SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

INSIDE SOUTHERN AFRICAN TRADE

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The SADC Heads of State and Government Silver Jubilee Summit concluded on August 11 in Gaborone, Botswana, with renewed commitment to establish a free trade area by 2008 and increase intra-regional trade over the next three years. The Summit also saw the entry of a new member to SADC, Madagascar.

Against this backdrop, and as we edge closer to the WTO Ministerial Meeting in Hong Kong in December, this issue is dedicated to the theme of multilateral and regional trade agreements.

We explore a number of topics under this theme, looking at the effectiveness of regional cooperation around issues such as surging Chinese textile exports, the end of EU sugar price support, cotton subsidies in the EU and US and the negotiation of Economic Partnership Agreements (EPAs) with the EU.

We speak to Sasara George, Botswana's former Ambassador to the EU, to get his views on the topics covered in this issue. We discover that he has reservations about Madagascar's entry into SADC, in contrast to Madagascar's enthusiasm.

Although things appear to be moving rather slowly on the negotiations front, our focus on regional business successes and the optimism that exists around the regional business climate shows that there are increasing opportunities for businesses that are prepared to compete and grow.

To place regional developments in a global context, we also look at news from around the world and from inside the WTO.

We hope that you will enjoy this issue of INSAT and invite you to share your opinions and suggestions with us.

INSIDE THIS ISSUE

USAID | SOUTHERN AFRICA
FROM THE AMERICAN PEOPLE

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AROUND SOUTHERN AFRICA

SADC COUNTRIES RESPOND TO CHINESE TEXTILE EXPORTS

Textile and clothing manufacturers and governments in Southern Africa are taking steps to enhance the competitiveness of the region's textile and clothing industries in the face of growing Chinese exports.

In recent months, governments and lawmakers in Lesotho and South Africa have taken measures to respond to the challenges posed by the new global textile regime.

Since the beginning of the year, Lesotho has adopted five measures to try to rescue its industry. These measures include establishing an inter-ministerial task team to attract foreign direct investment; commissioning regional market development organizations to assist the clothing sector in productivity; focusing on diversifying its markets in an effort to reduce its dependence on the U.S. market; implementing a marketing program; and promoting vertical integration in the industry.

In South Africa, textile imports from China increased threefold between 2001 and 2004, triggering fears of a possible collapse of the country's textile industry. South African manufacturers have asked the South African International Trade Administration Commission to apply safeguard measures against Chinese imports.

Meanwhile, the African National Congress and the Congress of South African Trade Unions have drawn up a strategy paper proposing several ways to boost South Africa's textile and clothing industry. Among the paper's proposals are local sourcing of textiles by the government and retailers, implementing WTO-compliant safeguard measures and promoting South Africa as a fashion tourism spot. Sources say the paper will serve as a basis for developing recommendations to the rest of the public sector and the private textile and clothing industries.

Textile and clothing manufacturers and governments in the region have also turned their attention to the business climate in the region and have been trying to address domestic factors undermining the industry's competitiveness.

Lesotho, for example, has undertaken a private sector development strategy based on an assessment by the World Bank. The strategy involves identifying alternative input sources, reducing dependence on imported inputs, highlighting barriers to competitiveness and offering training opportunities for the labor pool.

"It is believed that home-based measures coupled with external measures might assist in curbing the erosion of the textile sector," says Thakanyane Mohahlehi with the Lesotho National Development Corporation.

Textile and clothing manufacturers in the region have also taken steps to respond to the growing competitive pressures from China's textile industry.

In an unprecedented effort, Southern and East African textile and clothing manufacturers formed a new body to boost the industry's competitiveness and enhance intra-regional textile and clothing trade in the face of illegal Chinese imports. The industry body also aims to reduce regional trade barriers and facilitate the exchange of information and expertise between manufacturers in Southern and Eastern Africa. Sources say the specific functions and structure of the organization are still under discussion.

These efforts come on the heels of the elimination of the global quota regime that governed global textile trade between 1975 and 2005. The former regime, known as the Multi-Fiber Arrangement (MFA), used a quota system to cap exports from developing countries. In doing so, the regime guaranteed these developing countries some market share in the US, Canadian, and European markets, while limiting market access for competitive producers. The quota system was phased out under the Agreement on Textiles and Clothing (ATC) over a ten-year period that came to an end on January 1, 2005.

With the elimination of quotas, Southern Africa's textile and clothing industries quickly felt the impact of competition from China. So far this year, the region has seen several textile and garment firms close or cut back output, which has been accompanied by the loss of thousands of jobs. In Lesotho, eight clothing factories, accounting for more than 20 percent of total clothing production in the country, shut down between May 2004 and February 2005, leaving more than twelve thousand workers without jobs and casting a grim outlook on the future of the industry.

The textile and clothing industry is important for Southern Africa both in terms of imports and exports, as some countries in the region are heavily dependent on textiles for exports while others are large net importers. United Nations trade figures show that textile and clothing products make up more than 90 percent of Lesotho's total exports and 60 percent of Mauritius'. By contrast, South Africa and Botswana are net importers, with textile and clothing accounting for only 3 percent and less than 1 percent of their total exports respectively.

LITTLE PROGRESS IN EFFORTS TO HARMONIZE SADC AND ESA POSITIONS FOR EPA TALKS

More than eight months since the Southern African Development Community (SADC) and the Eastern and Southern Africa (ESA) group began their Economic Partnership Agreement negotiations with the European Union, the two regional groupings, which have overlapping membership, have not been able to set up a meeting to discuss harmonizing their negotiating positions.

Keitirele Matlhape, spokeswoman for the Botswana Ministry of Trade and Industry, told INSAT that progress in setting up the meeting with ESA has been very slow. "Efforts to contact ESA officials to agree on a meeting have been unsuccessful," she said.

SADC officials fear that delays in coordinating their negotiating positions with ESA may lead to two conflicting agreements, which could undermine SADC's plans to launch a free trade area and a customs union in 2008.

Matlhape maintains that concluding two separate agreements would create complications for SADC because it will bear the responsibility of implementing both agreements through its regional trade protocol.

Lolette Kritzinger-van Niekerk, a Senior Economist at the World Bank country office in South Africa, said that if efforts to harmonize the goals of the two groups fail, holding separate negotiations would "result in a clash of agendas."

SADC and ESA have repeatedly expressed interest in coordinating their positions in the EPA negotiations, and at the beginning of this year the two appeared poised to launch discussions on the issue. During a meeting in Mauritius last November, ESA agreed to set up a task force to coordinate with SADC on the negotiations. Four months later, SADC mandated the Botswana Minister of Trade and Industry and the group's chief negotiator, Neo Moroka, to meet with his ESA counterpart to discuss harmonizing the negotiating positions of the two groups.

But SADC officials say not much has happened since.

Kedibonye Laletsang, Acting Director for the Department of International Trade at Botswana's Ministry of Trade and Industry, said SADC was unable get an update on the status of the negotiations from its members who are also members of ESA during the SADC meeting with the EU in Gaborone in April.

The SADC negotiating group consists of Angola, Botswana, Lesotho, Mozambique, Namibia, Tanzania and Swaziland. South Africa is participating as an observer.

Other SADC members – Zambia, Zimbabwe, Malawi, the Democratic Republic of Congo, Madagascar and Mauritius – also participate in the ESA group.

Of the six regional groups in the African Caribbean and Pacific countries negotiating EPAs with the EU, SADC is the only group whose members are negotiating under two different configurations.

The EPAs, which will replace the Cotonou agreement between the EU and the ACP countries, are scheduled to take effect on January 1, 2008.

Matlhape says that the delays in coordinating with ESA will not affect SADC negotiations with EU and that she expects SADC to meet the December 2007 deadline for concluding and signing the SADC EPA with the EU.

SACU-MERCOSUR DEAL EVOKES LITTLE ENTHUSIASM FROM COMPANIES

The recently signed Preferential Trade Agreement between the Southern African Customs Union and Latin America's biggest trade bloc, MERCOSUR, may not produce significant trade benefits for SACU, sources with the industry say.

Executive Director of the Exporters Association of Botswana, Loago Raditedu, said his group welcomes the agreement but argued that companies in the region are not strong enough to benefit from it. Raditedu suggested that, among SACU members, only South Africa with its advanced industrial base is in a position to benefit from preferential access to the Latin American market. Raditedu also warned that small industries in South Africa may suffer from opening the market to imports from MERCOSUR, whose members include Latin America's two biggest economies, Brazil and Argentina, in addition to Paraguay and Uruguay.

But Deputy Permanent Secretary in Botswana's Ministry of Trade and Industry, Ntetleng Masisi, disagreed with Raditedu's assessment and said the pact would "open doors" for African trade and investment.

Masisi argues that Botswana, for example, can benefit from exporting donkey meat and vegetable oil to the lucrative MERCOSUR market.

