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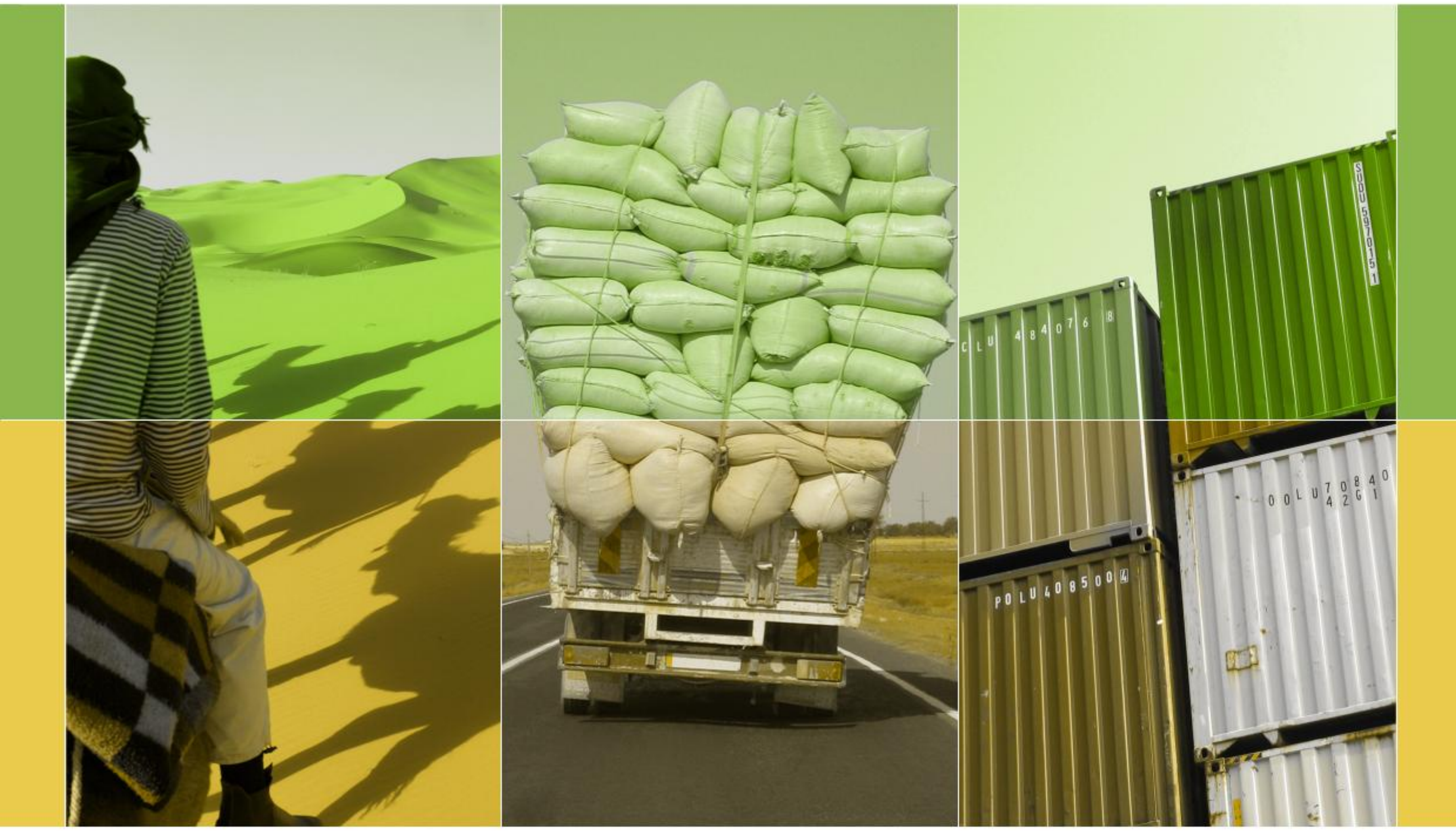

Regional Agricultural Trade in Southern Africa

The dominance of South Africa within the SADC region

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List of Abbreviations

ATC	Agricultural Council of Tanzania
BAU	Botswana Agricultural Union
CFU	Commercial Farmers Union
CMA	Common Monetary Area
COMESA	Common Market for Eastern and Southern Africa
CPM	Coalition Paysanne de Madagascar
CV	Coefficient of Variation
DRC	Democratic Republic of the Congo
EAC	East African Community
EU	European Union
EUR	Euro
FANR	Food and Agriculture and Natural Resources
FANRPAN	Agriculture and Natural Resources Policy Network
FAO	Food and Agriculture Organization
FARA	Forum for Agricultural Research in Africa
FEKRITAMA	Confédération des Agriculteurs Malagasy
FEWSNET	Famine Early Warning Systems Network
FTA	Free Trade Agreement
FUM	Farmers Union of Malawi
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
JSE	Johannesburg Stock Exchange
LDC	Least Developed Country
LENAFU	Lesotho National Farmers' Union
MoU	Memorandum of Understanding
NAU	Namibia Agricultural Union
NEPAD	New Partnership for African Development
NTBs	Non Tariff Barriers to Trade
RoO	Rules of Origin
SACAU	Southern African Confederation of Agricultural Unions
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
SAFEX	South African Futures Exchange
SBF	SADC Business Forum

SECO	Swiss State Secretariat for Economic Affairs
SEYFA	Seychelles Farmers Association
SPS	Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
TIFI	Trade, Industry, Finance and Investment
TIPS	Trade and Industrial Policy Strategies
TRALAC	Trade Law Centre for Southern Africa
WTO	World Trade Organization
ZAR	South African Rand
ZFU	Zimbabwe Farmers Union
ZNFU	Zambia National Farmers Union

1 Introduction

The Southern African region has made considerable economic gains since 1990. Agricultural GDP increased from an annual average growth rate of 2.5% in the 1990s to 6.3% in 2007. Overall GDP growth also increased, from an annual average growth rate of 2.7% in the 1990s to 6.3% in 2008. The region has also made progress in reducing poverty and hunger.

