Benchmarking EPA negotiations between EU and SADC

by

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Summary

This document starts by summarising the status of SADC-EU EPA negotiations and sketches the legal and institutional outline underlying these negotiations. Subsequent to this, a framework that explains the links between trade and development is presented. This provides the rationale for the selection of benchmarks that can be used in monitoring and assessing progress with the SADC-EU EPA negotiations and the subsequent implementation of an EPA. The premise of the study is that an EPA is not only a trade liberalisation exercise; the development of the ACP countries and their gradual and smooth insertion into the global economy are fundamental parts of the agreements to be concluded.

The SADC EPA group presents negotiators with particular challenges. South Africa has now been included in the configuration, which presents specific negotiating problems. Firstly, South Africa has a reciprocal trade agreement, the TDCA, with the EU in place, and secondly, adding South Africa to the SADC configuration has compounded the diversity of the group. Within the SADC group the economic inequality resembles that which exists between the EU and the SADC group.

The introduction of development into the EPA equation requires a sign posted roadmap of the progress made in the negotiation and implementation of the Agreement. These signposts can be seen as preconceived benchmarks that can guide negotiations and implementation and can serve as a means of monitoring progress. Benchmarking, as mechanism, is derived from the discipline of strategic management to evaluate the performance of firms against best practice outcomes, and can serve the useful purpose of evaluating EPA negotiations and implementation.

The study proposes a number of benchmarks that can be used. It must readily be admitted that it will be difficult to apply them to a negotiation process, which is dynamic and susceptible to short term changes. Nevertheless, an analytical framework is used to dissect economic development into components: the outcome of development, the supply side of economic growth, that is, the capacity to produce tradable products, the demand side, which considers the absorption of the larger

output by demand, and finally, the policy spaces that governments have to implement national development policies. The premise adopted is that there is a close link between economic growth and poverty alleviation and that trade is an important element in the growth and development process. Growth, however, is seen as a necessary condition for poverty alleviation and can only succeed in bringing about a widespread improvement in the welfare of society if the quality of growth is such that the benefits of growth are distributed among the population at large.

Using this framework a number of benchmarks have been identified that can serve the purpose of guiding EPA negotiations and implementation. Some of these are qualitative and cannot be monitored objectively. Others are of a quantitative nature but periodic and timeous availability of data may prove to be a stumbling block. However, the overall outcome is a range of benchmarks that could prove useful. These include:

- *On **outcomes** – measures of development and female marginalisation*
- *On the **supply side** of development – Institutions (property rights and the judicial system), transformation in production, investment and enterprise development, human capital and factor productivity, and EU development assistance*
- *On the **demand side** – the all trade requirement criterion and sensitive industries, technical skills and capacity to meet EU product standards, and composition and direction of export growth*
- *On **policy spaces** – Competition policy, government revenue, external agency of restraint, and infant industry protection*

1. Introduction

EPA negotiations aim to replace the non-reciprocal (unilateral) preferential trade arrangements between the EU and the ACP countries with WTO acceptable reciprocal free trade agreements. However, the EPA process is not merely a neutral market access exercise; the economic development of the ACP participants as a commensurate goal of the broader package to be negotiated is an imperative.

Art. 34 of the Cotonou Agreement explains how economic and trade cooperation can realise these objectives by:

- enhancing production, supply and trading capacity;
- enhancing capacity to attract investment;
- strengthening trade and investment policies;
- improving the capacity to handle trade related issues; and
- providing flexibility in economic and trade cooperation, which “shall be implemented in full conformity with the provisions of the WTO, including special and differential treatment, taking account of the Parties’ mutual interests and their respective levels of development”.

The prominence of development as an EPA objective in a prospective preferential trade arrangement between the developed EU and regional configurations of developing ACP countries requires a monitoring system that will ensure that the development objectives are met. The intention of this study is to devise a system of benchmarking to guide EPA negotiations towards an optimal development outcome for ACP countries. However, it is a premise of the study that the identification of appropriate benchmarks is not only important to keep EPA negotiations on track but also has an important role to play in monitoring progress after an agreement has been concluded, that is, surveying implementation.

2. A Legal and Institutional Perspective on the evolving SADC EU EPA

2.1 The SADC EPA and the Status of Negotiations

The new ACP – EC Partnership Agreement was signed on 23 June 2000 in Cotonou, Benin, and was concluded for a twenty year period from March 2000 to February 2020. The Cotonou Agreement provides the foundation for the restructuring and renegotiation of the ACP – EC trade relationship to facilitate the implementation of Economic Partnership Agreements (EPAs) by 1 January 2008.

The first phase of the EPA negotiations was officially launched on 27 September 2002. At the opening session agreement was reached to sequence the negotiations in two phases. The first phase took place at the all-ACP – EC level and addressed horizontal issues of interest to all parties. The second phase concentrates on specific commitments at the level of individual ACP regions.

The second ACP – EC Ministerial meeting in October 2003 signalled the start of the second phase of the negotiations. A Joint Declaration and Joint Report were adopted on the progress of the negotiations to serve as a point of reference and to provide guidance for the negotiations to be conducted at regional level. Seven member states from the Southern African Development Community (SADC) organised themselves according to Art. 37.5 of the Cotonou Agreement to negotiate an EPA with the EC. The seven countries that constitute this configuration are: Botswana, Lesotho, Namibia, Swaziland, Mozambique, Angola and Tanzania. Four of these countries – Lesotho, Mozambique, Angola and Tanzania – are classified as Least Developed Countries (LDCs). South Africa also participates in the SADC EPA configuration but only as an observer.[1]

Botswana was designated to coordinate the overall efforts of the SADC EPA configuration and to prepare negotiating positions while each SADC EPA member state has been assigned a negotiation issue or issues to coordinate. The details of the coordinating responsibilities are as follows:

[1] Official communication from the EC indicates that South Africa will be accepted as an active negotiation member.