Under the agreement, which was signed last December and is scheduled to go into effect in January 2006, MERCOSUR will grant duty-free access for several food products from SACU members, including meat from horses and other animals, carrots and turnips, and some industrial and chemical products. MERCOSUR will also reduce tariff rates for crude oil, salts, tanks, reservoirs and capsules.

In return, SACU will grant duty-free access for, among other things, purebred animals, lambs, graphite, coal, goats, reptiles, garlic acid and salts; and will reduce tariff rates for seed and green tea.

The list of products that will receive preferential or free access to the MERCOSUR and SACU markets respectively is expected to grow as negotiations continue.

REGIONAL NGO COALITION SEEKS TO END COTTON SUBSIDIES

A coalition of non-governmental organizations launched a campaign on June 30 to support the elimination of domestic support for cotton production in developed countries and ensure that World Trade Organization members reach an agreement on this issue at the WTO Ministerial in Hong Kong later this year.

The Southern Africa Cotton Campaign also aims to address domestic factors that constrain the regional textile and clothing industry. The initiative is part of the broader "make trade fair" campaign, which is supported by OXFAM International and focuses on the four primary cotton producers in West Africa: Benin, Chad, Mali and Burkina Faso.

The campaign is being led by the Southern Africa Regional Office of OXFAM America, the Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI), and the Organic Agriculture, Biodiversity & Sustainable Development Association.

Julio de Sousa, Director of the Southern Africa Office of OXFAM, says the campaign will address issues at the international, regional and domestic levels.

On the international level, the primary focus of the campaign is to support eliminating or reducing subsidies to cotton producers in the United States. OXFAM says that 75% of cotton subsidies go to large industrialized farms and agriculture conglomerates.

OXFAM has repeatedly criticized U.S. and European cotton subsidies for depressing world cotton prices, which harms millions of Africans who depend on the crop as a primary source of income.

U.S. and EU annual cotton subsidies are estimated at $2.3 billion ($0.47 per kg) and $700 million ($1.37 per kg) respectively.

In recent months, the U.S. Administration has taken steps to reform its cotton program following a WTO decision against U.S. cotton subsidies. The Administration has asked Congress to eliminate the Step 2 cotton program, which provides support to cotton producers and mills using U.S. cotton. The U.S. Department of Agriculture has also asked Congress to eliminate a ceiling that limits the fee on all export credit guarantees.

De Sousa says the campaign will also work in the region to rally Southern African stakeholders to "highlight damages" that subsidies cause smallholder farmers and address "domestic sector factors that impinge on the livelihoods of small farmers".

EU SUGAR PROPOSAL TRIGGERS CONCERNS BUT LITTLE ACTION

The European Union's recent proposal to cut sugar prices has triggered serious concerns but limited action in Southern Africa. Many countries in the region enjoy preferential access to the EU's market and expect to incur considerable losses if the proposal were implemented.

"We find that it is inequitable and unfair to ACP [African Caribbean Pacific] Producers," said General Secretary of the Mauritius Chamber of Agriculture Jean Li.

PHOTO COURTESY OF THE COLLEGE OF AGRICULTURAL AND LIFE SCIENCES, UNIVERSITY OF WISCONSIN-MADISON

On June 22, 2005, the European Commission unveiled a proposal to reform its sugar program. One of the key features of the proposal is a 39 percent cut in the price that the Commission sets for white sugar. The proposal also calls for subsidizing EU farmers in order to negate 60 percent of the price cut.

Under the current rules, ACP countries can sell about 1.3m tons of sugar at €524/ton. Under the commission's proposals, this price would fall to €303/ton. To compensate countries for the loss, the EU said it would offer ACP countries €40 million during 2006.

In Southern Africa, Mauritius stands to lose the most from the price cuts, as its sugar exports to the EU account for almost 90 percent of its total agricultural exports. Mauritius is also a high-cost sugar producer, and its industry may not survive at world prices.

Other sugar producers in the region, including Mozambique, Zambia, Zimbabwe, Malawi and Swaziland, will also incur losses but are expected to continue to export profitably under the proposed prices. Moreover, Mozambique, Malawi and Zambia, which will enjoy quota-free access to EU market after 2009 under the Everything But Arms (EBA) Initiative, will be able to offset their losses by increasing the volume of their exports.

Countries in the region say that they are not opposed to the sugar reform program, but are rather concerned about the depth and pace of the proposed price cuts.

"The price cuts need to be moderate and applied over a long time frame," said General Secretary Li. He added that the ACP countries would prefer to see price cuts in 2008 applied over an eight-year period, for example.

But so far, SADC members have neither developed a cohesive position on the issue nor assessed the likely impact of the proposal on their farmers and economies in general.

SADC officials say they are aware of the challenges that some of its member states face in this industry, but that the group has not yet developed a regional response.

"I don't recall that we have a position yet. We need to come up with a position to guide member states," said former SADC Senior Trade Expert Nicolau Sululo, who now holds the position of Senior Program Manager for Investment and Finance Development.

Sululo told INSAT that the lack of human and financial resources has made it difficult for SADC to conduct in-depth studies on the regional sugar industry within the global market to help its member states.

COMESA has requested its member states to quantify the magnitude of their losses to enable it to estimate the level of support needed to compensate them for the losses. COMESA said, once these figures are ready, it would discuss them with the EU.

NEWS BRIEFS

SACU-US RENEW FREE TRADE TALKS

After almost a year of stalled free trade talks, the Southern African Customs Union (SACU) and the US expect to resume negotiations at the end of September 2005, according to South African news sources. The first meeting will be held in one of the five SACU countries – South Africa, Lesotho, Swaziland, Namibia, and Botswana. The two sides aim to complete talks by December 2006.

The renewal of trade discussions between SACU and the US followed the intervention by South African President Thabo Mbeki, who made a commitment to U.S. President George W. Bush on the sidelines of the G8 summit in July to ensure the success of the talks.

SOUTHERN AFRICAN BUSINESSES EXPAND TRADE LINKS WITH US

Many Southern African businesses succeeded in establishing links with U.S.-based buyers during the fifth biennial Corporate Council on Africa (CCA) Business Summit, according to private sector participants from across the Southern African region who attended the event.

"The Summit works to increase American investment throughout Africa by increasing U.S. private sector awareness of the many business opportunities available on the African continent," said Amanda Hilligas, AGOA Advisor at the Southern Africa Global Competitiveness Hub, who led the Southern African delegation consisting of 18 business representatives from 11 countries.

"The Trade Hub worked with companies to target specific opportunities in a number of sectors to secure deals at the Summit, and we were very successful", said Hilligas. Companies sponsored by the Trade Hub were successful in the seafood, cashew nut, and handicraft sectors, resulting in new AGOA exports to the United States from Southern Africa.

"There was so much information on trade opportunities to the United States under AGOA at the CCA Summit. I would very much like to thank USAID and the Trade Hub for my sponsorship," said Hendrick Flourie, Namibian Manufacturers Association.

According to the Botswana Export Development and Investment Authority, (BEDIA), which facilitated the participation of 15 representatives from the private sector in Botswana, the Summit provided a valuable opportunity for U.S. business people to network with Botswana's private sector.

ANGOLAN FARM EXPORTS TO THE US BECOME A REALITY

Angola could export several agriculture products to the US over the next few years, according to Angola's Deputy Minister of Agriculture and Rural Development, Dario Daniel Katata.

Among the products Angola could export are cotton and fruits such as bananas, oranges, melons, watermelons.

The Angolan Deputy Minister was speaking to the Angolan Press Agency (Angop), on his return from Dakar, Senegal, where he participated in the fourth meeting of the African Growth and Opportunity Act (AGOA) Forum.

According to Mr. Katata, Angola can resume cotton production to supply both the internal and the U.S. markets. - AGOA.info, 21 July 2005

MALAWI TRADE UNIONS WANT TO TALK POLICY

The Malawi Congress of Trade Unions (MCTU) has developed a three-year program to ensure that unions increase their participation in developing economic policies in the country, MCTU President Bernard Manda said in July.

Mr. Manda, who was speaking at a socio-economic workshop in Lilongwe, also said that a recent study conducted by MCTU showed that trade unions lack knowledge on the Malawi Poverty Reduction Strategy Paper and on the New Economic Partnership for Africa's Development (NEPAD).

Deputy Principal Secretary at the Ministry of Labor, Mr. Zenengeya, who spoke at the same function, echoed Mr. Manda's comments and said trade unions could play a very important role in the socio-economic development of the country if they were fully involved in policy formulation.