At the same time, Southern Africa shows the largest economic and social disparities in Africa. South Africa, the continent's leading economic power, dominates the region. Botswana has advanced to a growing economy with stable democratic structures. On the other hand, economic collapse such as in Zimbabwe has adverse impacts on the whole region.

South African production and trade structures largely affect the economies of its regional neighbours. Therefore this chapter will take a closer look at the role of South Africa's agricultural trade structures within the SADC region. Concerning its production potential, South Africa is divided into a semi-arid and arid western part (Karoo, grassland and desert), a dry northern part (savannah) and a humid eastern part (Lowveld), while the south-western corner of the country has a Mediterranean climate (winter rains). Water is the most limiting factor for agricultural production due to the strict distribution of water rights by the government. The main production areas for high value products such as fresh fruit, sugar and vegetables are provinces with access to water, namely Mpumalanga, KwaZulu Natal, the Western Cape and the Eastern Cape. Among the staple crops, the Free State, Mpumalanga and the Northwest produce corn (maize), while dry beans are produced in Mpumalanga and the Free State. Wheat is mainly produced in the Mediterranean climate of the Western Cape. South Africa is self-sufficient for a range of crops, the most important ones being maize, sugar cane, dairy products, nuts, citrus fruits, deciduous fruits, grapes, oilseeds and fish.

2 Main regional trade flows & products

Being historically split into two economies, South Africa's economic performance still emanates from the strengths of its first (formal) economy, while the second (informal) economy is concentrated on local markets in remote areas. This is also true for the agricultural sector, as land ownership has not substantially shifted from white to black owners after 1995. In terms of numbers, 40,000 commercial farmers stand against 240,000 small-scale farmers, the latter producing on areas of 1 ha on average and having access to about 20% of the total arable land of South Africa. Primary agricultural production has a smaller contribution to national GDP (with 4.5 %) in South Africa compared to other SADC countries, excluding Botswana. However, when adding the GDP generated along the supply chain during processing, manufacturing and retailing of food, the share significantly increases adding up to a total of 14% (National Department of Agriculture, Forestry and Fisheries 2009).

The sector's contribution to permanent employment is 11% of the total national labour force (National Department of Agriculture, Forestry and Fisheries 2009). Non-permanent or informal farm workers even increase this number, as the trends go towards these forms of employment. Agriculture therefore is important for food security in terms of income creation and food production. Agricultural income distribution in rural households can have share of up to 76% in former Homelands. Considering the fact that about 40% of South Africa's population lives in rural areas, where alternative income sources are limited, agricultural activities are quite important for peoples' lives (Department of Agriculture, Forestry and Fisheries 2009).

South Africa is Africa's largest exporter of agricultural produce in value. It is a net exporter of agricultural (mainly horticultural) products. This applies to trade with overseas destinations as well as intraregional trade. Due to strong domestic demand and purchasing power, South Africa not only exports high value crops and products, but produces a substantial part of its agricultural products for the home market.

South Africa's agricultural trade with the rest of the world features high export revenue earnings concentrated on fresh or processed products such as wines, table grapes, citrus fruits, nuts and deciduous fruits. These products are normally sent to the EU, to the Near East or other destinations outside Africa. The total value of these exports equalled ZAR 45.3 billion or EUR 3.9 billion in 2008 (National Department of Agriculture 2009).

South Africa has a comparative advantage for processed goods and also for raw materials in the region, and a positive food trade balance with other SADC countries. For agricultural trade with the SADC region, exports to SADC countries totalled ZAR 870 million (equal to EUR 93 million) while agricultural imports accounted for ZAR 75 million (or EUR 8 million). The products exported to SADC countries vary from the ones sent to the rest of the world, the major products being sugar, processed cereals, wheat flour and maize flour. Among staple foods, maize is the main export crop, while other staples such as beans or tubers are - as far as trade is concerned - less important. For the staples imported into South Africa it must be mentioned that sunflower seeds and beans accounted for a negative trade balance in 2006. Both commodities are an essential part of the food basket of people living on low incomes, together with the main staple, maize (TIPS 2009).

In general, for South Africa, the importance of intra-regional trade with SADC compared to trade with the rest of the world is relatively small and only accounts for a 10% share of all exports, while imports from the region account for only 2.5% of total imports (TIPS 2005). However, agriculture is one of the main activities and agricultural products belong to the most traded goods between other SADC countries with up to 60% share of total intraregional exports. The total traded values of these products and their importance for tax revenue generation is rather low. One of the reasons might be the insufficient price incentive given by regional markets combined with an absence of comparative advantages for a specific product, as all countries have similar agricultural products to offer.

South Africa's dominant export staple crops to other SADC countries in 2006 in value terms are maize (white and yellow), wheat, rice, Irish potatoes and maize and wheat flour (TIPS 2009). Other SADC countries may rather have a preference for rice or cassava as one of their staple crops, but maize always plays an important role in nutrition.

