Promoting regional economic integration in the SADC region
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Introduction

The Southern African Development Community (SADC) has a vision of a common future, a future within a regional community that will ensure economic well-being, improvement of the standards of living and quality of life, freedom and social justice, and peace and security for the people of Southern Africa.

Regional Economic Integration (REI) is an effort to promote free and fair trade of goods and services on a regional level. Benefits of REI include increased market size, improved intra-regional trade and investment flows and increased transfer of technology and experience. To this end, SADC has formulated REI policies and strategies which drive economic growth and sustainable development.

Trade among the 16 Member States of SADC is currently below its potential. Companies within the SADC currently have low presence and influence in global markets, and their international trade is dominated by the export of natural resources. Significant barriers exist, both in terms of regulation such as non-conformity to technical regulations and cumbersome customs procedures and in terms of insufficient infrastructure. These factors combine to make trading across borders in the region complicated, time-consuming and expensive. Hence, trade among member countries continues to make little progress.

In order to address this situation, SADC has embarked on an ambitious agenda to foster intraregional trade, infrastructural development and industrialisation in the Member States. This includes strengthening the productive base, developing regional value chains and reducing barriers to trade in order to make the region more attractive to domestic and foreign investors. Guiding documents for the SADC region in this endeavour are the Protocol on Trade, the Protocol on Trade in Services, the SADC Industrialisation Strategy and Roadmap (SISR) and its Action Plan, the Comprehensive Trade Facilitation Programme and the SADC Regional Infrastructure Development Master Plan (RIDMP).

REI in the SADC region is centrally coordinated by the SADC Secretariat and implemented at the national level by the Member States. The German Development Cooperation, implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, provides support to SADC on regional economic integration on regional and national level. The programme also engages, the private sector in thematic discussions on integration to ensure that the resulting initiatives respond to their needs. The following are illustrations on how Barriers to trade in the SADC region were resolved with the support of German Development Cooperation.
The mineral industry’s exports make up an important part of the African gross income. For decades, African economies have been largely dependent on minerals for their success. However these mineral resources are non-renewable, and therefore an economy based on resource extraction is unsustainable in the long run. Realising the downside of mineral based economies, Zambia, as is the case with many other countries in Africa, has embraced honey as Africa’s new gold.

Zambia is a great example in the SADC region of how honey can be used to enhance economic development. Zambia is the largest exporter of natural honey in the region as it produces more than half of SADC’s total honey exports. Beekeeping is a traditional practice in Zambia that dates back about two hundred years. Zambia’s green forests provide the perfect habitat for honey bees and hence the perfect environment for honey production. It therefore comes as no surprise that most of Zambia’s honey is produced in the informal sector by rural farmers. Beekeeping and honey hunting in Zambia are important sources of income for 20,000 rural households. Beekeeping activities are done during the time when labour demands for agriculture are low, thereby providing alternative employment for the rural population. As much as the beekeeping industry creates self-employment for informal traders of bee products, it also provides formal employment in registered companies. 70 percent of Zambia’s beekeepers live in the North-Western province, where the sector has been recorded as the third largest employer.
As the Zambian case provides, Southern Africa is ideal for honey farming. The production, processing and exportation of honey in the region has been highly encouraged because; honey requires low factors of production, the climate is suitable for bee keeping, all the necessary raw materials used in the production of honey are available locally. Beekeeping is environmentally friendly and does not need to compete with other agricultural sectors for limited resources. It is estimated that if the region produced and packaged most of its honey for export, it would lead to the creation of regional value chains, an increase in regional trade as well as employment opportunities, especially rural employment.

