3. Different Scenarios for Economic Integration in Southern Africa: Options and Choices

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DIFFERENT SCENARIOS FOR ECONOMIC INTEGRATION IN SOUTHERN AFRICA: OPTIONS AND CHOICES

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The economies in Southern Africa have recently come under scrutiny in the light of the birth of a democratic South Africa. There is a general view that South Africa is poised for buoyant economic growth and that this could spillover into the region. This view exists against the backdrop of a volatile debate in the region about appropriate trade agreements.

This paper consist of two parts. The first section provides an empirical analysis of the essential characteristics of the Southern African economy, industry and trade. The second part looks at South Africa's options with regard to regional integration. It sets out the current matrix of agreements that exist and examines how these different scenario's are likely to effect both South Africa and the region.

1. The Southern African Economy

The Southern African economy is often compared to that of the GDP of Belgium. It consists of economies that are not only amongst the most least developed in the world, but also some of the smallest economies. However, it is by no means a homogenous region with countries differing fundamentally in various ways. They differ significantly in size and level of development. For example, South Africa had a GNP per capita of $2902 for 1993 while Mozambique's was $80 dollars. However, the level of disparity between size of the economy and level of development in Southern Africa is particularly high. For instance, while Mozambique has the lowest GDP per capita in the region, Lesotho ranks as the smallest economy in the region. Likewise, Zimbabwe has the fourth highest GDP per capita but is the second largest economy in the region. South Africa, on the other hand, is without exception the largest both in terms of the GDP per capita and in terms of the size of the economy.

The asymmetry between South Africa and the rest of the region is startling. South Africa accounted for 82% of the total GDP of in the region in 1993. South Africa and Zimbabwe accounted for close to 90% of the GDP of the

region. (SEE figure on next page)

Another interesting way of measuring the levels of disparity is to compare the variability in the size of the economy with that of other regions such as the NAFTA, EU and Southern Africa. In the case of the NAFTA (consisting of 3 countries), the co-efficient of variation is 143.112. In the case of the EU consisting of a sample of 13 countries, the co-efficient of variation is 111.501. The co-efficient of variation for Southern Africa stands out at 256.28 for a sample of 10 countries.

The experience of Southern Africa in the last decade leaves much to be desired with most countries experiencing negative real economic growth, balance of payments problems, and large unemployment rates. Africa's manufactured exports as a percentage of total developing country exports in 1994 was around 2.6%. In SADC countries, the contribution of manufactured exports as a percentage of total developing country exports is even more insignificant. In South Africa, exports as a percentage of world exports have also declined since the 1960s.

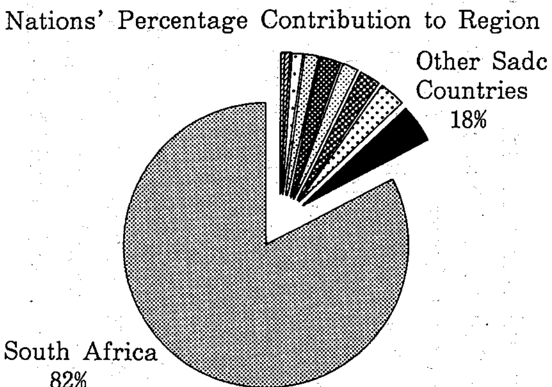
In contrast, developing countries as a group have increased their share of world trade enormously in recent years. They now account for an estimated 25% of world trade - double the level of a decade ago. Moreover, in the aftermath of the international debt crisis in the 1980's, a large amount of capital and foreign direct investment began flowing to the developing economies. But the Southern African region has been unable to capture even a small portion of these flows. Manufactures constitute only around 10% of Southern Africa's total exports and most of these are low-value consumer items and other light manufactures. In most Southern African countries, excluding South Africa and Zimbabwe, one to three commodities account for the bulk of total exports. Moreover, the region's share in primary commodities has been declining.

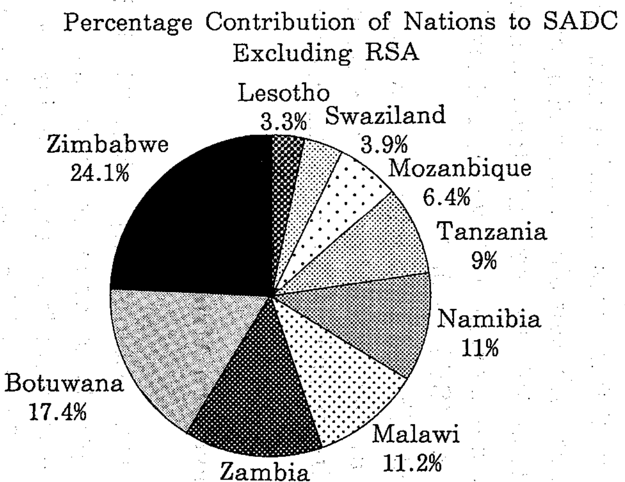
Despite such a discouraging scenario, the prospects for Southern Africa in the next 10 years are not fantastic but indeed seem far better than in the last decade. According to the World Bank, growth between 1994 and 2003 is projected to average 4.8% per annum for all developing countries, with East and South Asia expanding most rapidly at 7.6% annually. GDP in Africa on the other hand is projected to grow at only 3.9% per annum. Although this seems low compared to total developing country growth projections, it would be an improvement on previous years.

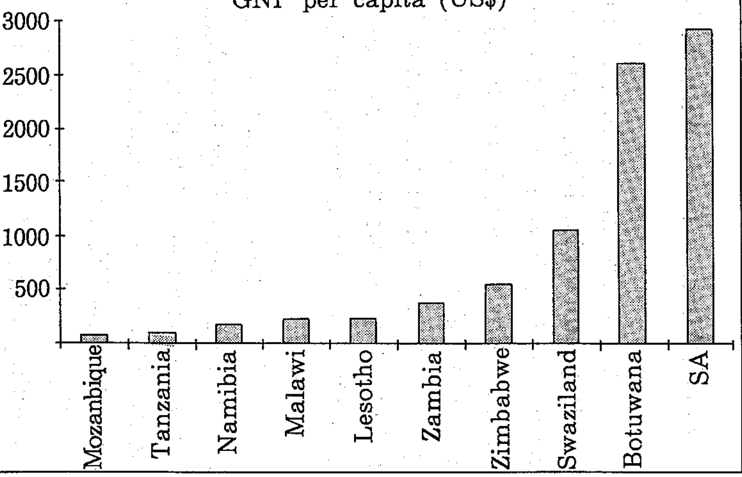
Another important point is that Southern Africa has experienced differential growth rates in the last decade with Botswana, on the one hand, experiencing an average annual growth rate of close to 10% from 1980 to 1993,

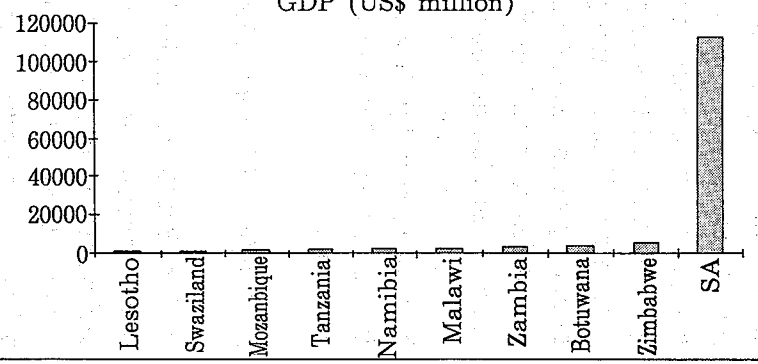
Mature of The Southern African Economy 1994

Data not available for Angola









while Mozambique, on the other hand, had an annual average growth of -1.1%. The growth prospects for individual countries in the region thus vary considerably. Growth in Botswana is slowing down while South Africa's growth rate is likely to pick up in next few years. Inflation rates have been even more diverse than growth rates with Zambia experiencing an average annual growth rate of close to 60% from 1980 to 1993 and Mozambique at 42%. Countries such as Mauritius and to some extent Botswana, had low inflation rates by developing country standards. (SEE Table 1)

Growth rates in GDP per capita (based on nominal US dollar values) have been equally diverse with an average annual growth rate from 1980 to 1993 of 13% for Botswana at one extreme and -13% for Tanzania at the other extreme.

A. Trade and Industrialisation in Southern Africa

• The Southern Africa's Development Community's (SADC) industrial sector exemplifies the structural problems endemic to Africa, with an underdeveloped sector dependent on imports from industrialised countries. All countries in the region, including South Africa, are heavily dependent on primary commodity agricultural and mineral exports.

• **South Africa's Trade With the Region**[1]

The nature and extent of intra-regional trade in Southern Africa is fairly predictable. Most economies in the Southern African region conduct over 90% of their trade with the rest of the world. Southern Africa represents the familiar story of being heavily reliant on the international market for the imports of capital and technology intensive goods for which there are generally (with the exception of South Africa), no competing intra-regional substitutes. Table 2 shows that primary commodity exports dominate the exports of all countries in the SADC with an average of 82% of total SADC exports.