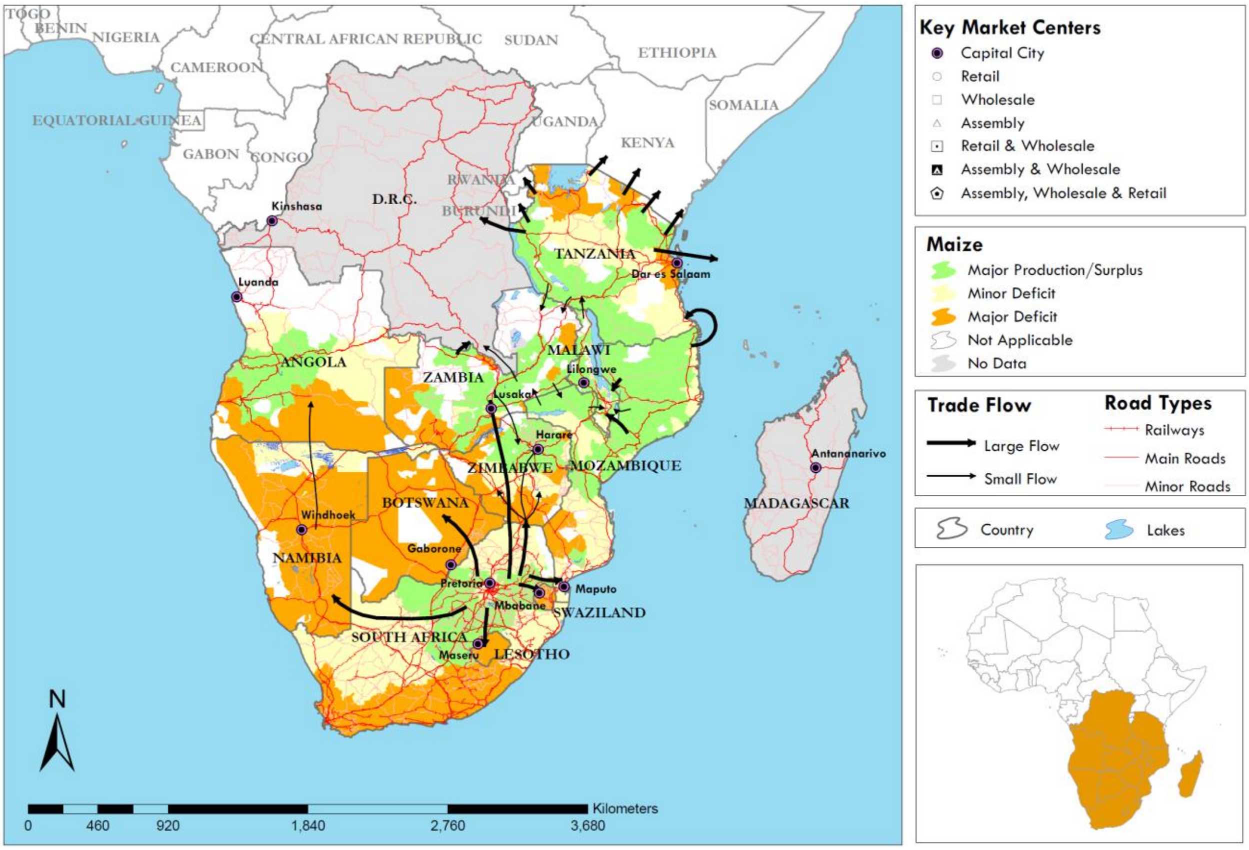
Table 1: Traded staples (imports from and exports to South Africa) with the SADC region

Product	Import value from SADC in EUR	Share of total agricultural imports from SADC	Export value to SADC in EUR	Share of total agricultural exports to SADC
Maize	147,834	0.3%	83,165,000	17%
Beans	261,261	0.5%	8,276,185	1.7%
Wheat	0	0%	2,571,000	0.5%

Source: Own calculations based on SADC Trade Database (TIPS 2009)

Taking the SADC region as a whole, regional production varies less than production in each individual country. While the coefficient of variation (CV) of total regional production was 25% from 1990 to 2003, CVs in individual countries ranged from a low of 28% in South Africa to highs of 46% in Zimbabwe and 48% in Mozambique. This suggests that despite positive and large correlations in production across countries, there will be scope for intraregional trade to cover some portion of national and sub-regional shortfalls in all but the worst drought years (such as 1992) (Haggblade 2008).

Figure 1: Maize production and market flow map Southern Africa



Source: FEWSNET 2009

In Southern Africa, as in the rest of the continent, highly arbitrary political boundaries cut across natural market sheds. As a result, international borders often separate zones with regular food surpluses such as northern Mozambique and northern Zambia, from zones with regular food deficits such as Malawi and the Katanga province of the DRC. The vibrant and informal cross-border movement of people and goods reflect these natural economic and cultural linkages. Yet Africa's patchwork of inherited colonial boundaries tends to impede natural trade flows. Opening up international borders to regional trade in food staples offers many advantages to the region's consumers and farmers. Open borders offer a financially inexpensive means of reducing the domestic price volatility of staple foods. The import parity price sets an upper limit, while export parity sets a floor below which prices will not fall, assuming private traders enjoy the freedom to import and export maize when market conditions permit. The alternative policy of closing borders in small markets such as Zambia could cause significant price volatility. Under normal production fluctuations, a closed border can easily lead to price volatility in the range of 100% from one year to the next. Consumers clearly benefit from reduced maize price volatility, particularly during drought years when price spikes can become particularly acute, particularly in thin markets that are closed to opportunities for trade. Since poor households spend over half of their income on food, price spikes in staple food markets risk forcing them into unsustainable short-term coping strategies, or forced asset sales or migration. Both options may impair their prospects for building up the human and physical assets required to grow out of poverty over time. By capping price spikes, cross-border trade offers a means of moderating these pressures. Among smallholder farmers, many of who are net buyers of food, reliable food supplies and reduced price volatility permit them to diversify into higher-value production, thus opening new pathways out of poverty. Producers of staple foods likewise benefit from open borders. To maintain and sustain producer incentives, surplus farmers in surplus production zones need access to growing markets, both internal and across national borders. Failure to allow regional trade in food staples could stall production growth and private investment in agriculture. In thin national markets, without export outlets, production surges lead easily to price collapses. In turn, these disincentives dampen long-term agricultural income growth. This suggests that both consumers and farmers stand to benefit from the reduced price volatility, which results from opening borders to regional trade in food staples (Haggblade 2008).