In spite of these favorable preconditions, the SADC region is not a significant honey producer. Most SADC countries import their honey from outside of the region even though countries like Angola and Tanzania are the region’s largest producers of honey albeit unlike Zambia their honey is mostly produced for local consumption. Apiculture has the potential to be one of the key sectors in the SADC region due to the sector having the highest potential for growth in terms of export. As such, SADC countries have been encouraged to use the SADC free trade area in order to open up their honey market to regional trade. However, despite the great potential that the honey market holds, it is not an easy business. Importing and exporting honey, just like any animals and animal products between countries, bears certain risks such as the introduction of diseases and disease causing agents to the importing country, making trade in this commodity difficult.

To facilitate market access and promote intra-regional trade it is critical that border trade policies, including Sanitary and Phyto-Sanitary (SPS) measures be harmonised in line with international standards and guidelines in the interest of improving the movement of goods and services in the region. Annex VIII to the SADC Protocol on Trade concerning SPS measures places obligations on Member States to ensure that the SPS measures they implement are least restrictive to trade, while being scientifically justifiable for the protection of human, animal or plant life and health.
The online Non-Tariff Barrier (NTB) platform is an online tool to register and process private sector complaints in Member States (www.tradbarriers.org).

The Tri-partite Non-Tariff Barrier (NTB) online platform was the tool that was used by concerned parties to log a complaint on the 18th of April 2016 concerning a letter issued by the department of Livestock & Veterinary Services in Zimbabwe that stated that Zimbabwe would ban honey imports to protect their honey industry from potential diseases. The import ban led to the immediate suspension of the issuance of licenses for the importation of honey and beehive products from Zambia. The complaint came because while Zimbabwe has the right and responsibility to protect its country from potential diseases, it did so without providing prior notification or a risk assessment report for the Zambian authorities. This is contrary to article ten of the SADC Protocol on Trade which states that in the case where a country may impose permit bans on products, a transparent and fair import risk analysis report should be provided to the exporting country, in order not to impact on free trade in the region.

Zimbabwe authorities stated that importation of animals and animal products involves a degree of risk of disease introduction to Zimbabwe as an importing country and therefore the ban was instituted as a precautionary matter pending a risk assessment on honey bee pests and diseases. The absence of surveillance capacity in Zimbabwe for honey bee pests and diseases greatly advised this ban and urging local farmers to source honey locally was an interim solution to limit any potential risk to local sources from imports whilst investigations were ongoing. Zimbabwean based the ban on the Animal Health Act (Chapter 19:01) of 2001 which provides for the eradication and prevention of the spread of animal pests and diseases into Zimbabwe and for incidental matters. This act is in line with the provisions of the Terrestrial Animal Health Code (TAHC) of the World Organization for Animal Health (OIE).
In cases such as this, the SADC Secretariat monitors the introduction and resolution of NTBs through the established structures in order to ensure the Protocol on Trade is implemented equally throughout the region. SADC Secretariat urges Member States to effectively implement the obligations under the SADC Protocol on Trade and its Annexes and provides technical assistance to Member States where necessary. On the 20th of July 2016 the SPS in the SADC Secretariat reported that the NTB on honey import ban from Zambia implemented by the Department of Veterinary Services of Zimbabwe had been resolved.

The SADC Secretariat with the support from the German Development Cooperation programme “Cooperation for the Enhancement of SADC Regional Economic Integration (CESARE)” implemented by GIZ had actively engaged the Department of Veterinary Services in Harare for the timely resolution of the NTB. A meeting between the SADC Secretariat and the Authorities from Zimbabwe was held where the Veterinary department from Zimbabwe had an opportunity to properly outline their concerns, the scientific basis for the new measure and the new process for obtaining permits. At the meeting SADC explained the provisions of the regional and international instruments with regards to the introduction and implementation of SPS measures in scenarios where trade has been on-going between Member States. Zimbabwe then concluded that there was a lack in capacity to determine appropriate level of protection for various risks and therefore a week after the meeting, the ban was lifted and the issuance of import permits resumed. Because of the systems put in place by the SADC Secretariat for the removal of NTBs and the assistance of German Government, Zambezi Gold Honey from Lusaka therefore continued their mutual beneficial relationship with Le Sel Distributions a Zimbabwean company that has been importing honey from Zambia for the past six years.
Anita Molosiwa, a fashion designer in Gaborone says that if you are going to be successful in the fashion industry, you have to source quality material that would add an extra touch to your garments. She and her business partner source material from South Africa as the choice of fabrics are limited in Gaborone. However, the quest for these delicate and beautiful fabrics come with a myriad of challenges for the two women. Border trade in southern Africa often requires numerous documentation and lengthy customs procedures, Molosiwa and her partner are also required to find funds against an already limited budget not only to acquire the required documentation but also to hire agents to help them with the already complicated and lengthy documentation and process used at the border. Furthermore, borders close early leaving Molosiwa and her partner sometimes stranded at borders like the Tlokweng-Kapfontein border therefore vulnerable to abuse and exploitation.