Not surprisingly, South Africa's total exports and imports dwarf the SADC total. According 1993 data, South African accounted for 70% of total SADC exports and 62% of total imports. The second largest exporter after South Africa was Angola which accounted for an estimated 8% of total SADC exports. (SEE Table 3)

Table 4 shows the measure of openness of the respective SADC countries including South Africa. Most of the SADC economies are well integrated into

the world economy with the values of imports and export to total GDP being very high with an average of 80% from 1980 to 1993. The import to GDP ratio has also remained fairly constant although exports have dropped marginally. What this represents is the fact that trade as a percentage of GDP in these countries has not grown in any significant way. Moreover, the high trade intensity is a reflection of extra-regional trade with minimal growth in intra-regional trade. (SEE Table 4)

According to South African customs and excise data, Africa accounts for close to 10% of SACU's total world exports, However, 70% of total SACU exports go to the rest of SADC with a large proportion going to two or three countries. Figures for South African, as opposed to total SACU, exports in the African market differ considerably since the BLNS countries rely heavily on South African imports. Rough estimates for 1992 suggests that just over 16% of South Africa's total exports were destined for both the BLNS and the rest of the SADC. South Africa's exports to SACU alone are around 12% of South Africa's total world exports and just under 5% for the rest of the region. The proportional share of the region in South Africa's total imports is considerably less than it is for exports. South Africa absorbs an estimated 7% of total imports from the rest of SADC with 5% from the BLNS countries and close to 2% from the rest of SADC. (SEE Table 5)

The nature of South Africa's export potential in the international and regional markets has been well documented. Data for 1994 shows that South Africa's largest exports (excluding unclassified goods such as gold and arms) in decreasing order (based on Rand value) are: precious and semi-precious stones, base metals, mineral products, chemical products, machinery and appliances, motor vehicles and parts, and vegetable products. It is surprising that South Africa exports a sizeable proportion of chemical products and machinery and appliances to the African market when in fact it is considered not to be terribly competitive in these products internationally. The country's seven largest imports are the following: machinery and appliances, vehicles and components, chemical products, plastics, textiles, optical and photographic, and base metals.

Areas where South Africa has a particularly favourable trade balance are in mineral products, precious stones and semi-precious stones and base metals. On the other hand, South Africa has a negative trade balance in chemicals, plastics and textiles. Areas where the trade balance against South Africa's favour is particularly high, are in machinery and appliances, vehicles and others. Although South Africa typically exemplifies a traditional developing country export profile with a preponderance of

primary exports as a percentage of total exports, a geographical disaggregation provides a rather different picture, specifically with South Africa's exports to the African market. Some 40% of South Africa's [2] manufacturing exports are destined for the African market.

As is evident from Table 6, the two categories where South Africa has a very unfavourable trade balance in international markets, constitute some of the country's major exports in the African market. Mechanical and electrical equipment account for 41% of South Africa's total exports of this category while transport equipment and instruments and apparatus account for 30% and 34% respectively. Table 7 on the other hand, shows that South Africa's major imports from Africa as a percentage of world imports in that particular product category are mineral products (24%), pearls, metals, etc. (26%) and wood, cork and straw products (17.2%).

SACU's trade with Africa has expanded rapidly in the last few years - by 40% in 1989; 22% in 1990 and 25% in 1991, slowing down to 9.48% from 1992 to 1993 but picking up to 23.4% from 1993 to 1994 (based on nominal Rand value terms). with an increase of over 25% from 1994 to 1995. From the perspective of SADC countries exporting to South Africa, the percentage growth of exports has increased in 1993 to 1994 by 22.61% from a low growth of 2.87% the previous year, implying greater two-way trade flows. (SEE Table 8, 9)

The extreme disparity between South Africa's production pattern and trade pattern is indicative of the fact that the economic powerhouse of the region is not terribly competitive in international terms. Despite this, SACU enjoyed a 3.4 billion trade surplus in 1992 with SADC. This increased to 4.5 billion and is likely to grow in the near future.

1992	3,414,922,386
1993	3,914,460,037
1994	4,539,240,408

However, if one looks at SA/SADC trade for which figures are less readily available, the trade surplus in favour of South Africa is likely to increase as it enjoys high levels of trade with the BLNS countries.

This raises the consequences of growing trade deficits with South Africa for the SADC countries. Why should South Africa be interested in forming a more far-reaching integration agreement when in fact its trade in the African market is increasing anyway? Various studies show that there is considerable potential for the non-SACU countries to switch supply from third countries to South Africa. While the Southern African market may

provide an important outlet for South African manufactured exports to the region, a major challenge is to prevent a kind of'hub and spoke bilateralism' where South Africa becomes the hub and the surrounding countries, spokes. South Africa could dominate the region further by encouraging bilateral trade with individual Southern African countries and in the end discourage trade amongst the spoke economies (see Cassim, 1994).

The more critical issue for South Africa is to what extent it can compete with third suppliers in the SADC market when most of its manufacturing sector is not competitive? Preliminary evidence suggests that South Africa's close geographical proximity to the regional market may be an important factor explaining the country's ability to compete in certain products with third suppliers. In particular, the cost, insurance and freight (c.i.f.) level is less for South Africa than it is for third country suppliers. Another factor considered important in explaining South African manufactured exports to the region are licensing agreements which forbid South Africa from exporting to the international market, but allowed it to export to the regional market. With more progress within the PTA, South Africa could, in addition to these factors, enjoy a tariff advantage over extra - regional competitors.

It should however be emphasised that although increasing intra - regional trade is a major objective of economic integration, it should not be seen as a substitute to extra - regional trade. Instead, it should complement intra - regional trade. Hence, competition amongst firms in the region could act as an important impetus towards expanding extra - regional exports. There is a general view that world markets have a much greater capacity to absorb exports than regional markets. This point is particularly relevant for a country such as South Africa wanting to expand into the African market. The prospects for South African exports on the regional market are severely limited in the light of the fact that the regional GDP of the SADC region alone is 25% that of the total GDP of Hong Kong for example. However, South Africa's export potential in the SADC market can also be assessed by looking at the current value of South Africa's exports into SADC as a percentage of SADC's total (both intra and extra regional exports). According to the figures below, South Africa's export value for 1992 accounted for 30% of SADC's total import value excluding the BLNS countries. What this illustrates is that, despite the small size of the SADC market, South Africa could gain more market share in these markets.

Swaziland	46%
Namibia	75%
Lesotho	92%

Botswana 78%
SADC 30%
(Calculations from various sources)

This section has highlighted South Africa's trade potential in the region. It seems evident that the African market is of critical importance for South African manufactures. This, coupled with the importance of ensuring that poor growth in the region does not constrain the country's growth prospects, means that it would have take the choices it faces in the region seriously. The problem is that while South Africa's trade with the rest of the region is likely to growth at a phenomenal rate, intra-regional trade is likely to grow much slower amongst the rest of the economies. This is a manifestation of the fact that, trade flows in the region are constrained by a rather restricted industrial sector in the region.

• **Industrial Capability**

As was noted earlier, there is a large discrepancy between size of the economy and GDP per capita. Figures related to the manufacturing contribution to GDP in this region are equally confusing or misleading. The average contribution of manufacturing to GDP in the region is 16%. While this is not insignificant by developing country standards, the relatively small size of many of these economies means that the industrial capabilities of these counties are not as significant as their contribution of manufacturing makes out. For example, Zambia is (according to the criteria in the table 10) the most industrialised country in the region. However it's manufacturing value-added in 1990 was less than 10% of the value of total manufacturing value-added in South Africa. (SEE Tabls 10)

Industrial capabilities in the region differ considerably with South Africa at the one extreme with a very diversified industrial sector, while countries such as Angola and Namibia have very small industrial capabilities. This restrictive industrial structure will strongly influence the way policy makers approach strategies for economic integration in Southern Africa.

Table 11 also provides some data for value-added in SADC member countries where data was readily available. Manufacturing value-added as a percentage of total manufacturing output is significantly high in some of the less industrialised countries. However, this may be misleading since their manufacturing sectors are fairly small. For example, the combined value-

added in the countries listed above constitute no more than 21% of South Africa's total value - added in manufacturing.