Responsibility	**Coordination**
Rules of Origin	Lesotho
Legal and Institutional Issues	Lesotho
Database	SADC Secretariat
Agriculture	Angola
Fisheries	Angola & Mozambique
SPS & Standards	Botswana
Development Cooperation	Namibia
Trade Facilitation	Namibia
Non Agricultural Market Access	Mozambique
Services	Tanzania
Investment & Competition Policy	Tanzania
Other trade related issues	Swaziland

The first stage of negotiations was officially launched on 8 July 2004. A Joint Roadmap was adopted to provide a framework to guide the progress of the negotiations. It was agreed that preparations will be undertaken until December 2004 after which substantive negotiations will take place from January 2005 to June 2007. The remaining period between July 2007 and December 2007 will be devoted to the finalisation of the EPA for implementation by January 2008.

The first negotiations meeting of SADC – EC EPA Senior Officials took place on 7 December 2004 and parties agreed on the priorities for negotiations in 2005. The priorities identified were Sanitary and Phytosanitary (SPS) measures, Technical Barriers to Trade (TBT) and Regional Integration/Regional Dimension.

At the SADC EPA Trade Ministers meeting in July 2005, the ministers approved three additional areas for the next stage of negotiations with EC. These are: market access for agricultural, non-agricultural and fisheries' products; rules of origin and trade facilitation. Ministers further agreed at that meeting that negotiations on SPS and TBT should not be concluded before the negotiations on market access have been finalised. It was also decided to establish a working group, comprising of Angola (representing the non-SACU SADC EPA Member States), Namibia (representing the BLNS countries), South Africa (party to the TDCA) and Botswana as the overall coordinator of the SADC EPA negotiations, to coordinate and align the TDCA review and EPA negotiations. The working group will also investigate how a single trade regime can be established between SADC and the EU, while retaining the impetus for regional integration among SADC member states.

In February 2006 a new strategy, proposed by the working group was adopted by the SADC EPA Trade Ministers. On 7 March 2006, the SADC EPA group presented this adopted framework document to the EC entitled, *A framework for the EPA negotiations between SADC and the EU.* The document set out the principles, objectives and key elements of defining a new approach to the EPA negotiations. SADC Trade Ministers proposed to include South Africa in the SADC EPA configuration as a negotiating party and suggested that the TDCA review be aligned with the EPA negotiations. The following key elements featured in the document:

- market access will be based on provisions in the TDCA with appropriate modifications to fully accommodate BLNS sensitive products
- specific compensation for BLNS countries for revenue losses and adjustment costs
- the least developed countries (LDC) namely Mozambique, Angola and Tanzania would be under no obligation to offer market opening to the EC
- all SADC EPA members will aim for market access to the EC equivalent to the everything but arms (EBA) initiative
- establishment of more liberal and simplified rules of origin for SADC exports that will allow for greater access to the EU market
- enhanced financial support and capacity building to address developmental constraints and needs especially in the area of SPS and TBT
- support from the EC to develop trade facilitation
- exclusion of commitments on all new generation trade issues.

An unofficial response was received on 1 December 2006, almost nine months after submitting the proposal. The response, which was made widely available and accessible on the internet, was comprehensive and clarified the approach of the EC on most of the contentious issues. A number of statements made by the EC in the unofficial response should be emphasised.

- The EC doubts that the negotiations will be completed on time. According to the EC, configuration issues and the involvement of South Africa are to blame for the slow pace of the negotiations.

- The EC accepts the proposal to include South Africa in the configuration and it is implied that SACU will be the axis that drives regional integration in the south. Reference is made to an "institutionally coherent and economically integrated core group, which could be gradually expanded to integrate more countries in the region".[2]

- South Africa's inclusion, however, is qualified by a differentiation between the market access conditions of South Africa and BLNS. The EC will maintain a separate trade regime for South Africa while trying to preserve the coherence of the configuration. This will be done through a "rigorous system of control for rules of origin and the establishment of an autonomous safeguard mechanism which will automatically apply in case of a trade surge linked to circumvention".[3]

- The TDCA is considered a useful starting point for negotiations on imports from the EU. Any increase in tariffs to accommodate BLNS sensitivities will be opposed by the EC since these adjustments would also apply to South Africa.

- The EC sees a definite link between trade-related issues and development; thus, negotiations on market access alone are unacceptable. Additional tariff concessions depend entirely on the region's "efforts to integrate on the rules". The objective of the EC is primarily to focus on rules that govern services, investment, intellectual property and trade facilitation.

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2 Communication to modify the directives for the negotiations of economic partnership agreements with ACP countries and regions COM (2006) 673 par 5

3 Communication to modify the directives for the negotiations of economic partnership agreements with the ACP countries and regions SEC 2006 1427

- Non-reciprocal and contractual EBA treatment for MAT countries is unacceptable as it would not be compatible with WTO rules. The EC expect MAT countries to 'revise their position' but are also subtly reminded that 'changing EPA configuration could be done without leaving SADC membership'.

Initial reactions indicate that efforts by the EC to implement a separate trade regime will be resisted by South Africa. South Africa's chief trade negotiator was quoted as saying that in terms of the TDCA, South Africa treats EU members the same. South Africa do not, for instance, make a distinction between Germany and France. "So the call for uniform treatment is a principle position," he said. "The EU should treat us as a region but it has established division. Our approach is a move to consolidate the region's trade relations with the EU".[4]

The unofficial EC response was discussed and approved by the EU Council of Ministers and as official response presented to the SADC EPA group on 23 February 2007. The proposal to include South Africa into the configuration as an active negotiating party was adopted by the Council. This decision can be seen as creating a more consistent framework for economic integration in the SADC region. However, the Council warned that such acceptance will be subject to certain conditions regarding

- Configuration: the interests of Mozambique, Angola and Tanzania (MAT)
- Market access in goods: The definition of tariff offers
- New generation trade issues: The scope of the future agreement