Laub et al in their study; Challenges of African Women involved in informal cross Border Trade, paints a picture of traders like Molosiwa and her partner in this way. It is very common to see women crossing borders with their heads and backs laden and arms overloaded with goods for sale. These traders are carrying goods that include industrial and agricultural commodities, they are engaged in what is known as Informal Cross Border Trade (ICBT).
Although the form and conduct of ICBT in the SADC region highly varies depending on the respective borders as well as other factors a study by Imani developments outlines that; across Africa, some 43% of Africans are estimated to be involved in ICBT sector in some capacity, with 75% of these being women. As already highlighted in the case of Molosiwa and her business partner, informal traders face a lot of challenges ranging from; burdensome trade processes such as the number, complexity, length and cost of trade procedures, inadequate border and transport infrastructure which increases the time and cost of crossing the border, which in turn reduces trader’s profit margins and leads to higher prices for consumers, limited access to finance, limited information on existing tariffs, customs regulations, clearance procedures, and the needed documentation for trade as well as corruption and bribery. In addition, traders, particularly women, are often victims of many forms of violence, crime and theft as well as sexual harassment.

It was against this background that SADC Ministers requested the SADC Secretariat to develop a Simplified Trade Regime (STR) for intra-SADC trade. The SADC secretariat took a lot of factors into consideration in motivating for the need of an STR including; challenges faced by small cross boarder traders, economic opportunities for ICBT in the region, as well as risks associated with ICBT. However, the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and SADC Non-Tariff Barriers (NTB) online (www.tradebarriers.org) reporting, monitoring and eliminating mechanism also played a role in the development of the STR. The COMESA-EAC-SADC NTB online reporting, monitoring and eliminating mechanism is an online platform that stakeholders can use to report and monitor the resolution of barriers encountered as they conduct their business in the COMESA, EAC and SADC regions. It was therefore through this online tool that on the 10th of February 2010, stakeholders from Zimbabwe reported the lengthy and costly customs clearance procedures that they viewed as a hindrance to trade in the area.
Although the NTB complaint was not responsible for the decision to introduce the SADC STR, Monteiro states that it speeded up the process as it highlighted that stakeholders were eager for a SADC STR. This clearly shows that the SADC secretariat is responsive to complaints and suggestions from stakeholders in the region because a follow up response to the complaint, suggested that a study on developing a SADC STR had been commissioned. The SADC Secretariat, with the support of the German Development Cooperation programme “Cooperation for the Enhancement of SADC Regional Economic Integration (CESARE)” implemented by GIZ, has developed a study on how the STR could best be implemented in the SADC region.

STRs have been proven to be of much benefit to traders in other economic regions in Africa. An example would be the COMESA STR that was established in 2010-2012; Monteiro believes the COMESA STR have been of much benefit to Informal Cross-Border Trade (ICBT) in the COMESA economic region, hence the request by small traders for the threshold of 1000 dollars to be increased in that region.