Mr. Zenegeva argued that most government officials do not involve trade unions during policy formulation because the officials are ignorant of the importance of the workers' representatives in national development. "The way the Ministry of Labor is marginalized in budgetary allocation is one indication of the lack of appreciation in government of the role labor related issues that impact on national development," said Zenengeya. - The Chronicle Newspaper (Lilongwe), 20 July 2005

INSIDE THE PRIVATE SECTOR

IN THE SPOTLIGHT: NORTEX MAKES IN-ROADS INTO GLOBAL MARKETS

Northern Textile Mills (Nortex), a Botswana-based company specializing in the manufacture of cotton towel products, is fast making its mark in Southern Africa.

Established in 1990, Nortex has grown from a firm that primarily supplied domestic and regional markets to a global supplier that markets its products in the US and the European Union. Last year, the company, which employs over 400 workers, exported 2 million pieces to regional and international markets and boasted export revenues of P28 million ($ 5.2 million).

Nortex offers a diverse collection of kitchen and bath towels, infant towels, beach towels, bathrobes, bathmats and baby napkins (diapers) in a wide range of styles, textures and colors.

Owner and managing director of Nortex, Markesh Josh, attributes the success of his business to the quality of its products and the service the company provides to its clients.

Owner and Managing Director of Nortex, Mr. Markesh Josh

"It is because of the excellent service, our quality and price that we are selling to all these markets," Josh said. "We brought up our quality to international standards and proved that we can produce quality products."

Nortex is ISO 9001 certified and is applying for ISO 14000 certification for sound environmental practices.

Recently, Nortex began exporting to the U.S. market even though its products do not qualify for duty-free access to the US under the African Growth and Opportunity Act. Josh said the company is also looking for opportunities to market its products in Europe.

"We are now poised to be a global supplier," Josh said, noting the company has recently increased its assets and production capacity by 25 percent.

Josh was a member of the Botswana delegation that participated in the Corporate Council on Africa's (CCA) Business Summit in June in Baltimore, Maryland, US. He said the summit provided an excellent opportunity for the country to showcase what it has to offer to the U.S. market.

"The group from Botswana was very impressive and was a good selling point for Botswana to attract foreign direct investment (FDI)," he said, though he added that political stability in Botswana and its excellent sovereign ratings are not enough to attract foreign investment to the country.

"The cost of borrowing money, electricity, telephone, water and transport are all very high," he says, "It is a clear case that if you have everything else and no profit you won't get FDI."

GERMAN AUTOMAKER IN SOUTH AFRICA EXPANDS EXPORTS UNDER AGOA

BMW South Africa, a subsidiary of the German automaker, has seen phenomenal growth in its exports to the U.S. market over the past two years, sources with the firm report.

BMW SA's Managing Director Wolfgang Stadler said that thanks to the African Growth and Opportunity Act, his firm has increased its exports to the US from about R4 billion in 2002 to nearly R6 billion in 2004, or 34 percent of the company's total exports.

AGOA, which was enacted in 2000, grants duty-free access for exports of beneficiary countries in Sub-Saharan Africa to the U.S. market. Auto exports to the US are normally subject to an average tariff of 2.5%.

Stadler said his company has also benefited from South Africa's lower-cost material, energy, land and buildings to offset the high transportation costs to the US.

"South Africa is competing with Eastern Europe, China and others, and if we are not competitive we will collapse because the local market is not enough," said Stadler, who pointed out that the company also faces competition from other BMW plants in the US, Germany and Austria.

Since 1998, the company has invested approximately R3.5

billion to upgrade its Rosslyn assembly plant near Pretoria, increase its overall production volume by 22 percent and quadruple its export production.

"Technologically we are the most advanced project in the southern hemisphere," Sadler said.

The company expects to produce 60,000 cars annually and reach an export capacity of R50 billion over the life-cycle of each of its future models.

BMW SA employs 2,300 people at its plant and another 3,000 at its 53 South African dealerships. Some 36,000 jobs downstream have been created through the 47 local companies, which produce parts for the assembly plant.

In 2004, domestic sales of BMW SA accounted for about 24 percent of its output. Another 24 percent was exported to Japan while the rest was sold in various international markets including Australia, New Zealand, Hong Kong, Taiwan and Singapore.

South Africa's car manufacturing industry, which accounts for approximately 80 percent of total auto production in Africa, has seen record growth rates over the past few years.

In 2004, the industry raked in R40 billion from vehicles and component exports, which accounted for 16 percent of South Africa's manufacturing output.

The South African motor manufacturing industry has also been bolstered by the Motor Industry Development Plan (MIDP), which allows auto manufacturers to claim tax rebates from their exports.

The industry, which employs nearly 300,000 people, is looking to increase its production to one million vehicles by 2012.

In addition to BMW, Fiat, Ford Motor Corporation, Nissan, Daimler Chrysler, Volkswagen Toyota and Delta Motor Cooperation have production plants in Southern Africa. Volvo also recently relocated its plant from Botswana to South Africa.

REGIONAL BUSINESS OPTIMISTIC ABOUT FUTURE PROSPECTS

The SADC region is a stable market and businesses expect it to continue its positive economic performance over the next year, according to the second annual Regional Business Climate Survey.

The survey, which evaluated business confidence in Southern Africa, showed that businesses in the region are generally optimistic about market prospects over the next twelve months.

The survey said the current performance of the manufacturing sector is generally positive with the metal, machinery, vehicles and precision manufacturing industries showing the best performance within the sector.

The survey also highlighted some of the challenges affecting the region's trade. According the survey, the most significant challenge facing exporters is fluctuation of exchange rates. Other regional trade barriers highlighted in the survey were customs procedures, visa regulations, ambiguous economic and regulatory policies, bureaucracy, lack of affordable and reliable transportation, and opaque rules and regulations.

The study included 541 companies located throughout the 14-member grouping – up from 333 companies in nine SADC countries that were covered in last year's survey. Participants responded to nine questions about current and expected business performance, capital expenditure and import and export revenue. Most companies covered by the study were from the manufacturing sector while the rest came from the primary and services sectors.

The survey, which was conducted by the Advisory Service for Private Business (ASPB) and the Association of SADC Chambers of Commerce and Industry (ASCCI). The Namibian Economic Policy Research Unit (NEPRU) interpreted and analyzed the regional survey.

INSIDE THE DONOR COMMUNITY

COMESA TO IMPLEMENT FIRST REGION-WIDE MARKETING INFORMATION SYSTEM

COMESA will begin implementing the first region-wide food and agricultural marketing information system, which aims to enhance the region's exports of food and agricultural products.

The marketing information system, which will be accessible throughout the COMESA region, will provide information on prices, quantities, and regulations to producers and buyers. The system will be supported by 20 national systems in the region and 100 technical focal points for the collection and dissemination of information.

The marketing information system is part of the Agricultural Marketing and Regional Integration Project that was launched in April 2005. But COMESA only recently received the $4 million needed to implement the project from the African Development Bank.

The project came out of recommendations by COMESA member states in 2002, when they identified lack of market information and limited capacity to meet sanitary and phytosanitary measures in export markets as some of the key impediments to intra-regional and international trade.

In addition to establishing the marketing and information system, the project will provide training and capacity building and establish three laboratories that will serve as centers of excellence in COMESA in the three SPS areas: animal health, plant health and human health.

The project also foresees developing a protocol on SPS and a COMESA "green pass" certificate that would allow free movement of food and agriculture products within the region.

As the project will focus on building capacities in the public sector, sources say they expect subsequent projects to address private sector capacities.

AFRICA WILL BE MAIN BENEFICIARY OF INCREASED EU AID FOR TRADE

The European Commission last month pledged to increase its aid for trade by €300 million a year, bringing the EU's total annual support for the trading capacity of developing countries to €1 billion per year.

European Commission President Jose Manuel Barroso made the announcement at the gathering of the Group of Eight (G8) leading industrialized nations at Gleneagles, Scotland. He said the extra funding would help poor countries boost their trading capacity with projects such as improving roads and waterways and modernizing customs services.

DFID'S REGIONAL PROGRAM TO FOCUS ON STAKEHOLDERS

DFID's Regional Trade and Facilitation Programme (RTFP) unit will adopt a more proactive approach in providing trade-related assistance to the region by working towards objectives rather than with institutions.

In line with its new approach, RTFP moved its offices last month from Gaborone, Botswana, where the SADC Secretariat is based, to Pretoria, South Africa. Sources with RTFP said Pretoria is a "central location from which it is more convenient to access the Southern Africa region."

Sources with the RTFP said the program will continue to provide support in various trade-related areas including: trade facilitation and regional competition policy, market development and trade in services where assistance will include providing support to countries in developing their negotiating positions for the Economic Partnership Agreements and the WTO.

The RTFP PMU is now located at:

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Meiring Naude Road
Brummeria, Pretoria
Telephone: +27 (12) 349 1197
Fax: +27 (12) 349 1094

Postal Address:
PO Box 317
Persequor Park, Pretoria
0020
SOUTH AFRICA

US-MADAGASCAR STRIKE DEAL ON TRADE AND TECHNICAL ASSISTANCE

Madagascar and the US have signed a Memorandum of Understanding (MOU) to enhance agricultural trade between the two countries and increase U.S. technical assistance to the African island country.