Box 1: The production of maize in South Africa

South Africa's most prominent staple foods are based on maize. Maize is still one of the most important crops in terms of food security on the domestic market and the major ingredient of a standard South African diet, especially for income-poor people. Consumers have a strong preference for white maize, which is processed to mealie meal, the dominant food base for pap (maize porridge). Consumption levels are at 275 kg for both white and yellow maize. South Africa is self-sufficient in maize production and the commercial farm sector produces 98% of total production, while developing farmers produce the residual 2%. This already indicates that small-scale farmers cannot meet the demand of local markets, which they target. There are an estimated 9,000 commercial maize farmers and they cultivate nearly 3 million ha of land (out of about 80 million ha of total arable land) and employ about 150,000 farm workers (National Department of Agriculture 2006). The average productivity per hectare of commercial farmland is 5 tons. For small-scale production, production standards range from market-oriented, to surplus production and subsistence farming. Accordingly, capital intensity and yields vary, but in general not more than 500 kg to 1 t of maize is harvested per hectare in these areas. However the potential is about 5 t per hectare, which can be achieved by following best agricultural practices. Total national maize production was at 12 million t in 2005, of which humans consumed 50% with the rest used for animal breeding. The total production of maize per ha has increased by 5% in South Africa between 1994 and 2004. Maize futures prices (SAFEX) have doubled in the same period, putting pressure on consumers' incomes. For an analysis on intraregional trade, only the commercial production is of interest, as small-scale production does not cross national - and sometimes even provincial - borders. For food security, the small-scale production for local markets is very much important as local shortages lead to price increases and affect peoples' ability to feed themselves.

The commercial maize supply/value chain structure in South Africa is strongly influenced by the former one-channel Marketing Board system, which was organised as a state oligopoly. Market information and trade effectiveness under the new free trade regime dramatically changed with the introduction of the South African Futures Exchange (SAFEX) for agricultural products, replacing the state market control system. SAFEX is listed at the Johannesburg Stock Exchange (JSE) and caters to the whole Southern African market, especially for futures and options trade of maize, which has always been the main staple crop in the region. SAFEX offers risk management through the hedging of prices, legally binding contracts for buyers and sellers, a clearinghouse mechanism, stable prices and good price transparency. It lowered the transaction costs of trading maize and opened up international trade opportunities as it responds to changes on for instance, the Chicago Board of Trade.

Commercial agricultural production, food processing industries and agricultural trade companies are highly integrated in South Africa. Market integration is driven by a good transport infrastructure linking the main trading centre and wholesale hub in Gauteng Province (Johannesburg) with remote production areas as well as with the eastern borders to Mozambique (via the N 4, the so called Maputo corridor), with the southern sea harbours (Durban, Port Elizabeth and Cape Town) and with the northern borders of Botswana and Zimbabwe.

Apart from the commercial agricultural sector, small-scale farming is a dominant source of staple food production in rural areas – especially the former Homelands. Due to lack of market information, maize traded on local markets rarely crosses borders. This may happen only in border regions, especially next to Zimbabwe and Mozambique, but no data is available here.

3 Relevant institutions and policies

The Common Monetary Area (CMA)

The Common Monetary Area (CMA) is based on an agreement signed in 1986 between Lesotho, South Africa and Swaziland (Namibia joined in 1992). The agreement formalised the existing, de facto monetary integration, as the South African currency has served as the legal tender in Lesotho and Swaziland since the 1920s. Hence, unlike most other regional cooperation schemes, the creation of the CMA was not accompanied by far-reaching, long-term objectives. The CMA agreement provides for fixed exchange rates among its members and common bloc floating vis-à-vis other currencies, as well as intraregional capital account liberalisation, the distribution of seigniorage (i.e. the net revenue derived from the issuing of currency) and intraregional financial transfers. Both the Lesotho loti and the Namibian dollar are pegged at par to the South African rand; and although Swaziland legally withdrew from this commitment in 1986, it still honours it de facto. Botswana participated in the CMA negotiations in the 1970s, but it opted out in favour of a managed floating of its currency, the pula. Since then, Botswana has pegged the pula to a trade-weighted basket of the rand and Special Drawing Rights, whose specific composition is not disclosed; however, the South African rand has a large weight in the basket. Each of the four members has its own central bank, which issues its currency and is formally responsible for monetary policy within each respective country. However, as the rand functions as the regional anchor currency, the South African Reserve Bank determines the de facto monetary policy for the CMA member countries via its interest rate policy.