With regard to *configuration*, the official response unequivocally states that a non-reciprocal and contractual regime (as proposed by the SADC EPA group) is not compatible with WTO rules since it does not meet the requirements of GATT Art. XXIV and is in conflict with the enabling clause insofar as it discriminates against other EBA beneficiaries. The EC fears that the SADC EPA proposal could alienate MAT which would increase fragmentation in the region and not be conducive to integration in the region. The EC wishes to keep MAT on board and would 'explore

4 Business Day 13/12/2006 http://www.businessday.co.za/articles/topstories.aspx?ID=BD4A340793

all WTO compatible possibilities' to take into account their legitimate concerns. Such options can include the investigation of flexibilities around implementation and the 'substantially all trade' requirement, as well as the protection of sensitive products. The EC is also willing to discuss adjustments to the aligned TDCA to take into account the specific concerns of MAT. The alternative WTO compatible possibilities could also refer to the *'associated EPA'* mentioned in par 24 of the *unofficial response* where MAT

"[w]ould be exempted from commitments on trade in goods, subject to future revisions, and remain standard, non-contractual EBA beneficiaries under the Enabling Clause but nevertheless linked to the agreement through the other provisions, and notably the trade-related rules".

When the waiver expires, MAT will nevertheless have access to the EU markets under the EBA initiative. Even though all the LDCs in the configuration (including Lesotho) would be entitled to EBA preferences, some of them would not be content with this type of access and Member states would regard this as a step backwards.

As far as *market access for goods* is concerned, the Council confirms that due to South Africa's level of development and degree of competitiveness, the granting of different treatment for the access of South African products to the EU market is unavoidable. Such differentiated treatment would not only apply to the trade in goods, but will also be extended to the trade related issues where a broader upfront commitment is expected from South Africa. Differential treatment will be achieved by

"applying specific exceptions for those South African products with a differentiated tariff treatment within the EU-SADC EPA trade regime, accompanied by the necessary provisions in the rules of origin for ensuring that such exceptions are effectively applied".

An important deviation from the unofficial response is the requirements for the granting of additional tariff concessions. It was stated in the unofficial response that additional tariff concessions depend entirely on the region's "efforts to integrate on the rules”. In the official response, additional tariff concessions for the region would be the ‘outcome of EPA negotiations’.

On the question of *new generation issues* the EC firmly expresses the belief that trade related issues are important for the sustainable development dimension of an EPA and that they would contribute to deeper regional integration. As was the case in Cancun, these new issues have the potential to stall the EPA negotiations. Both sides have divergent views on this issue and until now there has been no indication that either one will surrender their negotiating position. The EC is proposing a step by step approach which includes

“flexibility on timelines and specific issues, with the objective of promoting progressively regional integration in these areas, taking into account the different stages of development of ACP states and their capacity to engage in such issues”.

The SADC EPA group, on the other hand, at every opportunity amplifies their refusal to negotiate on new issues. The reason they advance for this is the limited institutional and negotiating capacity which would be severely strained if resources are diverted to the negotiation of these issues. SADC EPA member states have also made it clear that no commitments or even pre-commitments can be made before trade in the region has been harmonised. The EC respects the right of all SADC members to determine the best policy in the area of new issues but feels that there are some issues (such as structural reforms, capacity and institution building as well as transparency and non-discrimination) which can serve a useful purpose even before harmonization in the region.

While the unofficial version revealed the thinking behind the response, the official version is a more diplomatic document. The Council has definitely softened the stance of the EC, especially in the area of trade related issues. The EC has been pushing aggressively to include these issues, but the official response focuses more on cooperation and assistance to put the right structures in place. While the unofficial response seems to push MAT away, now it seems that all possible options will be explored to include them in the EPA. In the area of market access, the Council has also softened it position on sensitive products. Even though the TDCA tariff increases are still opposed, due consideration will be given to accommodate the specific concerns of BLNS and MAT.

With the official EC response having been submitted, substantive negotiations can only start once the framework has been negotiated and agreed upon. Since indications are that South Africa will not be satisfied with the formal response from Brussels the next step in the process will be a reply from the SADC EPA group conceding to some of the EC proposals and making some of the original proposals again, albeit disguised. This period of framework negotiations can possibly be a drawn-out process at a time when the region cannot afford delays.

The WTO waiver on the EU's exclusive preferential (non-reciprocal) access for ACP goods expires on 31 December 2007 and it will be extremely difficult from a political and diplomatic point of view to get an extension of that waiver. While LDC countries can revert to EBA access, the expiry of the waiver will have serious implications for non – LDC countries regarding their position on 1 January 2008. Namibia, Botswana and Swaziland are developing countries and will not be entitled to preferential access, and for countries such as Namibia who crucially depend on the export of certain commodities (specifically cattle meat and table grapes in the case of Namibia) to the EU market, a temporary loss of preferences could be very costly.

2.2 Structural and Institutional Issues

At the member state level, EPA negotiations are conducted by the relevant Ministry (most often the Ministry of Trade and Industry). A national negotiating task force has been established in each country to provide a forum where stakeholders can generate initial proposals and assist the government in formulating negotiating positions. Government officials of various ministries, private stakeholders, the business community, research institutions, civil society organisations and academia are all involved in the EPA negotiating process. The degree of participation varies among countries; in some cases linkages between government officials and stakeholders do exist, but communication channels can be improved through regular updates on the negotiating process and planned activities. All stakeholders are interested and committed to the progress of the negotiations so a concerted effort can be made to involve them more consistently in the negotiating process. Stakeholder involvement was much stronger at the inception of the negotiations, but unfortunately their efforts have been frustrated by a number of factors. Transparency, politics, insufficient funding and poor communication are all factors influencing the effectiveness of stakeholder participation.

At regional level a three tier structure exists which creates a bureaucratic dimension in the negotiating process. The EPA Negotiating Forum (ENF) is the first level in this structure and comprises directors of the different SADC EPA member states. The ENF meets regularly to discuss negotiating positions and formulate strategies. The involvement and importance of the director representing the relevant member state is paramount. The director is usually also the team leader of the national negotiating task force.