The MOU, signed by U.S. Agriculture Secretary Mike Johanns and Madagascar's Minister of Agriculture, Livestock and Fisheries Harison Randriarimanana, on July 16 in Madagascar, will launch several activities that aim to build Madagascar's capacity to promote and facilitate its agricultural exports to the US. The MOU also covers assistance to agricultural research, extension and education to help farmers learn better farming practices that increase yields and income.

The two countries also signed a Food For Progress agreement under which the US will provide donations of agricultural commodities to encourage economic and agricultural reforms that foster free enterprise.

Johanns said under this agreement, valued at $10 million, the US will donate 15,000 tons of soybeans, 3,000 tons of wheat and 500 tons of nonfat dry milk to Madagascar. The commodities will be sold in the domestic market and the proceeds generated will be used to establish a national agricultural statistics system, conduct a school milk program and fund capacity building in the dairy industry.

CREDIT-WORTHY COUNTRIES IN SOUTHERN AFRICA SNUB WORLD BANK LOANS

Middle and low-income countries with strong credit ratings in Southern Africa are not seeking World Bank loans and are searching for alternative sources of finance, an official of the multilateral lender told INSAT.

Lolette Kritzinger-van Niekerk, Senior Economist at the World Bank country office in South Africa, which is responsible for South Africa, Botswana, Namibia, Swaziland and Lesotho, says in the region, only Swaziland and Lesotho have sought World Bank loans.

Kritzinger-van Niekerk said Swaziland has borrowed $29 million for urban development projects and Lesotho has borrowed through the International Development Association (IDA), which offers loans to countries that are too poor to borrow at commercial rates. Botswana, she said, only asked for a loan facility to finance a livestock viability study, but when the World Bank refused to finance it, the government opened it to a tender. The World Bank is now providing technical rather than financial support to the project.

Namibia has not asked for any loans and South Africa has only asked for technical assistance.

Kritzinger-van Niekerk suggested that countries in Southern Africa "do not like World Bank conditions" because they are relatively expensive compared to other sources of finance.

"When the World Bank makes a loan available for investment purposes, its social/environmental and safeguards conditions are also seen as a cost to the borrower," she says.

In comparison, she said, lenders in international and financial markets do not impose all the additional safeguards and conditions that the World Bank usually applies.

Kritzinger-van Niekerk noted that Botswana has an impressive international credit rating that allows it to access international markets and issue bonds internationally.

"Botswana can issue a bond in local currency and attract capital from Japan and the U.S. but we are using only U.S. dollars because we fear the risk of exchange rate changes," she said.

But Kritzinger-van Niekerk added that the World Bank has been trying to streamline its lending process to make its loans more attractive. "We are now looking at our operational and lending instruments so that we can be more responsive," she said.

NEW INITIATIVES TO ENHANCE AFRICA'S COMPETITIVENESS UNVEILED AT AGOA FORUM

The U.S. Administration announced two initiatives to enhance the competitiveness of African countries in the global market at the AGOA Forum held in Dakar, Senegal, from July 19-21.

In videotaped remarks to the Forum, President George W. Bush announced the African Global Competitiveness Initiative, which he said "will give a record number of entrepreneurs access to the information and advice they need to succeed in business and foreign trade."

USAID Assistant Administrator for Africa, Lloyd Pierson, with staff from the three Trade Hubs

The African Global Competitiveness Initiative will provide $200 million over five years to help African countries succeed in international markets. As part of the initiative, the U.S. Agency for International Development (USAID) will fund a fourth Trade Hub that will open later this year in Dakar. The three current operational Hubs – the Southern Africa Trade Hub in Gaborone, Botswana, the West Africa Hub in Accra, Ghana, and the Eastern/Central African Hub based in Nairobi, Kenya – will also be expanded under the initiative.

The AGOA Forum brought together more than one thousand participants from the US and 35 African countries.

At the meeting, U.S. Agriculture Secretary Mike Johanns also announced a new program to boost African agriculture exports.

Johanns said the program, a joint initiative between the U.S. Department of Agriculture and USAID, would improve agricultural pest monitoring in Africa to encourage exports of fruit and other fresh produce.

The program builds on existing schemes to develop African expertise in agriculture and related technologies, including pest control, monitoring and risk assessment, he said.

NEWS BRIEFS FROM AROUND THE WORLD

US CONGRESS APPROVES US-CAFTA FTA WITH ASSURANCES ON SUGAR AND TEXTILES

The United States House of Representatives in July approved the Central American Free Trade Agreement by a two vote margin after the Bush Administration pledged to renegotiate provisions on rules of origin so that clothing entering the US duty free must contain pockets and certain linings from U.S. or regional fabric. The Administration had earlier offered assurances to the Senate to curtail sugar imports if the U.S. market cannot absorb them.

After hours of wrangling over the controversial agreement, the House voted in favor of CAFTA (217-215) on July 28.

U.S. Trade Representative Robert Portman said the US-CAFTA agreement "sends a strong signal" to the world that the US is committed to market liberalization. "We look forward to continuing to work with Congress and our trading partners around the world to provide global opportunities for free and fair trade through the Doha Development Agenda."

The agreement between the US and six Central American countries – Costa Rica, Nicaragua, El Salvador, Guatemala, Honduras and the Dominican Republic – was opposed by most Democrats and by Republicans representing the textile districts.

But the pledge on textiles allowed a number of House Republicans to vote in favor of the Agreement.

Democrats have argued that the US should not sign a free trade agreement with small economies that fail to enforce labor standards established by the International Labor Organization (ILO).

But recent reports by the ILO found that the Central American countries incorporated legislation that would establish a minimum wage, improve working conditions, and prohibit child labor. According to some members of Congress, problems remained with the actual enforcement of labor standard policies.

Sources close to the issue said U.S. officials are expected to meet in the next several weeks with other parties to the CAFTA Agreement to hold informal talks on several textile issues.

At the beginning of July, the Administration had to offer assurances on sugar to win the Senate vote on the Agreement. U.S. Agriculture Secretary Mike Johanns promised he would not let sugar imports exceed 1.532 million tons if the U.S. market cannot absorb them.

OECD SECRETARY-GENERAL RACE OPENED

Six OECD countries have put forward candidates to succeed Secretary-General of the Organization, Donald. J. Johnston, whose term expires in May 2006. According to the OECD, the candidatures received by the July 15 deadline are Mr. Marek Belka of Poland, Mr. Allan Fels of Australia, Mr. Ángel Gurría of Mexico, Mr. Seung-Soo Han of Korea, Mr. Alain Madelin of France and Mrs. Sawako Takeuchi of Japan.

Representatives of all OECD countries will now review the candidates in order to reach a consensus on a new Secretary-General by December 1, 2005.

EU, CHINA STRIKE A DEAL ON TEXTILE IMPORTS

The European Union has reached an agreement with China to end a row over textile imports and free up millions of garments held up in European port warehouses.

This followed protests from retailers, lawmakers and consumer groups who urged the EU to take immediate action to solve the crisis.

Under the agreement, the EU will release millions of bras, trousers, sweaters, and other items over the next few weeks. In return, China agreed to reduce some of its next year's quota.

In June, the EU imposed restrictions on several categories of Chinese textile exports after the European Commission determined that the rapid growth of Chinese exports to the EU could disrupt the European textile industry. Less than two months later, Chinese exports exceeded the quota limits and several millions of garments got held up in European ports.

As a result, the European Commission came under fire from retailers, lawmakers and consumer groups who urged the EU to take immediate action to solve the crisis.

In a related development, the U.S. Committee for the Implementation of Textile Agreements (CITA) announced on September 1, that the latest round of talks with China on limiting textile imports broke off without an agreement, and as a result, the U.S. imposed two safeguards against China.

Chinese Share of U.S. Market

2001	10%
2004*	70%

SOURCE: AMERICAN APPAREL AND FOOTWEAR ASSOCIATION (* JUNE 2004)

On August 1, CITA had announced that it delayed the imposition of six new safeguard quotas on Chinese textile imports until August 31 while it tries to negotiate a broader deal with China to limit Chinese imports.

INSIDE THE WTO

AGRICULTURAL AND INDUSTRIAL NEGOTIATIONS STALL

Efforts to revive talks on agriculture and non-agriculture market access (NAMA) of the Doha Round before the summer break failed as negotiators were unable to agree on the structure of a tariff reduction formula in agriculture.

WTO Director General Supachai Panitchpakdi described the situation as "disappointing, but not disastrous," in his address to the Trade Negotiations Committee (TNC) on July 28. "The situation we are in makes Hong Kong harder, but not impossible," he said, "I believe we have seen a renewed commitment on all sides to realize our ambitions."