The Southern African Customs Union (SACU)

The four CMA members together with Botswana constitute the Southern African Customs Union (SACU), established in 1969. In 2002, a considerably revised agreement was concluded and came into force in 2004. The original objective of the customs union was to facilitate the collection and redistribution of revenues from customs duties (Kalenga 2005). The key instrument of SACU is the application of a common trade policy, including customs duties, excise duties, trade remedies and rules of origin, which until recently was set unilaterally by the South African Department of Trade and Industry. As the SACU agreement from 1969 also contains provisions to encourage the development of the less advanced members and diversification of their economies, two more instruments were incorporated into the agreement. South Africa has made compensatory payments to the governments of the other four SACU Member States through a common revenue fund, which pools all tariff revenues of the five countries. The agreement also contains provisions for the use of instruments in support of industrialisation and diversification, taking into account the specific circumstances of the smaller and less advanced Member States and their needs in terms of financial support and development policy.

Distinct from the practice in other customs unions, the distribution of customs duties among member countries has been based on their respective shares in both extraregional and intraregional imports. While South Africa has a much higher propensity for extraregional imports than the other SACU members, the latter have a higher propensity for intraregional imports. For example, in the fiscal year 2005/2006 South Africa accounted for 85 % of total SACU imports, whereas only 12 % of intra-SACU imports went to South Africa (Flatters and Stern 2005). Thus, under the SACU agreement of 1969, the smaller SACU members benefited from a more than proportional participation in the revenue. The rationale for this redistribution was to compensate the smaller economies for the disadvantage of entering into a customs union with an economically advanced partner (e.g. polarisation and price increase effects), and for the loss of some fiscal and policy autonomy (Hansohm and Adongo 2006; Flatters and Stern 2005; Kalenga 2005). Moreover, the 1969 agreement allowed the smaller SACU members to protect their nascent industries by imposing restrictions on certain imports, whether from South Africa or non-SACU countries. With the new SACU agreement of 2002, the revenue-sharing formula for the smaller Member States has become less favourable, while the instrument for the protection of infant industries has been retained. The 2002 agreement brought a number of institutional reforms. It is based on a one-country, one-vote formula and major decisions of the various intergovernmental and regional institutions require consensus. A dispute settlement system has been introduced, with an ad hoc tribunal that is supposed to balance different interests in case of conflict. Implementation of the agreement, the performance of the new regional institutions and the way interests are reconciled will certainly provide a benchmark for both the CMA and SADC integration processes.

The Southern African Development Community (SADC)

In 1980, the Southern African Development Coordination Conference (SADCC) was founded by the so-called Frontline States (Angola, Botswana, Mozambique, Tanzania and Zambia.) together with Lesotho, Malawi, Swaziland and Zimbabwe to reduce their dependency on apartheid-based South Africa, to achieve collective self-reliance and to secure the support of the international community. The SADCC's objective was to increase self-reliance so as to reduce dependence on the apartheid regime of South Africa. It therefore focused on cooperation for food security and the development of a common transport and communications infrastructure and agricultural research, rather than on harmonising intraregional policies on industry, trade or finance. In 1992, the organisation transformed from a development conference into the Southern African Development Community (SADC) before the end of apartheid in South Africa, which then became a SADC member in 1994. The transformation of SADCC into SADC was accompanied by institutional reform which somewhat strengthened the role of the SADC secretariat in the design of sectoral cooperation activities.

The beginning of the development community marked a particularly important change in SADC's orientation: from functional cooperation to development integration. This concept differed from regional integration in the classical sense of market integration. Instead it implied a close political cooperation that developed common programmes for different economic areas and coordinated economic policies for production, infrastructure and trade. Development integration also implied fair distribution of benefits and costs of integration as well as cooperation in political and security issues. But besides the then established Summit of Heads of State and Government (as the main policy-making institution), the Council of Ministers and the permanent Secretariat, the decentralised structure of SADCC lived on in sectoral coordinating units and commissions. It was mainly this decentralised structure, comprising 21 sector coordinating units that proved inefficient in the long run because it weakened the SADC Secretariat's power, authority and resources required to facilitate regional integration. In addition, the sector coordinating units contributed to a lack of regional focus of the SADC's Programme of Action. Also their ability to pursue and implement policies differed to a great extent.

Today SADC comprises 15 members: in addition to the five SACU countries, the other nine members are: Angola, the Democratic Republic of the Congo, Madagascar, Malawi, Mauritius, Mozambique, the United Republic of Tanzania, Zambia and Zimbabwe. SADC Member States consider regional integration as a means of alleviating poverty and redressing regional imbalances. With a trade protocol that came into effect in 2000 and a memorandum of understanding on macroeconomic convergence, an ambitious programme has been initiated for regional integration towards a Free Trade Area (2008), a customs union (2010), a common market (2015) and finally a monetary union (2016) and the introduction of a common currency (2018).

The ratification of the Trade Protocol in 2000 and the launch of the SADC Free Trade Area (FTA) in 2008 have obliged national governments to commit themselves to dramatic tariff cuts on traded products within the SADC region. The objective of the FTA as described in the Trade, Industry, Finance and Investment (TIFI) cluster, is to ensure efficient production, contribute towards the improvement of the climate for domestic, cross-border and foreign investment, and to enhance economic development, diversification and industrialisation of the region. This comprises the gradual elimination of tariffs, the adoption of common rules of origin, the harmonisation of customs rules and procedures, the attainment of internationally acceptable standards, quality, accreditation and metrology, the harmonisation of sanitary and phytosanitary measures, the elimination of non-tariff barriers and the liberalisation of trade in services (SADC 2003).