Decisions taken at ENF level are presented to the next level in the negotiating structure, namely the Senior Officials. The Senior Officials are the Permanent Secretaries/Directors General (usually of the Ministry of Trade and Industry) of each member state and the ambassadors based in Brussels. The Senior Officials, in turn, report to the respective Ministers of Trade who are at the apex of the negotiating structure. Decisions made at the highest level should reflect the positions of the rest of the negotiating structure. This does not, however, seem to be the case as it is apparent that political supremacy controls the negotiating process.

The SADC EPA Unit plays a crucial role in coordinating and providing technical support to the member states throughout the process of preparation and negotiation. The Unit, however, is not a very elaborate structure and does not have a mandate to negotiate on behalf of the SADC EPA. A distinct impression is that the Unit is under considerable pressure to provide the necessary infrastructural services and administrative support. As far as the cooperation with the EPA Unit is concerned there is a general sense of distance and lack of detailed understanding as to what exactly the EPA Unit is doing.

In the SADC – EC Joint Roadmap it was agreed by both parties to establish a joint regional preparatory task force “to enforce the strategic link between EPA negotiations and development co-operation. The RPTF shall support the implementation of the provisions of the Cotonou Agreement on the complementarity of trade and economic co-operation and development support. The RPTF will not constitute an element of the negotiating structure but will contribute to the efficient delivery of support to the SADC region in its preparation, negotiation and implementation of the SADC EPA". According to its mandate, the RPTF will provide technical input to ensure that economic challenges and opportunities emerging out of the EPA negotiations and implementation are reflected in development support, and that support for the negotiations is delivered effectively and efficiently at both national and regional levels. Its tasks will also include ensuring coordination of donor support to implement the EPA. The SADC RTFP was established in April 2005 and a consultancy was commissioned to develop a work programme, which was necessary to direct the operations of the body. This report, *Working Paper on the SADC – EC Regional Preparatory Task Force*, was finalised only in April 2006. This perhaps explains the revising of the Terms of Reference for the RPTF in July 2006 and the revised Draft Work plan which was only done in October 2006.

2.3 Legal Issues

WTO Compatibility of the eventual EPA is essential due to the nature of the waiver and the fact that all parties involved in the negotiations are WTO members. This is confirmed by Art. 36(1) of the Cotonou Agreement:

"…the Parties agree to conclude new **World Trade Organisation (WTO) compatible trading arrangements**, removing progressively barriers to trade between them and enhancing cooperation in all areas relevant to trade" (emphasis added).

Accordingly, two critical features of an EPA can be identified. The first is WTO compatibility. EPAs will in essence be free trade agreements (FTA), which means that EPA negotiations must be designed to fulfil the requirements of GATT Article

XXIV and the analogous GATS Article V.[5] These two provisions allow a selected number of WTO members to form a Customs Union or FTA in order to liberalise trade and promote integration.

There are 2 formal requirements for an EPA to be treated as a FTA:

- the FTA must be completed within a reasonable time period; and
- duties and restrictive regulations are to be eliminated on substantially all trade.

The *Understanding on the Interpretation of GATT Art. XXIV* clarifies the timeframe as follows:

“The "reasonable length of time" referred to in paragraph 5(c) of Article XXIV should exceed 10 years only in **exceptional cases**. In cases where Members parties to an interim agreement believe that 10 years would be insufficient they shall provide a full explanation to the Council for Trade in Goods of the need for a longer period” (emphasis added).

ACP countries, however, are at different levels of development and the transitional arrangements of an RTA should reflect these differences. The period mentioned above may not be sufficient for many developing countries and they should be given a longer transitional period for domestic industry protection and to minimise the fiscal impact of an EPA. Although longer transition periods are allowed in ‘exceptional cases’ the Understanding fails to provide any guidance on the interpretation of this clause. It would be ideal if ‘exceptional cases’ are interpreted consistent with the trade, development and financial situation of a developing country. The more acute the needs of a developing country the stronger the argument for an extended transitional period would be.

The TDCA explicitly includes a definition on the length of the transitional period. The EC will liberalise over 10 years, which is also the time period referred to in Art. XXIV.

5 For purposes of current discussion the focus will revolve around Art. XXIV since the EPA will concentrate on the removal of tariffs for trade in goods. Services fall under the so-called trade related areas which will initially be the topic of trade cooperation rather than binding commitments.

South Africa is afforded an additional two years[6] which indicates treatment as an ‘exceptional case’. If a country such as South Africa is granted a 12 year transitional period, this suggests that the EC may be willing to grant ACP countries transitional periods longer than 12 years.

The second critical element of an EPA is reciprocity and ties in with the ‘substantially all trade’ requirement. “Substantially all trade” is not defined but two views on how to interpret this have crystallised. The quantitative approach favours a statistical benchmark on the proportion of trade covered, for example, 90 percent of existing trade between the parties. The qualitative approach argues that no sector (or at least no major sector) should be excluded from RTA trade liberalisation.

A more favourable approach surfaced in the TDCA where an explicit understanding on WTO requirements was set out in the Agreement. ‘Substantially all trade’ was interpreted to mean an *average* of 90 percent of all items *currently traded* between the two countries. The inclusion of the word ‘average’ permits the use of an asymmetrical interpretation. The agreement seems to favour South Africa in two respects: EC markets were to be opened first, and approximately 95 percent of South African exports were covered versus 86 percent of EC exports.

BLNS countries are not party to the TDCA. They are negotiating an EPA together with Mozambique, Angola and Tanzania in which South Africa was to have observer status. Mozambique, Angola and Tanzania are members of SADC but at the same time Angola is also a member of COMESA and Tanzania a member of the East African Community. Overlapping positions cause legal uncertainty which leads to conflict in trade commitments and policy. This has forced the SADC EPA configuration to rethink their approach vis-à-vis EC and the ongoing EPA negotiations. Consequently, as mentioned earlier, it was decided to include South Africa as a negotiating party in the SADC EPA configuration and propose a single trade deal to govern all trade between the two regions.