Industrial output in the region is heavily concentrated in resource-intensive activities such as food, beverages, tobacco and textiles - one half of the regional MVA comes from this. Producer and capital goods account for about one-quarter of the regional MVA. Manufactures account for more than 70% of total imports, but only 10% of regional exports. Excluding petroleum and the production of non-ferrous metals, regional production satisfies only half of the regional consumption (Ostergaard, 1990:26). In the countries with the most important industrial sectors, South Africa and Zimbabwe, the core of industry is concentrated around the mineral sector. In Zimbabwe over 43% of production originates in the chemicals and non-metallic minerals, metals and transport equipment sectors. In South Africa, the main growth of industry in the last two to three decades has taken place in sectors that beneficiated raw materials. These are basic iron and steel, non-ferrous metals, non-metallic products and chemicals. The main feature of these sectors is their capital and energy intensity. A strong linkage is that the inputs of the core come from primary mining industries. (See Trade Monitor, No 7, 1994). However, despite the heavy concentration of industry in this sector, South Africa also has significant other manufacturing sectors such as clothing and textiles, pulp and paper, motor vehicles and consumer durables, etc.

There are essentially three main types of industrial activity in the region: raw materials processing industries based on minerals and agricultural products of the region primarily for exports. The production of consumer goods industries largely for the domestic market. A capital goods sector which is really limited to three countries in the SADC region - these are South Africa with the most developed capital goods sector, Zimbabwe and to a lesser extent Zambia.

Agro-based industries are often the cornerstone of the industrial sector of most economies in SADC. These are industries that rely heavily on agricultural inputs that are transformed through limited manufacturing. Some examples of agro-based industry are food-processing, beverages and tobacco which incidentally constitute the major sub-sectors in most SADC countries. Other major resource-intensive industries are textile, garments and leather, and wood and wood products. These sectors combined produce between half to three quarters of total MVA in countries such as Tanzania, Zambia and Zimbabwe even though they have more diversified industrial structures.

Table 12 gives the combined percentage contribution of the MVA of categories food products, beverages, tobacco products, textiles and garments to total MVA of manufacturing in selected countries.

South Africa's contribution, not surprisingly, to these five sectors, is the lowest since it has a more diversified manufacturing sector. Some of the mineral based sectors in South Africa such as base - metals and non - ferrous metal account for a large percentage of MVA. However, in most of the other countries listed above, these sectors account for at least half of the MVA in manufacturing.

It is clear that if countries in Southern Africa have some form of comparative advantage in international markets, it is in resource - intensive and labour - intensive goods, and not in the capital good sector for example. International evidence shows that successful industrialised countries, such as Malaysia and Indonesia, developed from a primary export base.

Sophisticated industries such as the engineering industry, are not developed to an appropriate level in most SADC countries. Zambia's engineering industry is specialised in the production and repair of mining equipment and components. Zimbabwe's engineering is more diversified: It accounts for 94% of iron and steel production (excludes South Africa) in the entire SADC region with Zambia and Tanzania at 4% and 1.5% respectively.

Mineral beneficiation is indeed desirable but often not suitable to countries within SADC because of high capital outlay. This even applies to South Africa with a relatively developed economy but which suffers skills and capital constraints. There is no doubt that some downstream processing is necessary. The important question is how far to go and what are the trade - offs. These issues are debated in every individual SADC country.

The biggest constraint on the region is a weak capital goods industry in South Africa which has one of the most sophisticated capital goods sector by far, is also experiencing significant structural problems in the sector. In particular, like its Zambian and Zimbabwean counterparts, the sector is highly dependent on imports. There are numerous reasons why the capital goods industry is critical to the industrial prospects of most developing countries. This is beyond our scope here, suffice to say that the greatest challenge facing the regional industrial strategy is to be able to reduce dependence on capital goods.

As was noted earlier, Southern Africa is lagging far behind in both the skill - intensity and the technological innovation that goes along with the capital goods sector. However, there are certain strengths in individual countries within SADC vis a vis the capital goods sector. The one is that

countries are endowed with the raw material (iron and steel) that are inputs into the capital goods sector. Countries such as South Africa and Zimbabwe have indigenous technological capabilities in certain sectors.

The immediate priority in the region is not to increase the comparative advantage of the capital goods sector in the international market. SADC countries are not endowed with the skills or human capital and lack the capital that is necessary precondition to compete in this sector. Instead, the aim should be to minimise the cost that capital goods impose on the industrialisation process in SADC. In certain cases it has been consistently shown that economic growth in SADC countries is contingent on imports of capital and intermediate goods. Import compression of these goods often slows down the growth process. Hence it is important to rely on the exports of diversified resource - intensive and labour - intensive products to create the foreign exchange to finance imports of capital goods.

It is clear that the Southern African economies, apart from having highly varied industrial capabilities are constrained not only by a low level of development but also by size. Most economies are relatively small, with a fairly small industrial sector. Moreover, there has been insignificant cross - border investment in the region, in the last decade or two, to encourage industrial linkages amongst countries. This sends a very important message to policy makers about the difficulties of implementing a programme of economic integration in the region. There is currently a lively debate in the region around these issues. The ensuring section looks at some aspects of these debates.

2. Methods, Options and Viability

The advent of democratisation in South Africa placed the new South African government with the challenging task of redefining its political and commercial role in the regional and international economy. The most contentious aspect of its policies has been the issue of trade agreements specifically in the regional context and that of the European Union. However, the political urgency of South Africa's policy towards the region puts pressure on South Africa to act more decisively and quickly. Not surprisingly, the first manifestation of South Africa's re - integration into the region following its accession to the SADC in 1993, was South Africa's participation in designing the final draft of the trade protocol which is still under negotiation. A common catch phrase nowadays is the 'variable

geometry and multi-speed' approach which recognises that countries in the region are a mixed bag with some more integrated than others.

Although South Africa has become of member of the SADC, it still has the opportunity to consider a range of trade agreements with the region. Such difficult choices have to be pursued against the backdrop of various institutional agreements existing in the world. These agreements differ in several respects: firstly, in the political and historical circumstances that have given rise to them. Secondly, some of these agreements connect countries at similar levels of development while others connect countries at fairly disparate levels of development. Thirdly, the details of these agreements also differ from symmetrical to asymmetrical agreements, and in regard to product-by-product negotiations.

Discussions here are limited primarily to the different trade regimes. The issue of labour and capital mobility and macro-economic convergence have not received priority amongst policymakers in Southern Africa and are considered as a long-term objective. While there are a range of attempts to increase intra-regional trade, the question whether labour and capital mobility and macro-economic convergence should be considered a policy objective before, with or after increasing intra-regional trade, is still a matter of debate.

The important question here is what effects specific kinds of agreements would have on industrial development and to what extent they would lead to greater dispersion and polarisation between South Africa and the rest of the region.

A. Regionalisation

Regionalisation is based on the premise that there is a natural tendency for a country to become more regionally-based and that no institutions should be set up that could speed up the process of economic integration. However, this does not mean that there should not be mechanisms in place to facilitate integration. The case of the Association of South East Asian Nations (ASEAN) represents a case in open regionalism. Regionalisation implies that increasing intra-regional trade is far more influenced by market forces such as the growth of demand in different markets, overall trade policies, and the state of the international economy than by various preferential trading arrangements among LCD's. (Monmohin, 1993)

In a sense the Cross Border Initiative (CBI) (a project funded by the African Development Bank, the Commission of the European Communities,

IMF and the World Bank in 1991) attempts to facilitate regionalisation in Southern Africa by assisting to overcome bottlenecks to trade in goods and services between countries in the region. The rationale behind the CBI is not to introduce yet another form of FTA but to eliminate serious obstacles or distortions to trade. The CBI is aimed not to establish regional integration but only to promote regional integration. In other words to facilitate beneficial cross - border economic activities.

The policy implication of this scenario is that South Africa and the rest of SADC should focus primarily on becoming more competitive in international markets and the growing intra - regional trade would be a by - product of growing exports into multilateral markets. However, Southern Africa's continued dependence on primary exports, supply - constraints, and debt problems imply that growing export success in international markets would not be possible in the short to medium term. Hence the causality has to be reversed in the case of Southern Africa. Unlike the East Asian example of open regionalism, Southern African countries need to resort to some kind of programme to deal collectively with the obstacles to become internationally competitive. Hence, there is a view that the role of trade agreements in accelerating the process of regionalisation is necessary in South Africa. Most analysts agree that more is needed than simply leaving integration in Southern Africa to market forces.

B. Bilateral Route

Bilateral trade relations within the region are often seen as the most practical option of the many that exist. These bilateral links in the region could be complemented by an overall PTA or Comesa area. Tariffs rates amongst countries under the Comesa (of which South Africa is still not a member) has been reduced on average by 60% - 70% on intra - COMESA trade with the aim of 0% tariffs by the year 2000. However, there is no certainty about the Comesa meeting its targets and bilateral agreements could in the meanwhile play an important role in cementing ties amongst countries that are not constrained by a regional agreement often involving protracted negotiations amongst a range of countries.

South Africa's trade ties have for various reasons been more developed with the SACU countries, Zimbabwe, Malawi, Zambia and to some extent Mozambique, while there is very little trade between South Africa and countries such as Tanzania and Angola. South Africa has specific bilateral trade agreements with Zimbabwe, Malawi and Mozambique.