Likewise, it is believed that the SADC STR will be of a significant benefit to small traders in the SADC region. The SADC STR will help small traders benefit from the SADC Free Trade Area (FTA) by simplifying rules of origin and other customs procedures so as to reduce non-tariff barriers to trade in the region. Rules of origin are a set of criteria that determines where a product comes from, Monteiro, observes that Small traders cannot benefit from the SADC FTA without presentation at customs of the certificate of origin and other necessary documentation.
Therefore, simplifying rules of origin and other customs procedures is a huge step in overcoming issues such as concealment of goods, under-reporting, false classification and under-invoicing. Overcoming these issues will not only help protect small traders from corruption and exploitation but will save them the much-needed time and money, which they can then invest in expanding their businesses and growing their revenue.

This will therefore mean that Molosiwa and her partner would be able to scale up their activities and grow their business. Growth in Molosiwa and her partner’s business will support other economic development agendas in the region such as: creation of employment, the alleviation of poverty in their community, increased business activity along their supply chain, and the economic and social empowerment of themselves and other women in the textile industry in Africa.

Additionally, the STR will promote economic inclusion and bring gender issues into the formal trade agenda. ICBT plays an important role in sustaining livelihoods and food security, especially in border regions. The SADC STR will boost ICBT and therefore help many traders to economically empower themselves and their dependents.

SADC is in the process to develop a framework for the STR regulation. These will then form the guidelines for Member States to implement STRs at selected border posts, not only to the benefit of trade in the SADC region but also to the benefit of Molosiwa, her partner and other small traders in the region.
Travelling in Southern Africa has become synonymous with exploration and adventure. Over the past years, the SADC region has continuously gained popularity as a tourist destination attracting tourists from the region as well as globally. Travel enthusiast clamor for a chance to witness the pristine wilds of the Okavango delta, massive predators that dominate the Savuti, the thundering sounds of the waterfalls known in the native tongue as mosi-oa-thunya (the smoke that thunders), the majestic big five at the Kruger national park, the tranquility of Lake Malawi, the picturesque Quirimbas Archipelago in Mozambique or the Sossusvlei dune sea in Namibia. All these wonders and many more are why Southern Africa is a popular choice of travel for tourists. The ability to travel so easily in Southern Africa is supported by the trade of services in the field of tourism. Because of the agreement between SADC Member States to trade services offers in the region can be more exciting and more competitive. Tourism is however just one example of the many services that are traded within the SADC region on a daily basis.

The phrase “Trade in Services” applies to international transactions involving such fields as financial services, transport and shipping, communications, construction, tourism, energy and distribution. Under the General Agreement on Trade in Services (GATS) trade in services can be defined in four ways, depending on the territorial presence of the supplier and the consumer at the time of the transaction. This means that services can cross borders in the following ways; border crossing
of the actual service, the border crossing of consumers, the border crossing of commercial presence and the border crossing of suppliers.

The tourism sector serves as a great example that highlights how services can be traded within the SADC region. A case in point will be a traveler from South Africa, who wishes to travel to Northern Botswana. The traveler buys a travel package and travels from South Africa to Botswana through a South African airline service that flies directly to Maun. In Maun the traveler will sample local food, book accommodation, enjoy the local entertainment and buy African art and souvenirs. The traveler might be one of the bank customer and make use the bank branches or ATMs in Maun, and also use mobile roaming to keep in touch with friends back home.

Just in this one vacation, our traveler has made use of all the modes of supply that define trade in services; the traveler made use of border crossing of services by engaging a business based in Botswana (Safari Destination) to book the vacation package, the traveler also used financial services originating in one country but having commercial presence in another country by utilising bank services. By consuming locally i.e. food, entertainment and accommodation in Maun; our traveler has contributed to the consumption of goods and services in the destination country and by using a South African airline, service suppliers have crossed the South African border into Botswana whilst transporting the tourist to Maun.