It was suggested in the Framework Proposal that the EPA negotiations should be aligned with the TDCA review. The TDCA is reviewed every five years and is

6 TDCA, Art. 5(2)

currently up for review. This approach can introduce important developments to solve the complicated problems regarding overlapping membership and to promote regional integration. It is however not possible to predict if SADC members will have to accede to the TDCA or if a new agreement will be negotiated.

The Framework Document, as explained in section 2.1 above, invokes EBA as the legal basis for an argument that Angola, Mozambique and Tanzania (as LDCs) do not have "to offer market opening to the EU" in the EPA negotiations. The SADC EPA group was under the impression that there are two options under which the EPA can be WTO compatible. The first is pursuant to GATT Article XXIV and the other in terms of EBA. The EBA initiative[7] is one of three[8] arrangements currently available under the Generalised System of Preferences (GSP). The GSP provides preferential access for eligible developing countries to the markets of developed countries on a non-reciprocal basis. The GSP scheme was introduced in 1971 but was inconsistent with GATT obligations by violating the most-favoured nation (MFN) clause in GATT Article I. This problem was solved in a general way by a 1979 decision commonly known as the Enabling Clause. The Enabling Clause provides a legal basis for non-reciprocal tariff preferences and certain other preferential arrangements by sanctioning departure from the MFN obligation.

The architecture of WTO disciplines dealing with regional trade arrangements (RTAs) cannot be understood without considering their historic context. GATT Article XXIV can trace its origin to 1947 when only developed countries were contracting parties to the GATT.[9] At that time it was not relevant or envisaged to provide for special and differential treatment (SDT) for developing countries in Article XXIV. The SDT principle was only officially recognised in 1979 with the adoption of the Enabling Clause. The language of the decision emphasised SDT for developing countries only, by extending 'differential and more favourable treatment to developing countries, without according such treatment to other contracting parties.'[10]

7 Many countries are sceptical about relying on unilateral preferences such as this since the arrangement is not guaranteed and can be withdrawn at any time.
8 The new GSP, which entered into force on the 1st of January 2006, reduced the number of preferential schemes from five under the previous GSP to the current three.
9 It is in a certain sense ironical that South Africa who in the EPA negotiations will now be a member of an ACP developing country group signed on to GATT in 1947 as one of the original 27 developed countries that initiated the GATT.
10 Article 1 Enabling Clause

Bearing in mind that an EPA is in fact a RTA between a group of developed countries (the EU) and a group of developing countries, the relevant section of the Enabling Clause dealing with RTAs reads as follows:

" 2(c) Regional or global arrangements entered into amongst less-developed contracting parties for the mutual reduction or elimination of tariffs and, in accordance with criteria or conditions which may be prescribed by the CONTRACTING PARTIES, for the mutual reduction or elimination of non-tariff measures, on products imported from one another…"

It is clear that the Enabling Clause provides the legal basis for regional trade among LDCs only. No provision is made for regional trade between developed countries or mixed regional trade between developed and developing countries. Developed countries are specifically excluded from the Enabling Clause since they are subject to the disciplines of GATT Article XXIV. The conditions contained in the Enabling Clause are much less stringent than the requirements of GATT Article XXIV.[11]

Another exception to the MFN principle, not mentioned before, is GATS Article V. A comparison can be drawn between GATT Article XXIV and GATS Article V since both are similar in structure and intent. However, unlike its counterpart, GATS Article V has an SDT component and explicitly provides for flexibility and more favourable treatment for developing countries in a RTA. Paragraph 3 of Article V not only makes provision for RTAs between developing countries but also for mixed RTAs between developed and developing countries:

"3(a) Where developing countries are parties to an agreement of the type referred to in paragraph 1, flexibility shall be provided for regarding the conditions set out in paragraph 1, particularly with reference to subparagraph (b) thereof, in accordance with the level of development of the countries concerned, both overall and in individual sectors and subsectors."

11 In effect, any RTA formed under the Enabling Clause does not need to cover 'substantially all trade', require duty elimination or have fixed timetables for implementation.

There is no reason for the inconsistency and imbalance in the legal structure of GATT Article XXIV and GATS Article V. Article XXIV should also have a specific development dimension. The Doha Round has this matter on its agenda but its suspension stalled the process of trying to accommodate development needs in the revision of certain WTO rules.

It is however important to keep in mind that the extent of the flexibility and the precise manifestation thereof cannot be presented in advance because there is never a rigid formula for flexibility – it always depends on the facts. A more important consideration is to recognise that flexibility with respect to development needs is valid and legally sanctioned. This is confirmed by the parties in Art. 37(8) of the Cotonou Agreement:

“8. The Parties shall closely cooperate and collaborate in the WTO with a view to defending the arrangements reached, in particular with regard to the degree of flexibility available.”

This is confirmation that the EPA has a built-in objective which has to be reflected in the outcome.

Flexibility will find its application in asymmetry and in formulations recognising the needs of the developing countries and the LDCs in the SADC-EPA. How the accommodation of development needs should happen when an FTA such as the present one is negotiated, depends on the facts and should become clearer as the process moves forward. It will be for the negotiators to develop offers and to agree on outcomes that will demonstrate that a reasonable balance has been found.

After **tralac** rendered a legal opinion to the SADC EPA group (very much along the same lines as the above) the configuration was confronted with divergent views among member states on the WTO compatibility of the Framework Document. After much time has been wasted in disagreement over contentious issues a workshop was convened in Pretoria on 11 December 2006 to put an end to the confusion and review the various positions expressed by the member states. The objective of the workshop was to “further examine the WTO compatibility of the proposed SADC EPA legal instrument as proposed in the SADC Framework in order to prepare to respond to the European Commission's concerns on this proposal"[12].

The following recommendations were adopted at the workshop and submitted to the Senior Officials (in agreement with **tralac**'s legal opinion and these can now be considered as the official position of the SADC EPA group):

- EPAs can only be WTO compatible in the context of GATT Article XXIV
- The "contractualisation" of the EBA into the EPA based on GATT Article XXIV is not possible
- Article XXIV allows for the negotiation of flexibility in terms of what constitutes substantially all trade, and transitional (phase-down) periods
- The SADC Secretariat will work with the MAT countries to calculate the levels of trade flows between them and the EU to see how close they are to meeting the "substantially all trade" requirement.
- On the basis of these studies, each of the MAT countries can then decide if they wish to make a reciprocal offer to the EU in terms of Article XXIV. If not, they can decide to remain with the EBA, and therefore remain outside the EPA.