The first trade agreement between South Africa and Southern Rhodesia (now Zimbabwe) dates back to 1964. This agreement (The Zimbabwe agreement) was preceded by the South African - Southern Rhodesian Customs Union. Preferential tariff on specific products was provided in the bilateral agreement. Initially the agreement was to last for a period of five years but this was later extended for an unspecified period (Blumberg, 1994, p.11).

The agreement's obligations provided for the import of specified goods into South Africa at specified rates which may also be zero. Zimbabwean clothing and textiles, in particular, benefited from various rebates or exemptions from the prevailing SA MFN duties. Other imports like tobacco enjoyed free import duty (but only a certain quantity). Particular goods which comprised large quantity of Zimbabwean content were charged less specified duty. Also, goods produced in South Africa were afforded preferential treatment and specified goods were afforded specified duties. The rebate system was applicable to South African exports which were used in the Zimbabwean manufacturing industry. The special duties also extended to raw diamond stones exported to Zimbabwe for industrial use (Blumberg, 1994, p.11).

South Africa has been Zimbabwe's biggest trade partner in Africa enjoying a disproportionately high trade surplus with the latter. This put pressure on South Africa to enter negotiations on bilateral agreements to, in a sense, implement an asymmetric trade agreement in favour of Zimbabwe to redress this trade balance. Economic co - operation and trade were inevitable after the signing of the declaration of intent to speed up the trade negotiations between the presidents of the two countries. The clothing and textile industries in Zimbabwe were the main sectors to benefit from preferential treatment on the South African market..

However, this trade agreement expired in 1992 and Zimbabwe was again subject to tariff barriers. The import duties which were imposed by South Africa for protection against cheap imports from the Far East in 1992, affected the Zimbabwean clothing and textile industries adversely. It is estimated that Zimbabwean clothing exports to South Africa were worth US $34 million in 1992, dropping by 34% to $21.7 million in 1995. This has led to a significant drop in employment in both industries (Christie, 1995). The Zimbabweans have appealed for the reintroduction of trade preferences on the clothing and textile industry exports to SA. South Africa has recently granted some of the previous preferences but negotiations are still under way for a more conclusive agreement.

This conflict is some kind of microcosm of the larger problems that could be anticipated in the process towards a FTA in Southern Africa. It has raised a range of issues that the South African government has to confront such as whether it prefers a regional vs. a bilateral programme or a two-track approach encompassing both. A specific area of concern has been that of social clauses. South Africa's politically strong labour movement has put pressure on the government to include a social clause protocol into their agreements in order to protect workers rights, but more importantly to ensure that the South African market is not flooded with goods produced on the basis of highly exploitative wage rates from the neighbouring countries. The issues here are very complex but have to be dealt with in a region with highly variable wage rates.

Various comparative estimates of wage levels in non-primary sectors of industry show that, for South Africa, the level of real wage growth had increased to 127 by the end of the 1980s (with 1980 as a base date), while countries such as Malawi (63), Mozambique (53), Swaziland (64), Zambia (59) and Zimbabwe (104), lagged severely behind. While in South Africa's case this could have been a reaction to the phasing out of apartheid and the response of wage levels to a shortage of skilled labour, another implication of the above refers to the possibility of a brain drain of the more skilled émigrés from the smaller neighbouring countries- itself a perturbing feature (Cassim and Zarenda, 1995:20).

South Africa also granted trade concessions in the form of rebates of customs duties to Mozambique in 1989. These concessions applied to goods which were produced in Mozambique. The effect of the provision was a full surcharge rebate on specified goods of Mozambican origin. These goods should at least comprise 35% of production costs to be regarded as of Mozambican origin. This agreement of preferential trade applied to consumption goods (Blumberg, 1994, p.9). Imports from Mauritius on the other hand, specifically tea, were granted an exemption from the surcharge by South Africa. The agreement dates back to June 1993 (Blumberg, 1994, p.10).

Various bilateral agreements also exist amongst other SADC countries. For example, Zimbabwe has various bilateral agreements with the BLNS countries. However, the Comesa tariff reductions have diluted most bilateral trade agreements in the region outside of South Africa.

While bilateral agreements may provide the building blocs to a more systematic regional agreement, many policymakers believe that there are some limitations to this option. An African Development Bank (1993) report

points out that "it is doubtful whether bilateral trade agreements would, in themselves, be perceived by investors as constituting a significant contribution to closer long-term regional integration, providing an incentive for FDI to serve the wider bilateral market". Secondly, bilateral agreements may cause political problems and thus not provide the necessary co-ordination for the development of the region as a whole.

There is a view that a bilateral route should be the building block to a more full blown regional integration programme. Bilateralism makes further sense in so far as some countries are more integrated than others while allowing a measure of variability needed for a regional programme.

The one problem with bilateral agreements is that most countries in the SADC would put as their priority, a bilateral agreement with South Africa. This could abort the process of regional integration which aims not only to create linkages between South Africa as the hub economy and the rest of SADC as the spoke economies. It is critical is to foster multiple-links amongst SADC countries.

C. Extension of the Southern African Customs Union(SACU)

The SACU agreement was established in 1969 between South Africa, Botswana, Lesotho and Swaziland. The agreement involved a complex revenue-sharing formula as well as an enhancement factor (to compensate for trade diversion and polarisation) and was administered by the Consolidated Revenue Fund of South Africa. In 1976 a stabilisation factor was introduced and payments out of the above fund were exacted with a two-year lag. The net effects of the above renegotiations substantially boosted the BLS countries' receipts from the revenue pool and in each case swelled their total government revenue, albeit to different extents (Mayer and Zarenda, 1994: 15-20 and 22). By contrast, South Africa's share had shrunk - a factor exacerbated by the incorporation of Transkei, Bophuthatswana, Venda and Ciskei (TBVC) countries in SACU revenue disbursements. In 1990, Namibia attained independence and joined SACU. By 1994 there was massive dissatisfaction regarding the agreement among all parties and discussions on the drastic renegotiation of the treaty will take place soon (Zarenda, 1995).

The SACU arrangement is widely hailed as a rare example of a successful and a workable model of economic integration in the developing world. However, the highly integrated nature of the SACU area cannot be attributed primarily to the agreement itself. Specific geographical and historical circumstances are largely responsible for the strong linkages in the

region while SACU must have played some role in encouraging the further integration of what was already an integrated region.

Amidst a growing volatile debate about the effects of SACU on the BLNS countries, there is no doubt that certain revenue benefits from the arrangement accrue to the smaller partners. The huge reliance on SACU payments is reflected in the following proportions of Government Revenue from these payments for 1991 (World Bank, 1993):

Botswana - 13,4 per cent
Lesotho - 51,8 per cent
Namibia - 37,5 per cent
Swaziland - 40 per cent

The notion that SACU is highly beneficial to the BLNS has to an increasing degree been contested, specifically by Botswana. There exists a strong view amongst policymakers that South Africa's supremacy in tariff setting has frustrated attempts by the Botswana government to nurture industries in that country. From the South African perspective, there is growing consensus amongst policymakers that the current revenue formula is steadily eroding South Africa's revenue base. Hence all member countries acknowledge that important changes need to be made in the SACU.

The extension of the SACU to the Southern African region is not viable in the short - to medium term for a number of reasons. Firstly, there is a high rate of dispersion of tariff rates among countries. Owing to large variations in industrial capabilities in the region there is a concern that a common external tariff may frustrate the industrial policy objectives of some countries. (SEE Table 13)

Secondly, the SACU itself is undergoing a major overhaul as various issues are under review. These range from a new revenue - sharing formula, an assessment of the impact of SACU on the industrialisation of the region, to the democratisation of the SACU. There is a general view that the benefits of the SACU have differential benefits on different member countries. From the South African perspective, it is a question of balancing the control of policy making against foregoing a disproportionate revenue share. These unresolved issues would make it difficult to propose the extension of the SACU.

Thirdly, there is the fear that South African firms are generally much better positioned to reap the benefits of a larger Southern African customs union which in turn would have adverse consequences for industry in the region. This would require large amounts of compensation by South Africa.

As it stands, the revenue that South Africa transfers to other SACU countries as compensation for the price - raising effects of high tariff rates is becoming fiscally difficult for South Africa to sustain. Indeed, if it is difficult for South Africa to compensate a few countries in the SACU, its extension would mean unmanageable compensation levels.

In the end, South Africa has no choice but to restructure the SACU and ensure that the peripheral economies are not adversely affected by South Africa's national and regional policies. However, a restructured SACU is likely to engender co - existence with various other forms of agreement in the region. As Zarenda (1995) points out "It is hoped that in its renegotiations with the various SACU members, a mutually - beneficial arrangement can be reached with regard to the revenue - sharing formula, the two - year lag in payments and the establishment of a more consultative and democratic decision - making body than has been the practise of the apartheid government and the new democratic government thus far. It should also be mentioned that the protracted deliberations on this issue should not be stalled in the hope that they can be subsumed in wider regional agreements. The smaller members of SACU have legitimate grievances, which if not rectified quickly, will further increase polarisation and tensions in the immediate region - not to mention the effects on labour migration. The tendency for even the present Government to be a non - consultative 'bully boy' is totally unacceptable."

