration throughout the SADC region and beyond. It is important for businesses to gear themselves for forthcoming changes on trade both at the regional and international levels.

Notes

1 Domination of SACU by South Africa is expected to end in the near future when all the five members sign a renegotiated agreement.

2 A feasibility study indicated that such a railway line is not economically viable. This appears to be a short-term view which does not take into account the potential for increased regional economic activity in the years to come.

3 South Africa has started lowering tariffs and reducing subsidies to its various industries in line with WTO requirements and also with a view to making South African industries competitive internationally.

4 Botswana has, for instance, earned P822.34m, P711.80m, P832.92m in customs revenue in the years 1993\94, 1994\95 and 1995\96 respectively (Ministry of Finance and Development Planning, 54). The other BLNS countries also receive substantial amounts in comparison to their other sources of revenue

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