The Chairman of the Agriculture Negotiating Group, Tim Groser, told the TNC that agriculture negotiations are stalled, but that they have also clarified some of the key political tradeoffs that members will have to sort out in the coming months. Groser noted that the biggest problems remain in market access, followed by some issues in domestic support, while export competition has progressed furthest.

Meanwhile, NAMA negotiations also reached an impasse after members failed to agree to a tariff-cutting formula.

The Chairman of this group, Stefan Johannesson, said he was hopeful that the group could begin discussing numbers for the formula as soon as possible.

Sources close to the negotiations note that there is growing consensus on a Swiss formula approach that would cut higher tariffs more, and say that reaching an agreement on NAMA would ultimately depend on what happens in the agriculture negotiations.

The agriculture and NAMA negotiating groups are scheduled to resume meetings at the end of September.

NEW HEAD FOR AG COMMITTEE

When Tim Groser steps down as Chairman of the Agriculture Negotiations and the Cotton Sub-Committee, New Zealand Ambassador to the WTO, Crawford Falconer, will step into his shoes, General Council Chairperson Amina Mohamed told an informal meeting of Heads of Delegations.

AFRICAN COUNTRIES PUSH FOR PROGRESS IN COTTON TALKS

African countries continued to push for progress on the cotton initiative they presented at the WTO Cotton Subcommittee in April after members failed to provide written responses to the proposal, a source with the WTO said.

At a recent meeting of the Cotton Subcommittee, Benin, with the backing of Mali, Chad, Zimbabwe, and Côte d'Ivoire expressed disappointment at the lack of response from other WTO members to their initiative. The group charged that, as a result of this delay, cotton producers have to wait while prices continue to drop and the plight of the farmers rapidly worsens.

In a proposal circulated to WTO members before the Sub-committee's meeting on April 29, the four countries called for the elimination of export subsidies by July 2005 and domestic support on cotton by September 2005. The group also called for improving market access for LDC cotton producers and granting net cotton exporters among these countries duty-free and quota-free access for cotton and its by-products.

The next group of meetings to determine the progress of the 'modalities' are tentatively scheduled for September 30, October 28, and November 14.

FIRST WOMAN TO ASSUME WTO DEPUTY DG POSITION

In August, WTO Director General Pascal Lamy announced his four Deputy Directors-General, which include the first woman ever to assume this post. Mr. Lamy, who assumed office on September 1st, told the General Council in a statement that he has selected Valentine Rugwabiza of Rwanda, Harsha Singh of India, Alejandro Jara of Chile, and Rufus Yerxa of the US as his deputies. Their terms of office will begin on October 1st.

Ms. Rugwabiza has served as Rwanda's Ambassador to the WTO since 2002. Mr. Singh, currently Secretary of India's Telecom Regulatory Authority, is a former member of the WTO Secretariat. Ambassador Jara, Chile's Ambassador to the WTO since 2000, has served in the Chilean Government since 1976. Mr. Yerxa is a former Deputy U.S. Trade Representative and is already serving as a deputy at the WTO.

SADC ECONOMIES WILL BENEFIT FROM EPAs, WTO REPORT SAYS

Economic Partnership Agreements between the EU and SADC countries may yield benefits to SADC overall, according to a recent report.

An August 2005 World Trade Organization working paper – *The Economic Impact of EPAs in SADC Countries* – said some countries in the region may benefit from an EPA with the EU alone, whereas others will need intra-SADC trade to fully benefit from EU-SADC trade liberalization.

Malawi, South Africa, Zimbabwe, for example, would experience an increase in real GDP growth rates. Malawi is expected to benefit most from the agreement, and has a projected growth rate of 0.87 percent. By contrast, Botswana, Zambia, Mozambique and Tanzania would face a 0.1 percent decline in their real GDP. The paper suggested that intra-SADC trade liberalization would help these four SADC countries fully benefit from an EPA with the EU.

The paper also includes a sectoral-level analysis. The document noted that the animal agriculture and processed food sectors would expand the most following EU-SADC liberalization.

INSAT FOCUS

MADAGASCAR JOINS SADC

AMID PRESSURES TO STREAMLINE MEMBERSHIP OF REGIONAL ORGANIZATIONS AND INTENSIFY THE DEPTH AND PACE OF INTEGRATION, MADAGASCAR JOINS SADC. WE LOOK AT THE REASONS WHY MADAGASCAR WANTS MEMBERSHIP IN SADC AND EXPLORE WHAT IT MEANS FOR THE GROUP

As expected, members of the Southern African Development Community (SADC) at their Summit in Gaborone in August gave the green light to Madagascar to join the regional group.

The island country, which has been a candidate for membership since August 2004, is placing high hopes on its membership in SADC.

Alain Pierre Bernard, an international consultant for APB Consulting in Madagascar, says Madagascar sought entry into SADC in the hope that the membership will strengthen its competitiveness, help the country protect its natural resources, and support the development and promotion of national cultural values.

Bernard also emphasizes the importance of increasing Madagascar's access to regional markets through SADC. "The suppression of all exchange barriers in SADC may have a positive outcome for Madagascar without weakening the other SADC countries," he says.

Trade promotion may indeed be the primary motive for Madagascar's interest in joining the Southern African trade bloc. With a trade deficit of $448 million in 2003, Madagascar's attempt to seek new markets to bolster its exports seems quite justifiable, if not imperative.

Madagascar's regional trade agreement with the Common Market for Eastern and Southern Africa (COMESA) has helped the island increase its exports. Under the agreement, Madagascar's exports to COMESA members grew from US$18 million in 1991 to US$ 40 million in 2001.

But, unfortunately for Madagascar, the flow of trade within SADC is not as smooth as one would hope.

Trade liberalization among SADC members is progressing very slowly by most measures. According to World Bank figures, exports among SADC countries increased by only four percent between 1991 and 2001 and imports increased by just five percent during the same period.

Madagascar's Trade with SADC

	IMPORTS	EXPORTS
1991	7.9%	6.3%
2001	13%	9.9%

SOURCE: DIAGNOSTIC TRADE INTEGRATION STUDY ON MADAGASCAR 2003

"So far, only SACU, Mauritius and, to a lesser extent, Zimbabwe, have reduced their tariffs to a degree that some impact on trade flows may be expected," SADC Acting Director of Trade, Industry, Finance, and Investment, Fudzai Pamecheche, said at the recent SADC Heads of State and Government Silver Jubilee Summit in Botswana. Pamecheche also pointed out that most of the SADC member states only reached 20 percent of the tariff liberalization scheduled for 2008 vis-á-vis South Africa and 34 percent vis-á-vis other SADC member states.

Moreover, recent reports show that non-tariff barriers continue to undermine intra-regional trade. The SADC mid-term review presented in April and the region's first business survey shows that non-tariff barriers continue to impede trade flows within the region.

Some observers suggest that Madagascar's motives for joining SADC are more specific than the pursuit of enhanced regional trade. Madagascar, analysts say, is hoping that through SADC its exports will find their way to South Africa's market.

With a GDP of $160 billion and imports of $36 billion, South Africa is by far the region's largest and most developed economy and its biggest import market.

Prior to joining SADC, Madagascar had limited access to South Africa's market since South Africa is not a member of either COMESA or the Indian Ocean Commission (IOC), the other two regional groupings to which Madagascar belongs. According to Malagasy government figures, only 2.1 percent of the country's exports go to South Africa, most of which are sisal, textile fibers, cloves and spices, and fruits and nuts. And South Africa accounts for only 7 percent of Madagascar's total imports.

But membership in SADC arguably does not appear to hold out prospects for a substantial increase in Madagascar's access to South Africa's market.

The Diagnostic Trade Integration Study (DTIS) on Madagascar notes that it has been extremely difficult for SADC countries to gain a foothold in the South African market. The DTIS suggests that, among other factors, South Africa's strict rules of origin have most impeded SADC exports into its market.

Only 30 percent of South Africa's agricultural imports, and 10 percent of its textile imports come from SADC countries. A 2004 review of the SADC Trade Protocol found that the current restrictive rules of origin "will diminish trade, increase transaction costs, reduce flexibility of producers, and make the region a less attractive place to invest."

Still, membership in SADC does hold prospects for some gains for the island country.

First, with a SADC Free Trade Area looming on the horizon, the costs of staying outside SADC for Madagascar may outweigh the benefits. Madagascar could win better access to SADC's markets, including South Africa's, with the launch of the SADC FTA, which is scheduled to take place in 2008. The FTA will reduce trade barriers through the harmonization of tariffs, government regulations and economic policies. Madagascar's current exports account for only 0.4 percent of total SADC exports. But Bernard, who notes that Madagascar's primary traditional goods fit demand patterns of South Africa's market, suggests that Madagascar may have a real advantage in exporting some finished consumer goods that are not being exported by other SADC countries.