D. Sectoral Co - operation: The Case for SADC

The idea of sectoral co - operation hinged on the assumption that the Western - based models of economic integration cannot be supplanted in the Southern African context, and that what was needed was a regional programme based on co - operation as opposed to a market induced process of economic integration.

The SADC was originally established in 1980 with one of its explicit prerogatives to decrease member countries' economic dependence on South Africa. The signatories of the original SADCC agreement included Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. In 1990 Namibia was incorporated and in August 1992 the name and terms of reference were changed to SADC to reflect the essence of a community. South Africa was admitted in 1994 and hosted the SADC conference in 1995 at which Mauritius was formally admitted as the twelfth member of the grouping. (Zarenda, 1995, p4)

The SADC option was the least controversial since it did not have any explicit trade protocol which meant that co-operation, as opposed to integration, was the central axis. However, much has changed and SADC has now introduced a trade protocol calling for an FTA. The effects of the FTA could indeed adversely affect certain countries. South Africa's entry into SADC could benefit the African economies as they profit from South Africa's relatively developed infrastructure and expertise. However, if SADC incorporates a trade liberalisation programme, the consequences could go two ways: Either highly beneficial or to intensify the polarisation that already exists in the region.

A general drop in tariffs in all SADC countries could lower the cost of imported inputs and stimulate certain exports. However, an increase in the level of imports will negatively affect some industries in the different parts of the region. According to preliminary calculations from the Industrial Development Corporation (IDC), a FTA within SADC could lead to an increase in GDP for the region although some countries are likely to benefit more than others. In South Africa, products that are likely to benefit are processed food products, chemicals and machinery. Products to lose out would be tobacco, clothing and footwear, specifically from Zimbabwe.

In general, the overall GDP will increase by 1.1% while manufacturing output for the region will increase by double the amount of 2.1% although this is still small in absolute terms. What's particularly striking is the magnitude of gains to be made by South Africa 'gainers' section in the table 14.

What this scenario implies is that a FTA on its own could be detrimental to the region leading to de-industrialisation as well as exacerbating the growing trade deficit that South Africa enjoys with the rest of the region. Although this analysis provides a quick and dirty analysis of the impact of a free trade agreement on the different economies in the region, it must of necessity remain tentative. It relies on arbitrary assumptions and is a static model. However, it does provide some basis for thinking about the real benefits of the region as a whole. What is lacking is that although a FTA is desirable in the long-term, the pace at which countries liberalise towards each and the support measures, such as compensation mechanisms, would determine the real outcome of a FTA.

Hence it is important to reiterate that although a FTA in the long-term is conceivable, the pace at which countries liberalise towards a FTA is a source of major controversy. An FTA can more easily be achieved than the extension of the SACU since it may provide the necessary protection against extra-regional countries for certain members in Southern Africa. However,

even a FTA is seen as a more long term objective.

South Africa's membership of the SADC raises issues as to whether it is not neglecting other potentially close allies. Perhaps the extension of SADC should embrace Madagascar and Kenya. As far as a trade regime under SADC is concerned, there is a view amongst South African policymakers that a system of selective preferential access arrangements be established as a first stage in a process to eventually lead to an FTA. Such a scenario is compatible with a variable geometry, multi-speed approach to trade in the region.

E. Is A Common Market Workable in Southern Africa?

The idea of a common market incorporating a common external tariff, free capital and labour mobility and macro-economic convergence though exchange rate arrangements seems far-fetched for the Eastern and Southern African region. However, the trade aspect of the common market is taken seriously by the Comesa.

The organisation was established at the end of 1994 and evolved directly out of the Preferential Trade Area of Eastern and Southern African States (PTA) which came into operation in 1983. It incorporates some 23 members, including nine Southern African countries (excluding South Africa and Botswana) and has as its primary objective the eventual implementation of free trade and common market status to its members. Its institutional arrangements incorporate a Central Clearing House, a Trade and Development Bank and a Regional Reinsurance Company. It, unlike SADC, has involved the private business sector in its activities (Leistner, 1995: 273). The explicit formation of an African Economic Community remains its overriding objective.

There are two concerns here. The first is whether the Comesa will meet its target of 0% tariffs by the year 2000 which would effectively be a free trade agreement or a custom union. The second is whether South Africa will be part of this programme. The consequences of this scenario have not yet been fully explored.

South Africa has come under criticism from the Comesa secretariat for devoting much time and energy in securing market access via the Lome to the EU when it has ignored access to the Comesa, a market of 320 million people. According the secretariat, there are several reasons why this has been the case. Firstly, in 1992, $18 billion worth of goods were imported from the United States and the EEC by 18 countries of the Preferential Trade Area. Of

this, only 4.4% was directly attributable to trade from within the area. Some of these imports covered products such as mineral fuels, inorganic and organic chemicals, pharmaceutical products, edible foods, fruits and nuts, beverages, spirits, tobacco, meat, fertilisers, chemicals, plastics, tanning and dyeing extracts. Secondly, transport costs are much lower for South Africa. Thirdly, membership would allow South Africa to take advantage of preferential tariff rates. Tariff rates have been reduced by as much as 70% for members. Member states have agreed to further reduce tariffs by 80% in 1996, 90% in 1998, to zero tariffs by the year 2000. Though South Africa's trade with the rest of Africa amounted to only 31.7% of its global trade in 1993, membership of Comesa will open new markets for products which are currently uncompetitive in global markets. (Comments by Dr Bingu Wa Mutharika, Secretary General of Comesa, WM. 21/9/95).

There is a general view that it is premature to think of a common market in Southern and East Africa. Problems such as poor infrastructure and disparities in economic policies amongst member countries would make it extremely difficult to manage a common market.

3. South Africa's Extra-Regional Trade Agreements: Consequences for South Africa and The Rest of SADC

There is a tendency for most analyst to look at regional economic integration in abstraction from the world's economic institutions. South Africa's normalisation of trade relations with the rest of the world has sparked off many potential trade agreements with the EU, US and Asia. The specific choices that South Africa makes with countries internationally could impact directly on it's relationship with the region.

Two recent initiatives under the spotlight are the EU-SA free trade agreement and the Indian Ocean Rim (IOR). The IOR inititiatve consist of a range of countries in South Asia(Bangladesh, India, Maldives, Pakistan and Sri Lanka), East Asia (Indonesia, Malaysia, Singapore and Thailand), Africa (Kenya, Mauritius, Seychelles, South Africa), Middle East (Bahrin, Oman, UAE) and Australia. Although the countries to participate in this block has been identifies, it is at this stage premature to ascertain what kind of trade regime this group has in mind.

Many of the Indian Ocean Rim countries normalised trade relations with South Africa only recently, so that the trade flows between South Africa and these countries measured do not necessarily reflect the full potential of two-

way trade between these countries. South Africa has an important stake in ensuring the its trade, at least it's exports, increase to countries such as India, Malaysia and the Middle East which for political reasons had very little commercial ties with the country.

The dilemma that South Africa faces is to balance the potential economic benefits of these agreement against the political costs of excluding its neighbours from these agreements. The other difficult choice that South Africa may have to make is whether to enter bilateral agreements with individual countries in the Ocean Rim or to be part of a regional initiative.

Another important question is what implications would an FTA between South Africa and the EU have for regional integration in Southern Africa. The existence of the Southern African Customs Union makes the issue of a FTA far more complex than it would otherwise be. South Africa has a common external tariff with its four SACU partners: Botswana, Lesotho, Namibia, and Swaziland.

There is some concern amongst South African policymakers that any kind of trade agreement that South Africa concludes with extra-regional countries must not obstruct the process of integration in Southern Africa. For example, if South Africa entered an FTA with Europe it would be expected, at some point, to lower its tariffs in reciprocation of the EU reducing its tariffs. Eventually tariffs would come down to zero on both sides. At present, all the SACU members other than South Africa are members of the Lomé Convention, which means that they get duty-free access into the EU without having to reciprocate by lowering their own tariffs. This shows that the existence of the FTA makes the issue of a FTA far more complex than it would otherwise be.

If South Africa entered a FTA with the EU and was required to lower its tariffs beyond MFN levels and its SACU partners did not want to follow suit, that would begin the breakdown of the SACU. It would require the institution of rules of origin procedures within SACU, that were not previously required, so that products coming in cheaper from the EU through South Africa could not simply be re-exported to SACU partners. The consequent need for rules of origin procedures would create new bureaucratic burdens and raise the cost of intra-SACU trade. Moreover, an FTA could slowdown South Africa's integration with countries beyond SACU. Any preferential trade agreement that South Africa signs with extra-regional partners could dilute the preference margins that countries in Africa could enjoy.