The earlier discussion of the formal EC response showed that the EC interpretation that EPAs can only be compatible in terms of GATT, Article XXIV, and that the "contractualisation" of the EBA in favour of LDCs is not legally possible and appropriate are in line with the legal opinion above that has since been adopted as the official position of the SADC EPA group. But it is also clear that the EC would not prefer to "leave aside Mozambique, Angola and Tanzania from the EPA negotiation process, and (so) increase fragmentation of the region, rather than fostering regional

12 The workshop report on WTO compatibility of the proposed SADC EPA legal instrument

integration which is a core EPA objective".[13] This can be interpreted as a desire to keep MAT within the EPA constellation and not outside in an EBA dispensation.

3. Analytical framework

Having reviewed the legal and institutional elements regarding the SADC EPA negotiations and the recent developments in this regard, the focus now shifts to the identification of benchmarks that could be used in assessing progress made in EPA negotiations. To identify these benchmarks use is made of an analytical framework that allows a logical interpretation and presentation of the links between trade and development, which are the essence of an EPA. The analytical framework does not pretend to be rigorous theory, although it will be clear that it has been informed by ideas and developments encountered in modern economic growth theory and development theory and experience.

3.1 Trade, development and the EPA mechanism

Trade and development are implicitly and explicitly linked in the EPA mechanism. On the one hand it can be argued that growth in trade through improved market access facilitates (some would even say drives) economic development. On the other hand the argument could also be that the inclusion of trade-related rules and other issues in the negotiation process could be an important factor in encouraging development. In identifying benchmarks that can be monitored to assess progress in EPA negotiations it is useful to consider in conventional terms the concepts "trade" and "development" and to do so in terms of a national demand and supply analysis. Using such a framework for analysis will allow the logical identification of negotiation benchmarks.

Before discussing the trade/development nexus and how supply and demand factors influence the link between the two concepts, it is important to establish a clear understanding on foreign trade and the role it plays in any economy. While not at denying the growth opportunities associated with the expansion of export production in the sense of an East-Asian type of export-oriented growth process, it is our

13 EU response to the SADC EPA Framework tabled on 7th March 2006.

contention that a mercantilist growth pattern that does not recognize the benefits of two-way trade is not appropriate in encouraging optimal economic development.

We would argue that the classical and neoclassical models that emphasize the benefits of two-way trade have substantial merit. In this paradigm exports are important because it allows a country to import goods and services that cannot be produced competitively in the domestic economy. For a developing country, growth in the production for export of primary commodities and relatively unsophisticated manufactured goods will allow that economy to import growing volumes of capital equipment (required for diversifying growth) and intermediate and final goods that cannot be produced at reasonable cost and of acceptable quality in the domestic economy.

In dissecting the trade/development nexus we start by considering the development side, with growth in production postulated as a necessary condition for economic development, which can be defined as the sustainable alleviation of poverty. Broad-based economic development, in theory and observed in the experience of economies that transformed from being developing to developed, is closely associated with a process of economic diversification and transformation. High levels of per capita income and income growth can be achieved through a process of growth that has a narrow base, for example, an economy that produces oil or some other primary commodity for which a growing global demand exists. This is not development and is unlikely to be sustainable in the long run. Economic development, virtually by definition, refers to diversification of economic activity, notably industrialisation and modernisation of agricultural production[14].

Furthermore, it is inevitable that in seeking development, the distribution of the benefits of economic activity and growth must be equitable and not be to the benefit

14 On the issue of economic development and the growth in the contribution of manufacturing (industrialisation) it is worth noting the important insights provided by Colin Clark more that half a century ago. Clark was initially educated in the natural sciences and he brought to his studies of economics the conviction "that economics should be based on empirical observation and classification of what has actually been happening, with theory occupying only a secondary position" (Quoted by W.W.Rostow, Theorists of Economic Growth from David Hume to the Present – With a Perspective on the Next Century, New York: Oxford University Press, 1990, p. 212). In The Conditions for Economic Progress, first published in 1940 and then revised in 1951, Clark disaggregated economic activity into primary, secondary (manufacturing) and tertiary (services) sectors and examined relative productivity and labour allocations among the three sectors at different levels of real income and the changing shares for particular countries over time. This led him to the conclusion that the increase over time in the share of manufacturing in total production in the course of economic development (growing real income and changing technology) is the nearest in terms of predictability that economics comes to a law of nature.

of the few at the cost of the majority or marginalised groups in society. Reducing poverty and improving the quality of life for the population as a whole should be the ultimate goal of economic development, a goal which is central to the envisaged EPAs.