A major step of the FTA negotiation process on tariff phase-down entailed a gradual removal of customs duties. The negotiation was based on a 'request-offer approach' under the auspices of the Trade Negotiating Forum. Due to the asymmetric level of development underlying the negotiations, Member States were divided into three categories: developed countries (mainly South Africa but de facto, Southern African Customs Union - SACU), developing countries (Mauritius and Zimbabwe) and Least Developed Countries or LDCs (namely Angola, DRC, Madagascar, Malawi, Mozambique, Tanzania and Zambia). The SADC tariff phase-down programme was adapted at variable scales of speed in which the cluster of developed countries was expected to generally front-load their tariff reductions to achieve the 'substantially all trade' threshold by the fifth year of implementation (i.e. by 2005). The developing countries cluster was expected to generally mid-load their tariff reductions to achieve the same threshold by about the seventh or eighth year of implementation, (by 2007-2008) while the LDCs were expected to backload their tariff reductions within 8 to 12 years. However, for category A and B products, tariffs were to reach the 0% level by 2008 in line with the World Trade Organization requirement, which stipulates that substantially all trade should be free in an FTA. The 'substantially all trade' threshold for SADC is made up of 85% of all products, constituting category A and B products but excluding category C products.

Table 2: Product groups and tariff phase-down

A	Products whose tariffs would move to 0% (or were already 0%) at start of the phase-down process, i.e. in 2000
B	Products subject to tariff phase-down to 0% over an eight-year period to 2008
C	Sensitive products, phase-down over 12-year period to 2012
E	Excluded from preferential trade

Source: Own compilation

With regards to non-tariff barriers to trade, Article 6 of the SADC Protocol on Trade (SPT) commits member states to eliminate all existing forms of Non-Tariff Barriers (NTBs) and refrain from imposing any new NTBs in relation to intra-SADC trade. Removal of non-tariff barriers involves harmonisation of customs rules and procedures, the harmonisation of sanitary and phytosanitary measures as well as the adoption and implementation of common rules of origin. Member States are currently developing a model Customs Act that will facilitate the harmonisation of customs regulations and procedures. Work on the SADC Customs Bond Guarantee Scheme has been completed while a decision is expected soon on the Single Customs Document and the Regional Goods Transit System, both of which have already been piloted.

2008 was an eventful year for Southern Africa. The Southern African Development Community (SADC) launched its Free Trade Area (FTA) in August. Its target to become a customs union by 2010 is still on the agenda (SADC 2008). The SADC liberalisation agenda adopts an asymmetric approach that takes into account the ability of the economically stronger members, such as South Africa and its SACU partners, to liberalise faster than the economically more vulnerable members. However, most products that have some intraregional trade potential, such as consumer products (e.g. beverages, tobacco, leather and furniture, foodstuffs, textiles and clothing), have been declared import-sensitive and their trade liberalisation has been postponed (Kalenga 2005). Furthermore, the widespread use of non-tariff barriers between SADC countries has limited the trade-increasing impact of tariff reductions. At a Tripartite Summit in October, SADC, the East African Community (EAC) and the Common Market for East and Southern Africa (COMESA) announced their intention to create an FTA comprising the regional economic communities. The member states of these three communities agreed to develop within six months, a roadmap towards the establishment of this FTA stretching from South Africa in the south to Egypt in the north. Keeping in mind that the establishment of an FTA focuses specifically on a trade-in-goods agenda, it will require more than just tariff phase-downs and alignment among member states. The establishment of this FTA will also include work on non-tariff measures, rules of origin, standards, customs management and trade facilitation. With stark differences among the existing regional communities on many of these issues, this promises to be a challenging task. However, the reflection and consideration of trade policy matters within and among member states in this large region could be a useful exercise. Diverse perspectives exist among countries in this region. For South Africa and Mauritius for example, the import tariff is not so much an instrument of trade policy, but of industrial policy, while for countries like Malawi the import tariff is an important source of revenue, with liberalisation posing serious fiscal policy challenges. Much deliberation and compromise will be required to accommodate the diverse needs and perspectives within a single FTA.

In concordance with the trade policies, SADC runs a Food and Agriculture and Natural Resources (FANR) cluster, which addresses food security issues. On food availability, the SADC sees that Member States should be required to promote agricultural production and productivity and adopt measures that increase competitiveness and promote trade. For better access to food FANR proposes the introduction of policies that generate employment and incomes, implement measures that improve income stability and equity as well as develop safety nets for the vulnerable (such as food for work, cash for work and targeted distribution of inputs or food). To date, much has been done in relation to regional cooperation and the implementation of regional information systems. These include a Regional Early Warning System for yields, a Drought Monitoring Centre, a Seed Security Network for harmonising seed legislation, disseminating seed information and intervening with seed supplies during disasters, and a Regional Remote Sensing Unit to give climate and weather forecasts.

Southern African Confederation of Agricultural Unions (SACAU)

The Southern African Confederation of Agricultural Unions (SACAU) is a federation of national farmers union and operates as a regional non profit making organization based in South Africa. It was originally established in 1992 as a loose consultative forum by six farmer organizations in the SADC region. Today it has expanded its membership to include ten SADC countries. The membership of SACAU is open to any organisations within SADC member countries. The member organisations should represent farmers on a voluntary basis, are autonomous, farmer governed and it is also important to be independent of political parties. The key interests in the formation of SACAU were marketing and trade, regional development, land settlement and environmental issues; law and order; labour, security, research, extension and training and organizational issues.