Moreover, if South Africa was subject to rules of origin procedures, as it would be in its FTA with the EU, it would raise the cost of imports into South

Africa from its SACU partners. The level of costs incurred for Southern Africa through a South Africa - EU FTA could therefore, be excessive. The most simple way to avoid these costs would be to harmonise the SA - EU FTA with the Lomé/EU relations of South Africa's neighbours. Until the end of Lomé IV,(i.e. the year 2000) South Africa could obtain entry into the EU on the same terms as its SACU neighbours, and with cumulation rights at least within SACU. If a SADC FTA was agreed on, such cumulation rights could presumably be extended to SADC as a whole.

Likewise, the idea of entering an IOR regional co - operation initiative consisting of countries such as South Africa, Australia and India, may be difficult for South Africa to contemplate seriously if it excludes South Africa's SADC neighbours. However, as much as the need to develop the prospects for the region as a whole remains an urgent priority, South Africa's dilemma stems from the difficulty it faces in addressing gross inequalities within the country. While South Africa as the giant of the region, has to shoulder the responsibility of ensuring regional economic development, the high level of unemployment in the country constrains South Africa's ability to transfer wealth to the region. This means that an international agreement, whether in excludes or excludes its neighbours, has to be seriously considered if it is likely to enhance economic growth in the country.

However, despite the constraints that SA faces, it should ensure that any form of regional programme promotes equity and balanced development. Economic integration must not widen the disparity between South Africa and the rest of the economy. One suggestion is that an asymmetric free trade agreement should be concluded between South Africa and the rest of the non - SACU SADC region. South Africa should liberalise its economy for neighbouring countries at a faster pace than they should to South Africa. An asymmetric free trade agreement is becoming increasing commonplace in the world today particularly when countries at disparate levels of development form integration agreements. Examples of such agreements are the Israel and EU, EU and Eastern European and the NAFTA. Some analyst suggest that South Africa should allow its less developed neighbours easy access to the South African market at a faster rate than duty - free South African access to the African markets. This would obviate the potentially damaging effects that a symmetric FTA would have on the smaller countries.

While this is the logical strategy to follow, there is some doubt as to whether the neigbouring countries would be able to take advantage of a

liberalised South African market. If the Lome experience is anything to go by, most of the countries in the SADC, with the exception of Mauritius, and to some extent Zimbabwe, would not de able to take advantage of an open market for industrial products partly because there are limited industrial capabilities.

Clearly South African policymakers contemplating any extra-regional agreements should ensure that it does not derail the pace of economic integration in Africa. One of the most critical reasons for South Africa seeking Lome access to the European market has to do with the consideration of sharing a common trade regime with Southern Africa towards the EU.

A. A Rational Assessment of Integration

It clear that South Africa has to make difficult choices amidst a hybrid of regional institutional agreements coupled with the growing omnipresence of international institutions, such as the World Bank and WTO, in the formulation of individual countries' trade and economic policies.

Whatever scenario South Africa pursues, certain important objective have to be met. Firstly, integration has to counter the effects of polarisation in Southern Africa through an extensive compensatory mechanism. Measures are needed to ensure that the differential impact on the gross domestic product does not aggravate disparities in productivity per capita and real incomes among the populations of different countries. This would seem to demand a high level of factor mobility as an essential element of union arrangements from the very outset (Johnson, 1991:13). An urgent priority is the need to offset South Africa's trade surplus with capital flows to the Southern African region. There is a view (SADC Report, 1995) that cross border investments could counteract trade imbalances through creating productive capacity in depressed areas or countries. The new capacity created can later be a source of export goods, thus correcting initial imbalances. The relaxing of exchange control in South African has also created an environment more conducive towards South African investment abroad. However, as much as the need to develop the prospects for the region as a whole remains an urgent priority, South Africa's dilemma stems from the difficulty it faces in addressing gross inequalities within the country while appreciating that its economic growth is inextricably linked to that of the region (Cassim, 1994).This opens an important debate about the role of donor funding and economic integration. If the facility to distribute the losses and gains from economic integration is critical to a programme of market

integration, there needs to be a re-prioritisation of donor funding.

Secondly, economic integration must wield tangible benefits for governments to take it seriously, be they the enhancement of prospects for industrialisation, or growing efficiency of production. It was mentioned earlier that South Africa's exports into the African market is increasing phenomenally irrespective of whether it forms a more full-blown agreement with the region or not. However, South Africa's concern about the fact that economic growth in the region is critical to its growth prospects has induced the government to take seriously a regional programme that has a positive sum game.

Thirdly, there is no substitute for national economic policies. No matter how well thought out a framework for regional economic policy may be, individual countries in SADC need to carry out, first and foremost, sound economic policies. Country's have become more aligned with each other as they all embark on some form of structural adjustment programme encompassing trade liberalisation and macro-economic discipline. A regional programme should have, as its major objective, a mechanism to ensure that member countries carry out judicious national policies.

B. The Asymmetry Between South Africa and the Rest of SADC

One fear is that most economies in the region are establishing strong links with South Africa and in the process could destroy the attempt to develop links among one another. Because of relatively high trading costs [4] among economies comprising the surrounding periphery, they will continue to relate to each other via South Africa. Whilst the thrust of SADC has changed from reducing dependence on South Africa to the integration of the country into the region, this could be seen from two competing perspectives. Firstly, that South Africa's accession to SADC could provide a new momentum to regional integration by virtue of the fact that its may have resources, albeit limited, to facilitate industrial linkages in the region. The alternative view is that South Africa could undermine the potential of the smaller industries, perhaps leading to de-industrialisation. This view hinges on the assumption that gains for member states are linked positively to their level of economic development or size. South Africa, with a relatively high degree of industrialisation, fairly large pool of educated people with technical skills and entrepreneurial capacity, and relatively sophisticated capital capacity, will be in a superior position to exploit the potential gains from the larger market size resulting from a customs union within SADC as

compared with those relatively less well endowed areas (Johnson, 1991:8).

There is indeed a well justified apprehension amongst the smaller countries in the region from being dominated by the larger partners. There is no doubt that a regional market is more important for the more industrialised counties such as SA and Zimbabwe as they have the capacity to respond to institutional changes in the region. However, if any gain for one country means a loss for another, this must be compensated in whatever way.

While there is no doubt that a full-blown fast track process of liberalisation could undermine the lesser developed countries in the SADC by causing de-industrialisation, the strategy that the current government is proposing is sensitive to the problem of potential further polarisation in the region.

The benefits that these countries could derive from being associated with South Africa through a regional integration agreement must not be underplayed. South Africa's relatively developed infrastructure and expertise could play a pivotal role in providing a support framework for exports from the region as a whole. In general, South Africa could assist industry in SADC in overcoming some supply-side problems, specifically through joint venture schemes. The objective in the long-term should be equitable trade flows in the region where a mix of raw, intermediate and finished goods from South Africa are traded for a similar mix from regional partners.

An important issue is to what extent economic integration can ensure that countries carry out judicious economic policies. Moreover, to what extent can South Africa assist these countries by providing some kind of anchor for the region. In other words what gains would there be for countries to harmonise their policies with South Africa? This is a complex debate since South Africa, no doubt, has better standing in the international community than most countries in the SADC but may not necessarily have the most consistent macro-economic record and trade regime.

C. Policy Conclusions

While Southern African countries could benefit in various ways from economic integration, it is important to place the benefits from integration into proper perspective. Economic integration must not become a substitute for national economic policies. The driving force for economic growth in Southern Africa will depend, first and foremost, on country level economic policies. However, regional economic integration will act as an important impetus to growth.

There are various scenario's for economic integration in Southern Africa. The more far-reaching the agreements, the greater the benefits. However, the snag is that the fast track could yield the highest economic benefits and costs, cause serious imbalances in the region and become counter-productive. To a large extent, many countries are liberalising multilaterally under SAP's and this may dilute the gains from integration as countries begin trading more intensely with their Northern partners.

South Africa is currently faced with a range of options as far as trade agreements are concerned. Regional agreements could take various forms as was outlined above. The major challenge is to ensure that any form of agreement does not intensify the regional disparity that already exists in Southern Africa. There is a real concern that increasing intra-regional trade would lead to de-industrialisation or the erosion of limited industrial capacity in many of the SADC countries. Casual evidence shows that Zimbabwe's liberalisation process, for example, is leading to a flood of South African goods on that market, to the point of undermining some local capacity on that market.

While it is important to have an industrial policy for the region, this is not practical. However, any kind of trade agreement has to be sensitive to the impact it has on the industrialisation prospects of the member countries. Harmonisation of industrial policy may not make sense since different countries have different industry level requirements. However, co-operation on a strategy to enhance the prospects of industrialisation in Southern Africa is more realistic in the short to medium term.