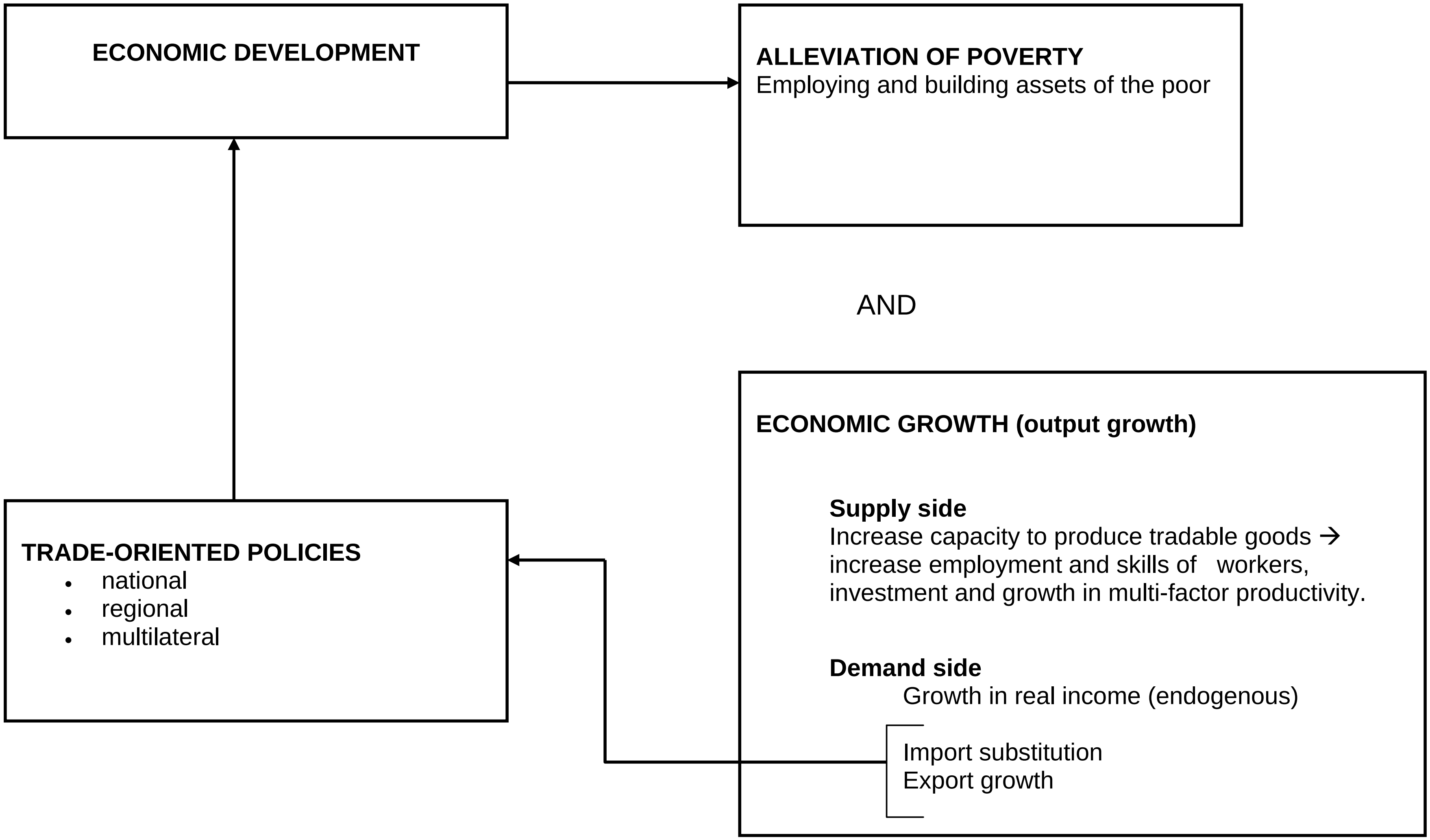
Box 1: Sectors by product as defined by tradability

In considering the trade-related elements of economic growth it is useful to distinguish between tradable, and non-tradable products, where tradability is defined as the ability to trade products across national frontiers. Goods (tangible products) are by and large tradable while non-tradable products are dominated by services. However, services (for example, financial, professional, tourism, transport and communication services) represent an increasing component of international trade. Other services such as the wide range of government services are not tradable. Tradable products can further be subdivided into two categories, namely import-competing, and export products, with import-competing products referring to production aimed at the domestic market in competition with products imported from other countries and export products referring to production destined to be sold in foreign markets. Trade-related economic development policies may vary in the emphasis they place on the distinction that can be made between the categories of tradables.

3.2 Deconstructing growth into supply and demand factors

Economic growth can be linked to foreign trade by introducing the supply and demand side of economic growth, as illustrated in Diagram 1.

Diagram 1: Deconstructing economic growth



Supply refers to the capacity to produce tradable goods that can be sold competitively in the domestic and foreign market. As will be explained in more detail in Section 6.2, this capacity is determined by the growth in the supply of factors of production employed and in the productivity of these factors. Factors of production include the physical capital stock (brought about through flows of fixed investment), including infrastructure, investment in human capital and the employment of labour. Lately, it has also become increasingly recognized that the existence and quality of institutions play a crucial role in supporting the economy and its ability to produce and prosper.[15] In this respect the quality of governance and the consistency and appropriateness of economic and social policy also feature as important factors that determine the success of growth and development.

But even the most productive performance on the supply side will come to naught in terms of growth if the increased output cannot find a source of demand to absorb the growth in the production of goods and services, and it is in this respect that foreign trade enters the scene of growth and development. There are three possibilities on the demand side to absorb growth in output. The first is growth in real income, which from a policy point of view is a non-starter, since real income per definition equals real output and it is impossible (indeterminate) to use the end (growth in output) as the means to achieve the end.

This leaves policy makers with two alternatives to provide for the possibility of growth in demand without growth in real income as a prerequisite, and both of these demand factors directly involve foreign trade. The first one is the substitution of domestic output for imported goods. By replacing goods imported to satisfy domestic demand with an increase in domestic production allows growth in outcome without a first-round growth in real income. Focusing on this element of demand represents the rationale for conventional import-substituting policies, that is, policies which through

15 The current emphasis on the importance of institutions as a crucial growth and development determinant can be dated back to the seminal work of Douglas North (starting with his Institutions, Institutional Change and Economic Performance, New York: Cambridge University Press, 1990) but like many good ideas an earlier history exists. In his Wealth of Nations (1776) Adam Smith had the following to say which can now closely be identified with the New Institutional Economics: “Commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice, in which people do not feel themselves secure in the possession of their property, in which faith of contracts is not supported by law, and in which the authority of the state is not supposed to be regularly employed in enforcing the payment of debts from all those who are able to pay. Commerce and manufactures, in short, can seldom flourish in nay state in which there is not a certain degree of confidence in the justice of government”. (Quoted in Dani Rodrik, Arvind Subramanian & Francesco Trebbi, Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development, National Bureau of Economic Research, Working Paper 9305, 2002.)

import taxes (customs duties) or subsidies create a price advantage for domestic producers vis-à-vis the foreign producers of imported goods.