The membership of SACAU is open to bona fide national farmers unions and regional commodity associations in Southern Africa. Currently there are ten Members of SACAU. These are Botswana (BAU), Namibia (NAU), Seychelles (SEYFA), Malawi (FUM), South Africa (AgriSA), Zambia (ZNFU), Zimbabwe (CFU, ZFU), Madagascar (CPM, FEKRITAMA), Lesotho (LENAFU), Tanzania (ATC). SACAU has the following strategic pillars:

SACAU is a member of the SADC Business Forum (SBF) which groups together nine sector-based regional business associations in the region. It currently has the Presidency of the SBF and acts as its secretariat. SACAU is recognized by both the SADC and COMESA Secretariats as the representative of farmers at the regional level and has a Memorandum of Understanding (MoU) with the latter whilst discussions for an MoU with SADC have already been initiated. It has an MoU with the Food, Agriculture and Natural Resources Policy Network (FANRPAN). The organisation has also initiated discussions with NEPAD aimed at attaining formal recognition as the representative of farmers at the regional level. In addition, SACAU is a member of the Forum for Agricultural Research in Africa (FARA). Furthermore, discussions for formal collaborative arrangements with IFAD have been initiated. Finally, the organisation is also discussing with FAO with the view for attaining the formal status as FAO's focal point in the region on agricultural matters

Trade Law Centre for Southern Africa (TRALAC)

The Trade Law Centre for Southern Africa (TRALAC) is a non profit organization established in February 2002[1]. Its key interests are building trade law capacity in governments, the private sector and civil society in the Southern African region. TRALAC is distinguished by its focus on trade law, and its inter-disciplinary approach to trade and trade-related íssues.

The main activities are monitoring trade negotiations, interpreting agreements, stimulating discussion on international law matters, researching developments in international trade law; preparing and disseminating a weekly electronic newsletter, Trade Briefs, Working Papers, news articles; collecting and making available an extensive collection of Trade Agreements and related legislation; developing and delivering capacity building programmes; facilitating Learning Forums. In-house expertise is complemented by specialist expertise of the network of TRALAC Associates.

Trade law capacity has become essential for effective participation in the global economy, with the increasing technical sophistication of the rules-based trading system. With the establishment of the World Trade Organisation (WTO) in 1995, and the rise in the number of bilateral and regional trade agreements, technical, legal capacity and an inter-disciplinary approach to the analysis of trade matters are prerequisites for all trading nations. The capacity asymmetry's in this regard marks the new divide between developed and developing countries, such as those in southern Africa. A number of organisations exist to build trade policy capacity in the region, but not on trade law. The establishment of TRALAC is a response to the serious capacity lacuna that exists in this region in the field of trade law.

4 Barriers to trade and possible solutions

Tariff barriers

South Africa has totally liberalised its trade regime with other SADC members regarding food products. However, in other SADC countries important sectors of the economy are protected, among them agriculture. Although 85% of all intra-SADC trade is duty free and the region has committed itself to reduce the remaining 15% of tariffs by 2012, peak tariffs for sensitive products still exist. And for the agricultural sector, the number of tariff lines is still high especially in countries such as Zimbabwe, Zambia or Mozambique. Mauritius and the SACU have become the most trade liberal economies since then, while most of the other Member States are still lagging behind.

The unequal progress in trade liberalisation is because the national budgets still rely on tax revenue drawn from specific sectors of the economy. Furthermore, the agricultural sector in many SADC counties binds a substantial part of the national labour force and generates food and income for many households, which is another reason for protective measures. GDP contributions from agricultural production to the national GDP range from 3% (Botswana, South Africa), 10-25% (Angola, Namibia, Zimbabwe, Zambia, Mozambique and Madagascar) up to 25-50% (DRC, Malawi, Tanzania). Accordingly, countries such as Malawi, Tanzania, Mozambique and Zimbabwe are still not on track with the FTA tariffs phase-out plan. Most of the protective measures are *ad valorem* import taxes - granted through the WTO Most Favoured Nation clause - which vary depending on product and country, but normally do not exceed 20%.

High value products, services and related industries, such as the textile industry in SACU are also still protected. Other sectors are transport, energy, tourism and construction. For maize flour and seeds, tariffs range from 30% in Zimbabwe (for maize flour) to 10% in Malawi (for maize flour) and 0% in Mauritius. Beans are charged with 10% import duty in Malawi, Zambia, Tanzania and Mozambique among others.

[1] with the financial support of the Swiss Department of Economic Development (SECO)

As South Africa is often perceived as a serious threat to the agricultural sector of all SADC countries in case all tariffs are cut down to zero, the phase-out period might take longer than planned in the trade protocol.

Table 3: Dependency on agricultural export products and average tariffs

Country	Agricultural Exports		Top 10 agricultural exports		Average Agricultural tariff (in %)
	US$ (mil)	**% of total**	**US$ (mil)**	**% of agric**	
Malawi	356	87	348	98	16
Mauritius	379	24.	349	92	22
Mozambique	187	52	172	92	29
SACU	3,954	11	1,706	43	25
Tanzania	402	66	339	84	18
Zambia	61	11	54	87	20
Zimbabwe	815	48	678	83	26
Total SADC	**6,154**	**43**	**3,645**	**59**	**22**

Source: TIPS 2008

Non-Tariff Barriers

In general in other SADC countries, NTBs play a bigger role for trade efficiency and trade performance with often-negative impacts. With the gradual phasing-out of tariffs, barriers to free trade flows between SADC countries are shifting towards protectionist measures under Non-Tariff-Barriers (NTBs).