Many policymakers are skeptical of the process of trade liberalisation without taking cogniscence of the consequences for industrial development. It is important to note that we should not liberalise for its own sake. The rapid pace of liberalisation in countries such as Malawi and Zambia has caused major imbalances in these countries. There is a real concern that increasing trade would lead to de-industrialisation or the erosion of limited industrial capacity in many countries in the SADC.

Industrial capabilities in the region differ considerably with South Africa at the one extreme with a very diversified industrial sector while countries such as Angola and Namibia have very small industrial capabilities. This gives greater urgency to a regional programme that is sensitive to the needs of industry.

South Africa's options in the final analysis does not only depend on its own whimsical choices - urgent political pressures and hard economic choices will determine the country's agenda in the region.

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NOTES

1) This section draws heavily from Cassim and Zarenda (1995). The tables are at the back of the appendix.

2) Although the data is presented as SACU exports to Africa, one could comfortably estimate that more than 98% of exports in these three categories emanate from South Africa, rather than the BLNS countries.

3) These estimates are based on 1990 data - it is the most up to date data the author could find. It is nevertheless useful in showing the spread of MVA in specific sectors which should not have changed significantly in 1995.

4) High trading cost refers to the cost of tariffs plus other non - quantifiable institutional cost such poor transport networks, lack of developed communications facilities that act as an important deterrent to trade.

Table 1

	Average annual rate of inflation (%) 1980 - 1993	GDP 1980 - 1993
Botswana	12.3	9.6
Mozambique	42.3	-1.0
Tanzania	24.3	3.6
Malawi	15.5	3.0
Zambia	58.9	0.9
Lesotho	13.8	5.5
South Africa	14.7	0.9
Mauritius	8.8	6.0

Source: *World Development Indicators,* 1995

Table 2: SADC (1993)
Primary Exports as a Percentage of Total

Angola	95
Botswana	98
Malawi	76
Tanzania	79
Zimbabwe	56
Zambia	90
Nambia	95
South Africa	70
Lesotho	n/a
Swaziland	n/a
Average	82.375

Source: *SADC Review,* 1993
African Developmet Indicators, 1995
Economist Intelligent Unit, 1995

Table 3: SADC: Total Imports and Exports

1993 (US$ Million)

Country	Exports	Imports	Net Balance	% Contribtion X	% Contribution M
Angola	2,783	1,388	1,395	8.20	4.80
Malawi	311	308	3	0.92	1.06
Mauritius	1,304	1,559	-255	3.84	5.39
Mozambique	132	873	-741	0.39	3.02
Tanzania	411	1,251	-840	1.21	4.32
Zambia	949	724	225	2.80	2.50
Zimbabwe	1,514	1,425	89	4.46	4.92
South Africa	23,925	17,980	5,945	70.47	62.12
Botswana *	1,903	1,793	110	5.60	6.19
Lesotho	95	867	-772	0.28	3.00
Namibia			0	-	-
Swaziland	625	777	-152	1.84	2.68
	33,952	28,945			

Source: *African Development Indicators,* WB 1995
Notes: Botswana (1991)

Table 4: Measure of Openness: SADC

Country	1980			1990			1993		
	X/GDP	M/GDP	X+M/GDP	X/GDP	M/GDP	X+M/GDP	X/GDP	M/GDP	X+M/GDP
Angola				37.7	15.3	53.0			
Malawi	22.7	24.9	47.6	22.1	16.3	38.5	15.3	15.2	30.5
Mauritius	38.0	45.2	83.2	47.1	57.6	104.7	39.8	47.5	87.3
Mozambique	13.9	35.5	49.4	8.7	54.7	63.5	9.0	59.5	68.5
Tanzania	11.3	21.2	32.5	15.8	45.8	61.5			
Zambia	37.5	28.7	66.2	38.1	46.0	84.1	29.8	22.8	52.6
Zimbabwe	27.0	25.0	52.0	25.7	22.1	47.7	27.2	25.6	52.8
South Africa	33.2	23.6	56.8	22.9	16.7	39.6	21.41	16.09	37.49
Botswana *	56.1	62.1	118.2	55.2	50.6	105.8			
Lesotho	15.8	115.2	131.0	9.8	111.4	121.2	12.5	114.2	126.7
Namibia	75.0	53.3	128.3	51.7	52.5	104.2			
Swaziland	63.2	92.3	155.5	63.5	67.2	130.7	69.5	86.4	156.0
	39.4	52.7	92.1	36.2	50.6	86.8	32.1	55.3	87.4

Source: *African Development Indicators*, 1995, World Bank
South African Statistics, Central Statistical Services, Pretoria
Notes: X=Exports, M=Imports
Figure for the BLNS countries are distorted owing to collection of revenues in the Customs Union.

Table 5: South African Trade with the Region (1992) Rand Million

	Imports	% of Total M	Exports	% of Total X	Total	% of Total Trade
SACU	2,814,000	5.35856166	11,372,000	16.8954478	14,186,000	11.83921208
SADC	1,004,500	1.912819896	4,434,800	6.588808644	5,439,300	4.539477392
Total	3,818,500	7.271381556	15,806,800	23.484256444	19,625,300	16.37868948
	52,514,092		67,308,071		119,822,163	

Sources: South African Reserve Bank
IDC
CSS

Table 6: SACU Exports: Total and Geographical Bloc

Percentage Contribution of Total and Product as a Percentage of Total World Products

Sec	1994 Exports Description	Total	%	Value R (00) Africa	Southern*	Europe	Americas	Asia
1	Live animals and products	1,137,296.1	1.26	20.02	10.6	51.4	10.2	17.3
2	Vegetable products	4,197,283.7	4.65	15.10	5.0	42.0	5.9	36.7
3	Animal/Vegetable fats	158,753.3	0.18	57.25	45.4	6.3	0.6	35.6
4	Prepared foodstuffs	2,826,037.0	3.13	25.15	15.9	30.9	22.9	19.3
5	Mineral products	7,712,430.6	8.54	2.94	1.5	50.9	5.7	40.1
6	Chemical products	4,756,794.4	5.27	26.35	20.7	25.0	24.8	19.9
7	Plastics and rubber	896,732.0	0.99	54.92	38.2	16.4	5.6	18.6
8	Raw hides and products	766,512.6	0.85	0.99	0.9	64.4	14.1	19.8
9	Wood, cork, straw products	771,707.4	0.85	12.31	7.5	23.9	10.0	52.1
10	Wood pulp products	2,665,654.4	2.95	22.41	17.4	28.1	12.9	33.0
11	Textiles and products	1,923,401.5	2.13	17.57	12.0	42.4	13.0	24.4
12	Personal use articles	108,704.4	0.12	27.61	19.4	45.7	17.5	5.8
13	Stone, plaster, cement, mica, glass, asbestos	464,662.9	0.51	27.92	19.0	32.3	16.7	20.7
14	Pearls, metals, stones, jewellery	10,213,259.4	11.31	0.31	0.3	91.3	2.9	5.5
15	Base metals and products	11,853,024.8	13.12	10.21	6.1	23.4	19.6	45.1
16	Mechanical and electrical equipment	3,252,888.7	3.60	41.17	32.6	34.5	13.2	8.8
17	Transportation equipment	2,770,756.4	3.07	30.10	24.5	44.0	10.9	13.6
18	Instruments and apparatus	301,839.1	0.33	34.33	29.2	39.7	14.4	8.1
20	Miscellaneous manufactures	866,400.3	0.96	18.79	13.3	72.2	4.3	3.3
21	Works of art, antiques	42,799.4	0.05	11.73	10.9	58.6	23.6	4.6
22	Unclassified	32,334,529.2	35.80	0.35	0.3	1.4	0.1	0.1
		90,328,235.9		9.56	6.6	29.5	7.8	16.8

Source: Dept of Customs and Excise, 1995, Pretoria

Note:* Southern Africa

Table 7: SACU Imports: Total and Geographical Bloc

Percentage Contribution of Total and Product as a Percentage of Total World Products