Second, Madagascar's experience in negotiation and administration on the regional level will translate into improved competence at the global level. Madagascar agreed to implement a number of protocols when it became a candidate for SADC membership. In 2006, it will conduct studies, identify financial resources, draft action plans and draw up strategies as part of its membership agreement. It is prioritizing protocols that will affect trade and the economy and first on the list is the 1996 SADC Trade Protocol. Before gaining accession to the protocol, Madagascar will have to prepare and present its offer for tariff liberalization towards other SADC members that are part of the Free Trade Area. Although initially limited to the Trade Protocol, these activities will be a good exercise in planning and distribution of financial and administrative resources.

Moreover, exposing Madagascar's private sector to more competition within the region will help prepare it for competition in the global marketplace. Bernard says that the "lack of internal as well as external competition impact negatively on Madagascar's enterprises' production and exporting capacity."

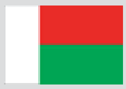
On the SADC side, the regional group could also benefit from having Madagascar as a member. Beyond expanding its membership, something that SADC generally values, Madagascar could be a cheap source for some finished consumer goods that are not exported by SADC. Madagascar 's Free Zone does have a small specialist output for sectors such as medicine and watch-making.

Madagascar's economy has a long way to go towards growth and development. With its trade deficit at 9% of GDP and 71% of its population living below the poverty line, export led growth may be a good strategy for the island country.

While joining SADC is unlikely to yield immediate benefits for Madagascar's trade, it could indeed pay off later, if and when trade liberalization in SADC becomes a reality.

As for SADC, one would hope that its experience with the Seychelles is not repeated. For the small island state that did not trade much with SADC countries other than South Africa, the membership fee quickly became too high for it to handle. The country also lacked the human resource capacity to effectively participate in all the structures and activities of the organization thereby reducing the ability of all SADC countries to maximize and fully take advantage of the potential benefits of their membership.

Facts & Figures



Geography

Area:	*Total: 587,040 sq km*
Natural resources:	*Graphite, chromite, coal, bauxite, salt, quartz, tar sands, semiprecious stones, mica, fish, hydropower*

People

Population:	*18,040,341 (July 2005 est.)*
Population growth:	*3.03%/annum (2005 est.)*
HIV/AIDS - adult prevalence rate:	*1.7% (2003 est.)*

Government

Government type:	*Republic*

Economy

GDP - per capita:	*Purchasing power parity - $800 (2004 est.)*
GDP by sector:	*Agriculture: 29.3%* *Industry: 16.7%* *Services: 54% (2004 est.)*
Labor force:	*7.3 million (2000)*
Exports:	*$868.2 million f.o.b (2004 est)*
Ex. commodities:	*Coffee, vanilla, shellfish, sugar, cotton cloth, chromite, petro leum products*
Export partners:	*US 35.7%, France 30.7%, Germany 7.1%, Mauritius 4.4% (2004)*
Imports:	*$1.147 billion f.o.b. (2004 est)*
Im. commodities:	*Capital goods, petroleum, consumer goods, food*
Import partners:	*France 17.6%, China 11.1%, Hong Kong 6.7%, Iran 6.2%, South Africa 5.8% (2004)*

WE SPEAK TO...

AMBASSADOR SASARA GEORGE, BOTSWANA'S FORMER REPRESENTATIVE TO THE EUROPEAN UNION

Do you think there would have been such a rise in regional and bilateral negotiations had there not been a breakdown in the multilateral talks in Cancun?

These things were going to happen anyway, but Cancun did speed it up. The WTO does not have what regional and bilateral agreements have, so to get something like WTO+, we have to enter into agreements. In some countries we needed development. That's why people say these negotiations must be WTO+ but, in fact, because we don't have capacity, developed countries can take advantage.

The term 'developing countries' is very wide. Among us there are the poorest of poor and others that are rich like China and India. We make the mistake when we go along with them because when they call for subsidies we go along with it and then we are crying. We have to know where we are and even in south-south, larger countries should offer preferences. I don't see why Brazil and South Africa can't offer Special and Differential Treatment (SDT). This is something that should be considered.

What is your vision with regards to coordination of trade policy in Southern Africa and upcoming multilateral negotiations?

I am disappointed with trade policy in the region. We don't have harmonized trade policy, so we can't march together as a region. Trade policy in the region is still much fragmented. Some of our members still belong to other groups. Even at the WTO we have G20, G77, G8, and all cause confusion. We have to have a coordinated trade policy.

It takes a strong political will. If you look at where the region wants to be and wants to place itself, we want to work with SADC and see where Southern Africa wants to be, because that is very important. Still, it is fragmented. We are still at level of coordination instead of as a community.

PICTURE COURTESY OF BOTSWANA'S MINISTRY OF TRADE AND INDUSTRY

The European Union recently finalized project proposals under their Regional Indicative Program that will finance trade facilitation activities in Southern Africa and build regional trade capacity. Can you comment on these proposals and what this could augur for Southern Africa in the future?

This is a step in the right direction, but it takes two to tango. The EU had other trade concerns, far before working with SADC. It is up to us how to make things work in the region. We need to see these opportunities and take advantage of them while they are still here. We need trade facilitation before we can have trade. We need easier customs clearance, easier crossings at borders. We need civil infrastructure – telecommunications, roads. Even within countries trade facilitation is not good. You'll find products rotting at farms because there are no trucks to take them to markets to trade.

But we do have some areas where there is success like rehabilitation of ports in Mozambique. I know when regional organizations talk of trade facilitation we say that the WTO is not discussing it enough. I think trade facilitation is core to trade. We can't have trade if there are no roads, no communications. We need easier customs and more cooperation. I do believe in these facilitations and it is up to us how we do it.

Current negotiations between Southern African regional bodies and the European Union have countries in the same region negotiating under different groupings. Some countries are negotiating as SADC, while others form part of the Eastern and Southern Africa (ESA) negotiating group. Does this hamper current processes toward regional integration?

Yes. For me it is regretful that not all SADC members are on the same plate in negotiations with the EU. When you go to the issue of trade facilitation as we discussed previously, donors talk of building capacity. We can't build capacity as a region when some players are elsewhere. On a country-by-country basis, we don't have the energy.

With reference to SACU, South Africa has its own Free Trade Arrangement with the EU. Does this trade and economic cooperation with South Africa undermine regional integration?

Yes. SACU is the oldest customs area, but they went to one customs member and said 'We can negotiate with you'. This won't augur well for region. South Africa is key to regional integration in Southern Africa. How can we integrate if not in a grouping? We can't talk about the region without South Africa. These are people who are the core and we have to build around them and this is one issue that should be negotiated as a region.

In regard to the membership of Madagascar in SADC – How will the community benefit? What are the implications of adding another member in view of current EPA negotiations underway with the EU?

SADC doesn't learn from its own experiences. The problems between SADC and COMESA are why we have the problems we have with double membership. Trade and development are parts of the same coin. If you want to develop, you have to have trade and investment together with development. You can't say you belong to SADC for development and another grouping for trade. We seem to discuss these things in a vacuum and for me these things are integrated.

I don't think that it is good for our region and I hope [SADC] can learn from this. I don't think those who are making decisions are taking many things into account. It will compound us further. This EPA they envisage in the long term, regionally, must have relevance: in the long term with trade and development and with the regional indicative program of building capacity. We will be dealing with them in configuration of the EPA and I don't know if we have [the entry of Madagascar] in mind.

If we bring Madagascar and it says it belongs to COMESA, what does that mean? I don't know if they're coming to join SADC the development community or SADC that negotiates with the EU. If Madagascar is joining SADC, what are the implications for regional capacity building projects we are talking about? When EU gives money they want to support you on trade facilitation and how the region can coordinate and work together.

In terms of coordination, does trade governance in the EU operate completely separately from the development arm? Does Europe really have a developmental agenda in their trade policy with Africa?

On the ground, they are separate because you have two Directorates: one for trade and one for development. But in practice, as we are negotiating with them, we are negotiating together because they bring Director Generals from both.

When you negotiate on trade matters, [their negotiators] are there to make sure EU gains, but we too have to stand our ground and remind them of development and get the Director General for Development to work with us. We have to play the game. We do have present in these negotiations both the Director General Trade and Director General for Development, so we can say yes, the commitment is there. Now it is for us to transfer that into reality. The mistake we make is to say that we just want development to be highlighted. We can say that, and its good for political rallies, but it has to be translated into reality. You can talk about development when you are speaking at rallies to large groups of people but we need to be focused. We also have to stand up and do our part. If you see negotiators from the ACP or SADC, they are mostly trade people and they don't bring ministers of development with them, but when they go to the platform, they say they need development to be the pinnacle of these negotiations. Everybody has to play their part. We have to call the bluff of the EU. Because they say the EPA's basis is to be developmental, the onus is with us to put the developmental aspect on the table and make sure every time we negotiate we have a strong team of negotiators.