According to the Doing Business Report 2009/2010, there is a large variation within the SADC region. While some countries such as Mozambique have improved considerably over the years, others like Malawi are still ranked at the bottom.

Table 4: Trading Across Borders 2009

Category	**South Africa**	**Malawi**	**Mozambique**
Trading across borders (rank)	148	172	136
Documents to export (number)	8	11	7
Time to export (days)	30	41	23
Cost to export (US$ per container)	1531	1713	1100
Documents to import (number)	9	10	10
Time to import (days)	35	51	30
Cost to import (US$ per container)	1807	2570	1475

Source: World Bank (2008)

NTBs can be categorised as follows with reference to frequent forms of misuse in SADC:

- **Health, Safety and Environment NTBs**: These barriers include exports bans, misuse of sanitary and phytosanitary (SPS) requirements, technical standards (TBT) and conformance requirements (national legislation). As South Africa has endorsed high food safety standards in its own legislation and complies with international sanitary and phytosanitary standards comparable to the EU or the United States, market entry barriers for SADC countries are quite high. This might be considered excessive standard application by other SADC countries, whose standards are lower, non-existent or not enforced and properly controlled. However, controls and enforcement of legislation at the South African border posts have been reported to be not always as stringent due to lack of capacities.

- **Trade Policy NTBs**: These barriers include misuse of broader policy measures including rules of origin, public export assistance, export taxes, import licenses, import quotas, production subsidies, state trading and import monopolies, tax concessions and trade remedy practices (such as anti-dumping, safeguard and countervailing measures). In Southern Africa, the rules of origin (RoO) issue is quite prominent for the textile industry in the region, as the fibres are mainly imported from non-SADC countries. In the agricultural sector, however RoO should not be a big problem as most resources are sourced locally, but it has been reported that the principles for RoO are quite complicated and not very transparent leaving space for intentional misinterpretation. Misuse can also occur, when cheap maize from subsidised markets is imported and labelled as a local product, which then receives preferential access to SADC markets.

- **Administrative NTBs**: These barriers include customs clearance delays, lack of transparency and consistency in customs procedures, overly bureaucratic and often arbitrary processing and documentation requirements for consignments. Customs authorisations and procedures may be used to impede the passage of products and traders. Another administrative NTB is the requirement to exchange a substantial amount of foreign currency at the border for all traders (especially in Zimbabwe). Excessive freight and transport charges above the international level, such as export license fees, administrative charges, transit bonds and special deposits hinder trade. Services that are not user-friendly include the misuse of legal measures concerning immigration and movement of persons (passports, visas, health documents), inadequate trade support services for finance, insurance, transport services, market information, electronic communications systems and standards authorities. Finally, the lack of harmonised Sanitary and Phytosanitary Measures (SPS) and other quality standards within the SADC region may also constitute an NTB. All SADC countries do not have a harmonised customs control system (single administrative documentation) in place, which slows down customs controls and allows for bureaucratic procedures and delays. Furthermore the transit of goods on the South African northern corridor - connecting Botswana and Zimbabwe with the Durban harbour - is charged with tollgate fees, which in total add up to about EUR 100 per trip (Pierides 2007). This is seen as an excessive fee by many transport businesses, which is worsened by frequent load control points along the highways, where trucks have to queue for hours.

There are two more categories, which are normally referred to as constraints, rather than barriers. First, **trade infrastructure includes physical structures** such as the quality of existing harbours, airports, road and rail systems, the infrastructure capacity for large volumes of transit traffic, the logistical capacities for handling and loading/unloading goods at certain spots, and the availability of storage and cool house facilities. 'Soft' trade infrastructure such as market information systems is also often lacking. South Africa has good infrastructure, especially roads and connecting corridors (Durban harbour - Gauteng - Zimbabwe/Botswana and Windhoek - Gauteng - Maputo harbour), but road capacities are not always sufficient for heavy traffic and high tonnage. Despite having modern trade infrastructure in place, the Durban harbour has not kept up with the pace of South Africa's recent growth and thus lacks the capacity to clear more ships per day. With the economic slowdown of 2008/2009 the capacities might be sufficient again in the short term.

Second, **natural barriers** (rivers, mountain ranges or lakes) may divide regions, thus limiting trade flows. Often natural barriers are not overcome due to political reasons (marginalised regions) or historical reasons (regions which traditionally do not trade or exchange). This is not perceived as a problem in South Africa, but in Mozambique for instance the Zambezi River divides the northern and the southern part of the country, inhibiting trade flows.

Table 5: Example of NTB costs between Durban and Gaborone

Type of NTB	**Costs in ZAR**	**% of NTB**
Direct cost: toll fees (South Africa) south-bound return	(727 x 2) 1,454.00	25.75%
Indirect cost: modelled at 126 litres for 18 stops (eastern suburbs Tshwane/Pretoria average price for low-sulphur diesel)	910.36	16.13%
Indirect cost: downtime for 18 stops	727.55	12.89%
South Africa toll roads summary cost	3,091.91	54.77%
Botswana user charges for heavy vehicles minimum charge	464.28	8.23%
Infrastructure repairs resulting in lane closures and traffic delays on route	485.03 8.	59%
Congestion/delays at weighbridges	727.55	12.89%
Harbour carrier permit (once-off annual cost)	195.00	3.45%
Customs/police/immigration clearance at two borders	681.59	12.07%
Total of all assessed NTBs	**5,645.36**	**100%**

Source Pierides (2007)

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