Sec	Description	Value R (00)						
		Total	%	Africa	Southern*	Europe	Americas	Asia
1	Live animals and products	705,726.5	0.9	7.3	6.7	56.0	16.0	10.8
2	Vegetable products	1,640,202.0	2.1	12.2	9.6	17.6	32.0	34.6
3	Animal/Vegetable fats	1,020,608.3	1.3	2.7	2.1	10.8	46.6	32.5
4	Prepared foodstuffs	1,672,671.3	2.1	16.6	12.1	33.9	32.8	8.0
5	Mineral products	641,938.0	0.8	24.4	10.0	22.8	34.4	15.7
6	Chemical products	8,291,747.5	10.4	7.0	0.3	67.8	17.9	10.3
7	Plastics and rubber	3,225,869.4	4.1	1.4	0.8	57.6	13.8	27.7
8	Raw hides and products	494,109.9	0.6	7.4	6.9	24.0	9.4	48.0
9	Wood, cork, straw products	624,019.1	0.8	17.2	13.8	19.6	25.8	37.3
10	Wood pulp products	2,182,578.2	2.7	0.9	0.7	68.2	24.7	5.6
11	Textiles and products	3,294,950.9	4.1	12.3	10.9	28.6	5.1	53.1
12	Personal use articles	520,296.6	0.7	7.0	6.8	16.0	4.4	72.5
13	Stone, plaster, cement, mica, glass, asbestos	4,884,832.4	6.1	0.2	0.2	12.8	82.8	4.1
14	Pearls, metals, stones, jewellery	2,076,928.4	2.6	22.5	1.1	65.1	6.0	5.5
15	Base metals and products	2,299,510.2	2.9	8.0	7.0	84.3	17.1	32.2
16	Mechanical and electrical equipment	24,804,499.5	31.2	0.5	0.3	58.8	15.8	23.3
17	Transportation equipment	11,823,599.3	14.9	0.5	0.2	43.2	11.3	40.0
18	Instruments and apparatus	3,299,693.0	4.1	0.7	0.1	51.6	21.6	24.9
20	Miscellaneous manufactures	854,661.1	1.1	5.0	4.4	36.4	11.5	46.2
21	Works of art, antiques	48,030.2	0.1	10.4	4.7	70.3	11.9	6.1
22	Unclassified	4,545,119.4	5.7	0.2	0.0	2.0	0.7	0.7
		90,328,235.9		3.0	1.8	47.1	19.4	23.3

Source: Dept of Customs and Excise, 1995, Pretoria.
Note:* Southern Africa

Table 8: Trends in SACU Exports to Southern Africa

Section	R	R	R	Growth (%)	
	1992	1993	1994	1992:1993	1993:1994
1	58,906,313	97,710,337	120,478,897	39.71	18.90
2	302,856,030	203,607,538	210,171,103	(48.74)	3.12
3	76,996,911	97,699,375	72,142,344	21.19	(35.43)
4	356,205,203	347,496,556	450,552,831	(2.51)	22.84
5	236,195,016	196,612,576	118,774,446	(20.13)	(65.53)
6	642,511,290	784,892,776	983,480,364	18.14	20.19
7	241,950,279	294,060,779	342,619,517	17.72	14.17
8	5,023,319	5,466,836	6,728,267	8.11	18.75
9	22,379,044	49,740,248	58,024,762	55.01	14.28
10	143,112,328	189,921,734	464,915,828	24.65	59.15
11	182,865,658	178,296,621	230,543,715	(2.56)	22.66
12	12,034,662	16,851,410	21,057,887	28.58	19.98
13	70,436,097	79,328,936	88,319,284	11.21	10.18
14	1,420,606	1,698,751	28,809,108	16.37	94.10
15	639,455,474	676,366,518	728,916,177	5.46	7.21
16	804,775,114	932,296,483	1,061,399,884	13.68	12.16
17	484,680,341	562,839,124	679,385,245	13.89	17.15
18	42,566,798	58,439,292	88,029,398	27.16	33.61
19					
20	73,955,253	94,163,804	115,151,042	21.46	18.23
21	244,419	166,513	4,676,390	(46.79)	96.44
22	8,439,963	8,224,350	84,595,507	(2.62)	90.28
Total	4,407,010,118	4,875,970,557	5,958,771,996	9.48	23.45

Source: Department of Customs and Excise, Pretoria
Notes: (Brackets indicated negative percentages) and See Table 6 or 7 for description of categories.

Table 9: Trends in SACU Imports from Southern Africa

Section	R	R	R	Growth (%)	
	1992	1993	1994	1992:1993	1993:1994
1	26,480,924	33,535,173	47,400,742	21.04	29.25
2	87,608,900	157,745,124	157,651,685	44.46	(0.06)
3	15,932,450	10,475,228	21,113,667	(52.10)	50.39
4	238,289,282	174,595,015	202,773,800	(36.48)	13.90
5	81,063,719	68,943,547	64,287,301	(17.58)	(7.24)
6	14,805,190	17,296,591	25,382,755	14.40	31.86
7	34,040,787	21,842,478	27,275,824	(55.85)	19.92
8	18,192,386	19,066,030	34,238,278	4.58	44.31
9	62,534,102	49,663,441	86,424,421	(25.92)	42.54
10	9,848,148	12,365,648	15,084,896	20.36	18.03
11	178,025,798	152,428,057	359,642,772	(16.79)	57.62
12	26,565,282	34,713,441	35,388,470	23.47	1.91
13	5,627,565	6,436,109	10,124,859	12.56	36.43
14	2,805,669	6,091,992	23,215,634	53.94	73.76
15	103,089,599	91,502,880	160,075,221	(12.66)	42.84
16	45,299,887	58,830,070	77,018,454	23.00	23.62
17	19,794,371	13,464,856	27,092,385	(47.01)	50.30
18	1,726,824	2,196,660	3,028,932	21.39	27.48
19					
20	15,871,943	23,619,935	37,976,658	32.80	37.80
21	238,103	293,582	2,247,097	18.90	86.94
22	4,246,803	6,404,663	2,087,737	33.69	(206.78)
Total	992,087,732	961,513,520	1,419,531,588	2.87	22.61

Source: Department of Customs and Excise, Pretoria
Notes: (Brackets indicated negative percentages)

Table 10: Manufacturing as a Percentage of GDP

Country	Year	% of GDP	$million
Angola	1993	1.9	117
Botswana	1992/3	4.5	153
Lesotho	1992	15.8	89
Malawi	1993	11.8	238
Mozambique	1993	15.1	312
Namibia	1993	9.3	195
Swaziland	1991/2	39.1	337
Tanzania	1992	4.6	107
Zambia	1993	28.6	910
Zimbabwe	1993	21.6	1,123
South Africa	1993	24.1	28,261
Average		16.03636364	

Source: Economist Intelligence Unit

Table 11: Manufacturing Contribution to GDP and Total Manufacturing Value-Added

Country	value-added in 1980 constant prices: US $ (millions)	Contribution of value-added to manufacturing output	GDP
Angola	n/a		4%
Lesotho	n/a		15%
Malawi	196	33%	14%
Namibia	n/a		6%
Swaziland	n/a		18%
Tanzania	482		6%
Zambia	1098	42%	20%
Zimbabwe	1712	34%	26%
Botswana	77	14%	5%
South Africa	16970	26%	26%
Mozambique	n/a		- -
Average			14%

Note: GDP figures are given in 1993 and value-added in 1990.
Source: Maasdorp and Saville, 1994;
SADC Review 1994
Industry and Development, Global Report 1993/4

Table 12: The Percentage Contribution in MVA of Five Resource-and Labour-Intensive Sectors to Total Manufacturing MVA, Selected SADC Countries[3)]

Country	Estimates
Malawi	34%
Zambia	50%
South Africa	25%
Botswana	56%
Tanzania	50%
Zimbabwe	49%

Notes: Resource intensive refers to agro-based and not minerals.
Source: *Industry and Development, Global Report 1993/4*

Table 13: Tariff Rates (Arithmetic Means)

	Angola (1990)	Malawi (1989)	Mozambique (1992)	SACU (1995)	Tanzania (1993)	Zambia (1993)	Zimbabwe (1994)
Agriculture (21)	14	19	18	20	26	31	31
Mining (15)	12	9	10	2	19	21	30
Manufacturing(23)	14	27	23	15	19	27	41
Total (23)	14	26	22	17	20	27	40

Table 14: Impact of a FTA on SADC

SADC Country	GDP	% Change Imports	Exports	Imports
SACU				
Total	1.1%	0.3%	4.6%	0.1%
Manufacturing	2.1%	2.3%	8.0%	0.1%
(Gainers) Food Products	3.1%	3.2%	78.7%	
Other Chemicals	21.8%	21.8%	400%	
Machinery	6.9%	7.0%	49.7%	
(Losers) Tobacco	-3.3%	-1.8%	0.0%	4.9%
Clothing	-0.02%	0.0%	0.0%	0.15%
Footwear	-0.29%	-0.3%	0.0%	0.9%
Angola				
Total	0.3%	0.3%	0.7%	0.1%
Manufacturing	0.5%	0.5%	0.8%	0.1%
Malawi				
Total	-0.03%	-0.02%	0.4%	0.5%
Manufacturing	-0.2%	-0.1%	0.8%	0.5%
Mozambique				
Total	-0.06%	-0.08%	0.1%	0.2%
Manufacturing	-0.05%	-0.1%	0.4%	0.2%
Tanzania				
Total	0.01%	0.2%	0.4%	0.1%
Manufacturing	0.5%	3.5%	2.0%	0.1%
Zambia				
Total	-0.1%	-0.1%	0.2%	0.7%
Manufacturing	-0.1%	-0.2%	0.3%	0.6%
Zimbabwe				
Total	-1.1%	-1.7%	0.2%	3.8%
Manufacturing	-3.7%	-2.6%	0.4%	4.3%

Source: IDC