What are the perceptions in Europe of Botswana/Southern Africa in regards to improving the sub-region as an investment destination?

The region is seen in a positive way. We do have black spots here and there but the region is seen as a good investment destination. We need to work on certain things. Many of our countries are very small. Our markets are small, but if we work together and work regionally, that works to assure investors that goods can move around and we have to do it now while we have good will, because these things do not last forever.

Based on your experiences in the EU, what direction do you feel the Southern African region should take in order to achieve trade diversification?

First, we have to make the region attractive—not just give incentives. Chief Executives are very young these days and have young children, so governance is the first thing. Security is the best thing. People need to be secure. Young CEOs move around the world with their families. They want to be sure that there are schools and that their children are safe.

Second, we need to have predictable laws. When it is written that you need to have a permit in something, you cannot get that permit only for it to be revoked the next day. We have to improve service and make sure that people can call their parents, send e-mail and access the Internet. Some of these things, we can do them, we are doing them now. For the rest we need to build capacity—interconnectivity, power.

And perception—many things have happened in the region in a short space of time. People here [Europe] are still in a learning curve, but people are sympathetic. I think we are doing our best but we should do more.

GUEST PERSPECTIVE

REGIONAL INTEGRATION THROUGH SACU

By Dr. Gerhard Erasmus, Research Fellow at the Trade Law Center for Southern Africa (TRALAC)

There is world-wide a renewed interest in 'regionalism', 'preferential trade arrangements', 'partnerships', FTAs (Free Trade Areas), customs unions and generally in 'integration'. The latter is increasingly perceived as a facilitator of trade liberalisation and development, and even a necessary step for addressing Africa's marginalization in the global economy. Is Southern Africa integrating?

There can be considerable economic and trade-related benefits from well-tailored integration. It is a process aimed at reducing the costs associated with duplication and complying with the formalities of trans-boundary transactions. Integration results in some degree of 'fusion' – national systems start talking to each other. It makes trade easier and should result in consumer benefits, savings and greater effectiveness.

There is an important difference between regional cooperation and regional integration. Cooperation between police forces pursuing fugitives from justice will differ from managing shared water resources or cross-border game parks. When it remains only *ad hoc* co-operation as separate jurisdictions, then the benefits of less duplication, greater effectiveness and cost saving associated with 'integration' will not materialize. The latter occurs when governments start to ameliorate the strict and artificial effects of jurisdictional separation and move towards common policies, decision-making and institutions.

In the world of nation-states integration is not a natural process. It needs a deliberate plan and push, supported and implemented through political vision and action. Successful integration is not really found in our part of the world. Why not? Are there any indications that this is changing? Should it change?

Does SACU Have a Plan for Integration?

SACU has been around for a long time and has only five members, sharing the same legal and administrative traditions and cultures. They have been trading with each other since the days of British colonial rule. The shared revenue from the rather unique Common Revenue Pool has made the benefits of membership quite tangible, in particular for the BLNS states.

The 1969 SACU arrangement reflected the dominant position of South Africa, the region's biggest economy. After the political changes of 1994 and the establishment of the rules-based WTO trading system in 1995, SACU was due for a major overhaul. As indicated in the Preamble to the 2002 revision of SACU, it was also not "democratic" and lacked "common policies and common institutions". It took eight years to negotiate this new agreement, which entered into force in July 2004.

The objectives for the new SACU Agreement, however, do not address internal integration. The objectives list in Article 2 of the new SACU Agreement include: integration of the SACU members into the global economy; transparent and democratic institutions; fair competition in the common customs area; increased investment; as well as diversification and industrialisation. The sharing from the Common Revenue Pool should be equitable and therefore should enhance economic development. Integration within SACU is not expressly mentioned. Finally, the present SACU regulates only trade in goods. (Agriculture and transport are mentioned in this context.) The Agreement does not make explicit reference to services or investment policy – two areas often covered in modern regional trade agreements.

Part 8 of the agreement provides for "common policies": industrial development, agriculture, competition and unfair trade practices between the Member States. But the desired outcome is cooperation rather than integration. In agriculture the aim is only to "agree to cooperate on agricultural policies". Member States are required to "cooperate with each other with respect to the enforcement of competition laws and regulations". This means that each Member State shall have its own competition policy and laws. (At present only South Africa has a Competition Act and institutions. Namibia is in the process of adopting one.) This is an area where they could have coordinated their efforts very cost-effectively through the new Secretariat. Experience in other regional arrangements shows that fragmentation in this particular area causes considerable disruption, duplication and uncertainty, which inhibits investment and the related benefits.

There is no single plan in Part 8 of the SACU Agreement with respect to the link between national policies, outcomes and what type of organization SACU has to become. There is lack of a connection between the objectives of Article 2 of the Agreement and the "common policies". On paper they in fact do not look that common. One of the reasons for this unfortunate state of affairs is that no provision has been made for a common institutional link. The Member States will work out most of these policies on their own.

The Common Institutions of SACU

The new SACU is more streamlined and modern, with an international legal status and a permanent Secretariat. The Council is the highest decision making body and is supported by the Commission, which is staffed by the most senior trade and financial officials of the Member States. These political institutions seem to dominate and there is not a clear provision on who will have the 'right of initiative' on behalf of SACU. The Tariff Board has the potential, once it has been established, to produce policies, decisions and recommendations with respect to trade remedies, rebates and possibly the role of tariffs with respect to industrial policy. It will interact with Members through National Bodies – still to be established. At present only South Africa has such a national body, the International Trade Administration Commission (ITAC).

The BLNS states have serious capacity needs and they will not be able to have National Bodies on the same level as ITAC. It is, however, vital that they do establish such bodies exactly because they need to develop the capacity required in these areas and to be able to participate effectively in the management of SACU. The objective to have a democratic organization will depend on the existence and actions of the National Bodies.

The SACU Secretariat will have to perform a number of technical tasks and some of them will be related to what can be called integration objectives. It "shall assist in the harmonisation of national policies and strategies of Member states so far as they relate to SACU". The Secretariat will also have to "coordinate and assist in the negotiation of trade agreements with third parties." Article 31 provides for a common negotiating mechanism but this has not been established as yet – which is particularly problematic. In the interim, South Africa continues to be responsible for managing negotiations with third parties. South Africa has already negotiated trade agreements with MERCUSOR and EFTA, while others (China, India and even the United States) are in the pipeline. Consistent with the objective of integrating SACU into the global economy these agreements and negotiations are comprehensive in scope going beyond trade in goods. They cover areas not yet agreed in SACU.

What Does SACU Want To Be?

There is a certain ambivalence in the new SACU Agreement. But there are also indications of what will be required if SACU is to become the instrument for effectively "integrating Member States into the global economy through enhanced trade and investment". That process will have to start with putting the SACU house in order first. It will not be possible to avoid the topic of integration within SACU. The integration of SACU into the global economy requires a clear vision and a plan on integration within SACU. Services, investment, competition and the areas mentioned in Part 8 of the Agreement will have to be addressed. It also does not make sense to enter into legal arrangements with third parties which the SACU Agreement does not cover. The political leadership of SACU should tackle the issue of its own integration head on.

ESSENTIAL REPORTS

Agriculture and NAMA Talks Are Stalled
Reports are available at http://docsonline.wto.org
Use "Simple search." And the document numbers listed below
Chairman's report, Agriculture TN/AG/17
Chairman's report, NAMA TN/C/5

African Union Lays Out Position Ahead of WTO Ministerial
http://www.uneca.org/eca_programmes/trade_and_regional_integration/meetings/cairo/cairo_declaration.pdf

Deputy U.S. Trade Representative Peter Allgeier Reaffirms Commitment to Agriculture Reform
http://geneva.usmission.gov/Press2005/0728Allgeier.html

EU Launches Second Phase of Its On-line Export Helpdesk for Developing Countries
http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/726&format=HTML&aged=0&language=EN&guiLanguage=en

WTO Paper on the Potential impact on Southern African Countries of Economic Partnership Agreements with the EU. The full report, entitled *The Economic Impact of EPAs on SADC Countries* can be found at http://www.wto.org/english/res_e/reser_e/ersd200504_e.doc

TRADE RESOURCES

SOURCES ON TARIFFS, TRADE REGULATIONS AND STANDARDS

The EC Helpdesk for Trade Facilitation is a new instrument for trade facilitation offering an online "one-stop-shop" for developing country exporters who wish to enter the EU market and need to know what they have to prepare for. It is available in English, French, Spanish and Portuguese.

See *http://europa.eu.int/comm/trade/issues/global/development/pr140605_en.htm* for more detailed information. You can even make suggestions for how to improve this tool online.