The ease of travel in the SADC region and being able to easily enjoy everything that the region has to offer does not come without harmonisation and cooperation amongst the SADC Member States. Appreciating the importance of trade in services, the SADC Protocol on Trade in Services was opened for signature in 2012 and has been signed by all 16 SADC Member States and was ratified by seven Member States. Based on the protocol, an agreement was reached by SADC trade ministers in August 2017. The German Development Cooperation programme “Cooperation for the Enhancement of SADC Regional Economic Integration (CESARE)”, implemented by GIZ has supported the SADC region in the Trade in Services negotiations and provides technical advice for the implementation on Member
State level. The agreement covers a list of commitments in four of the six sectors under negotiation in the protocol, which include communication, finance, tourism and transport services, with the other two sectors (construction and energy-related services) still under negotiation.

Under the agreement, Member States guarantee rights of access to each other’s markets for the supply of services and there is also a central obligation under the protocol for Member States to treat services and service suppliers from the region the same as each other.

A trade in services consultant advising the SADC region points out the importance of this agreement for just as goods may be subject to trade barriers, so too may tradable services. But whereas goods are mainly controlled at the border (e.g. through tariffs and quotas), services are mainly controlled through the way a sector is regulated domestically. Such regulation may limit foreign access to the domestic market. In trade agreements, the issue is whether such regulation is more burdensome than necessary. Over-regulation creates unnecessary compliance costs, which are often passed onto the consumer. The agreement signed by the SADC ministers in August 2017 is therefore a list of commitments ensuring that regulation is not excessive, now or in the future. The reduction or removal of trade barriers in trade in services is a vital component of the SADC industrialisation strategy. The strategy recognises that for trade liberalisation to contribute to sustainable and equitable development, and thus to poverty reduction, it must be complemented by the requisite capacities to produce, and to trade effectively and efficiently (SADC).

Hence, in order for the region to be able to produce more (industrialise), there is need for efficient industries. Industries cannot be efficient or effective without services such as communications, finance, logistics, transportation, professional services etc., enabling and supporting industries such as, manufacturing, mining, clothing and retail. Making trade in services less restrictive and therefore less costly will contribute to the industrialisation strategy through; skill and knowledge exchange within the region, foreign direct investment, increased export diversification, greater competitiveness, the creation of economies of scale to facilitate new industrial capabilities to take advantage
of a large integrated market, hence making the region a thriving environment for industrial growth.

Staying with our example of tourism to illustrate how the elimination or reduction of trade in services barriers addressed by this agreement will drive industrialisation, we may look at it this way; with lower barriers to entry, more suppliers will come into the market bringing with them wider and competitive choices for the consumer and an increase in demand of the services. In order to be able to meet the demand, and keep tourists satisfied, bigger and more efficient airports and airline businesses will need to be built. This will translate into an increase in the aviation sector, the civil aerospace sector and other supporting sectors. More people from the region will hence be employed, not just in different capacities in airports and airline businesses but in the construction and refurbishments of these airports. Local companies will also be subcontracted for different jobs at different stages of the construction. New, existing and expanding campsites, airports and hotels will need services like electricity, telecommunications, financial and cleaning services. Since a service cannot move alone, there will also be a movement of people and resources which will result in the exchange of skills and expertise between Member States. All of this activity will require thriving industries in the region that will produce these services on a wider scale. This is in line with the primary orientation of the SADC strategy, which stresses the importance of technological and economic transformation of the SADC region through industrialisation, modernisation, skills development, science and technology, financial strengthening and deeper regional integration (SADC).

As mentioned, the SADC region has identified six sectors that will mainly support industrialisation, with tourism being only one along with communication, finance, transport, construction and energy-related services. These trade in service sectors will facilitate necessary steps for industrialisation, especially by supporting a more competitive business environment which creates a wider choice for end consumers and has the possibility therefore to increase quality of products at pricing determined by the regional demand. Overall, the agreement reached in August 2017, was a great step towards a regional approach for trade in services, and the SADC region will continue to work on a framework for trade in services that supports the regional industrialisation strategy.