ITC TradeMap - Provides on-line access (in Spanish, French, and English) to a comprehensive database of trade flow statistics and market access information. It presents indicators on export performance, international demand, alternative markets, and the role of competitors from both the product and country perspective. To access TradeMap go to the TradeMap USAID portal: www.trademap-usaid.org . From the home page, click on "Get your TradeMap USAID password" to register for a unique username and password. For further information on TradeMap contact: *trademap-usaid@intracen.org*.

World Trade Organization International Trade Statistics, CD-ROM – This CD-ROM compiles trade data by region, country, or commodity. Charts, graphs, and tables present the information in an easy-to-access, easy-to-read style. The CD is updated and made cumulative on an annual basis. Researchers can use this CD-ROM to analyze international trade patterns between countries and regions. They can also extract extensive trade statistics and graphics to spreadsheet or database. The CD-ROM can be ordered online at: *http://www.bernan.com/Online_Catalog/Title_Page.aspx?TitleID=8600069*

WTO Capacity Building Database: This is the most comprehensive database of trade-related capacity building activities by bilateral and multilateral donors in developing countries. You can search by country, donor agency or by trade area. Access to the database is available at http://tcbdb.wto.org/ben_dcs.asp

Commitment to Development Index 2004 – The second annual Center for Global Development/Foreign Policy magazine *Commitment to Development Index* ranks 21 rich nations on how their aid, trade, investment, migration, environment, security, and technology policies help poor countries. Access the rankings at: *http://www.foreignpolicy.com/story/cms.php?story_id=2540*

NEW RESEARCH

The Official SADC Trade and Industry Review is published annually by the Southern African Marketing Co. in association with SADC.

It provides a comprehensive review of the SADC region on a country-by-country basis and according to the technical activities undertaken from the SADC Secretariat. The SADC Review is an important resource for newcomers to the region as well as for old hands.

Assessing the Causes of Sub-Saharan Africa's Trade Exports and Addressing Supply Side Constraints Calvin Manduna: June 2005, WP2/2005. This paper discusses three issues. First, it looks at the structure of SSA trade and some of the reasons for the decline in SSA's share in world merchandise trade, SSA's commodity dependence and possibilities for diversification. Second, it looks at supply-side constraints in general and various domestic regulatory bottlenecks that constrain the private sector in SSA. Third, the paper briefly identifies a few ways in which the Economic Partnership Agreement (EPAs), currently being negotiated between the European Union (EU) and the African, Caribbean and Pacific (ACP) countries could provide a unique opportunity to boost SSA's exports and address some of the supply problems raised in earlier sections of the paper. Available on *www.tralac.org/pdf/tralac_wp2.2005_Asessing_the_causes.pdf*

Resource Book on TRIPS and Development: An Authoritative and Technical Guide to the TRIPS Agreement UNCTAD-ICSTD Capacity Building project on IPRs. Get this valuable resource from *www: iprsonline.org/unctadictsd/resourcebookindex.html.*

INSIDE THE TRADE HUB

COMMON CUSTOMS DOCUMENTATION

The competitiveness of goods from the Southern African region is compromised by high transportation costs. Contributing to this problem is the fact that countries in the region each use distinct customs declaration forms and procedures. This results in costly delays as the customs declaration process has to be repeated at each border.

The Southern Africa Global Competitiveness Hub identified this lack of harmonization as a source of inefficiency. In 2004, it proposed and initiated the Trans Kalahari Corridor (TKC) Single Administrative Document (SAD) Pilot Project, a tri-lateral initiative among the Governments of Namibia, Botswana and South Africa. The Customs Administrations of these three countries have since adopted common procedures, processes and legislation for the use of the common document (the "SAD 500"). This has lowered transport costs by reducing administrative procedures and speeding up transport times.

Building on the success of the TKC Pilot, the Hub promoted expanded harmonization across the major regional corridors, including the Dar es Salaam Corridor, the Maputo Corridor and the North-South Corridor (SA-Zambia-Botswana) which will result in adoption of the SAD 500 throughout the region.

The simplified and harmonized Customs transit procedures will reduce the cost of moving goods within the region by providing for one single legal document throughout the transit movement – the declaration made in the originating country.

PINEAPPLES AND MANGOS FROM WEST AFRICA TO EUROPE VIA SA

As the first example of intra-Hub collaboration, the Southern Africa Trade Hub and the West Africa Trade Hub joined forces in April. The two Hubs sought to access a new market – South Africa – for pineapple and fresh mangos from Ghana and Senegal. Resulting sales to South Africa will be in the range of US$ 1.1 and 1.4 million annually, thereby enabling a South African processor to preserve its share in an expanding multi-million dollar market for fresh cut fruits to Europe.

For the past several months, the Southern Africa Trade Hub has been working with a leading fresh cut fruit processor in South Africa to resolve a shortage of a certain pineapple variety and quality counter-seasonal mangos needed to satisfy the specifications of a large UK retailer. To open new supply channels for these crops, the Hub's Competitiveness Team began working with the West Africa Trade Hub to plan and support the client's trade mission to Ghana and Senegal. The Hubs identified a number of highly competitive suppliers in each country, as well as pest experts and plant quarantine authorities.

Before the new trade links could be opened with South Africa, however, the teams had to address concerns of the South African National Department of Agriculture (NDA) about quarantine action pests and intellectual property rights (IPR). In response to this need for information, the Southern Africa Trade Hub first helped the client to analyze the pest risk. With respect to IPR, similar Hub research revealed a number of weaknesses in claims related to a particular variety (called MD2), which satisfied the South African authorities and enabled the import permit to be approved.

As a result of these efforts, Senegal sent its first shipment of mangos to South Africa in June 2005. Pineapples will be shipped from Ghana in early September. The imports of these fruits from Ghana and Senegal will enable the South African firm to preserve its share in a rapidly expanding export market for fresh cut fruit mixes in Europe, which is worth several million dollars annually. The value of regional pineapple exports over the next three years between May and November is expected to be at least US$ 800,000 annually (50mt per week), and mango sales are projected to range from US$ 200,000 to 365,000 per year (5-10mt per week).

"The Hub's help in forwarding the IPR judgment and information on pest risk analysis was invaluable in opening these new channels."

Export Development Manager of the benefiting firm

INSIDE THE TRADE HUB

ADVOCATING FOR POLICY REFORM IN BOTSWANA'S BEEF AND CATTLE INDUSTRY

The Hub's assistance in the establishment of the Botswana Cattle Producers Association (BCPA) to represent Botswana's 60,000 cattle producers, and its policy paper *How Trade Liberalization Can Contribute to Solving the Crisis in the Cattle and Beef Sector*, has resulted in effective private sector advocacy for policy reform. The BCPA is now recognized by the private and public sectors in Botswana as the proper forum for consultation on all matters related to cattle production and marketing.

The beef and cattle industry has long been key to Botswana's economic well-being, given its potential contribution to economic activity in the rural areas, export diversification and poverty alleviation. Yet, Botswana's cattle farmers and the state-owned monopoly export abattoir, the Botswana Meat Commission (BMC), are experiencing declining exports. The industry is heavily protected, limiting the scope for trade, competition and the price mechanism to bring about the necessary adjustments.

The Southern Africa Global Competitiveness Hub responded to a request from Botswana's cattle producers for assistance in forming a national association to represent and promote their economic interests. The Hub provided technical support to form the BCPA and to assist it in persuading the Government to liberalize trade in the industry.

Olebile Gaborone (front left), Chairman of the Parliamentary Select Committee on Agriculture, Botswana, at a Joint Working Group meeting at the Hub.

The Hub's Economic Advisor, Dr. Keith Jefferis, prepared a policy paper proposing alternatives for revitalizing the industry. The innovative proposals included: (a) a shift to weaner production, (b) the creation of a weaner auction system similar to that of Namibia, (c) lifting the ban on live cattle exports and (d) the removal of the export monopoly enjoyed by the BMC. The paper argued that the resulting higher prices paid for cattle would benefit farmers and provide an incentive for switching to weaner production, which in turn would make more cattle available to the BMC.

In May 2005 the Hub assembled industry stakeholders for a formal presentation of the paper and an immediate flood of media coverage on the proposed alternatives sparked a nation-wide debate.

As a result of this broad debate, significant progress has been made in getting Botswana legislators to consider the recommendations. Furthermore, the BCPA has gained an effective advocacy voice and an audience with decision makers in the country. The Hub-hosted BCPA Joint Working Group (JWG) has become the official monthly forum in which Government and the BMC consult and collaborate with the BCPA on proposed cattle related legislation, regulations, policies and procedures to create an enabling statutory and regulatory environment for primary production, value addition and trade. The overarching objectives of the BCPA-Hub collaboration are to attract new investment and development to the sector and to expand export markets for Botswana beef.

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