The second trade-based option is to encourage growth of production for export. By creating a favourable environment for the production of exportables, domestic industries can find a market for a growing supply of production without depending on growth in real domestic income. This, the third demand factor, explains the logic of export-oriented development strategies, a logic that accepts the premise that for many poor countries the domestic market is too small to provide sufficient room for accelerated growth. Put differently, in the words of Gary Fields: “if you’re poor, you can’t become rich by selling to yourself”.[16]

3.3 Preferential trading arrangements within the EPA framework

At this point preferential trading arrangements may be introduced as part of the story that explains the association between trade and development, specifically regional integration and bilateral trade liberalisation as envisaged in the EPA framework. Within this context it is possible to distinguish two likely links between the trade strategy elements implicit in the foregoing demand side analysis and regional integration. As far as import-substituting growth is concerned the thinking behind the structuralist model associated with Latin American development during the 1950s and 1960s is relevant: production behind the protective common external tariff (CET) of a customs union allows firms located in the respective member countries a larger market within which imports can be substituted.

The new regionalism, however, does not seek inward-looking development but is rather seen as a means of using regional integration to facilitate the insertion of countries into the global economy. The emphasis is on encouraging greater competitiveness and the improvement of access to export markets. In the case of North-South integration, access to the large markets of developed countries is seen as a particularly fruitful avenue of improving export-oriented growth prospects.

16 Gary Fields, “The Employment Problem in South Africa”, Trade & Industry Monitor, Vol. 16, December 2000, p.4.

These benefits can be linked to the "larger market hypothesis" underlying the economies of scale and increased competition dynamic arguments in favour of regional integration. There is one further benefit which in the context of this study demands recognition and that is the credibility benefit that results from belonging to a RIA. Being a member of a properly functioning RIA can be seen as an agency of restraint that will ensure the maintenance of sound macroeconomic policies, or the restoration of confidence in an economy that has converted from unsound dirigiste policies. Credibility enhances confidence in the economic management of a country and in this way could be seen to have a positive impact on investment and thus on the capacity to produce on the supply side of the economy. While perhaps sound in theory, this argument lacks substance if the experience of RIAs of the South-South variety, that is, having only developing countries as members, is considered. However, in the case of North-South arrangements, which the ACP-EU EPAs will in fact represent, benefits from enhanced credibility are more likely to exist.[17]

3.4 Growth and the alleviation of poverty

Earlier, economic growth was postulated to be a necessary condition for economic development. This postulate is reasonable because for poor countries it is difficult to envisage a sustainable alleviation of poverty without economic growth. But economic growth is not a sufficient condition for development; it is possible, as shown by growth experiences during some periods in some countries, to have even rapid growth over fairly long periods without this being associated with a broad-based alleviation of poverty. Rapid economic growth and increasing inequality and absolute poverty is not an impossible scenario.[18]

An unambiguous causal relationship between economic growth and development will be determined by the nature of the growth process, which can be referred to as the

17 On whether regional integration arrangements (RIAs) add credibility to government policies and thus help investment Schiff and Winters have the following to say: "…South-South RIAs are unlikely to do this and may in fact hinder investment if they are not accompanied by liberalization of trade with the rest of the world. North-South RIAs, on the other hand, can enhance a southern country's credibility, but typically only if the RIA is likely to enhance economic performance in its own right and if the northern partner is willing to enforce investment-encouraging 'club rules' ". On evidence that regional integration encourages growth Schiff and Winters state as follows: The is some evidence that North-South RIAs can stimulate growth in the southern partner, little evidence that RIAs between developed countries stimulate growth, and no evidence that RIAs between developing countries do so". Maurice Shiff & L.Alan Winters, Regional Integration and Development, Washington D.C.: The World Bank, 2003, p. 17 and p. 18.

18 It can be argued, of course, that rapid growth and increasing poverty and inequality is not sustainable in the long run. The outcome would be economic and political instability, which would have a negative impact on growth.

quality of economic growth. The alleviation of poverty in a sustainable way requires employing and building the assets of the poor. This, in particular, means job creation, growth in the productivity of labour through the development of worker skills and technological development, as well as the empowerment of small and micro business, especially the development of business skills and access to finance. These factors all build the supply side of the growth process. A close association between economic growth and development will, therefore, require supply side development that favour the employment of the poor and the building of their assets, notably labour skills and the development of an entrepreneurial class with the requisite business skills. In many ACP countries many if not the majority of the poor still depends on agriculture for a living, either in subsistence farming or in underdeveloped commercial farming. Consequently, increasing the productivity of this sector will have a large impact on welfare levels.

Linking poverty alleviation through growth on the supply side of the economy to the demand side absorption of the larger output implies that sustainable development will require a demand for the products that the poor produce, which brings the demand for labour intensive manufactures (primarily of a lesser skilled nature), services and agricultural products to the fore. From a trade policy perspective, import substitution, to the extent that it forms part of development policy, and production for export will focus on labour intensive products. The virtuous circle of development, growth and trade is complete: growth in output on the supply side is supported by a growth on the demand side in real income, import substitution and export growth, the latter two demand factors providing the link between trade and growth, which is transformed into poverty alleviation by employing and building the assets of the poor.

4. Trade, development and Economic Partnership Agreements

EPAs essentially embodies the principal objectives of the Cotonou Agreement, namely to reduce and eventually eradicate poverty in the ACP states consistent with the objectives of sustainable development, which can only mean diversified growth, and the gradual integration of the ACP countries into the global economy.[19] The

19 Partnership Agreement between the Members op the African, Caribbean and Pacific Group of States of the One Part, and the European Community and its Member States, of the Other Part (Cotonou Agreement), Article 1.

Agreement replaced the Lomé Convention, which since 1975 formed the basis for ACP-EU development cooperation, and is much broader in scope as reflected in the five interdependent pillars on which the partnership between the ACP and the EU is based:[20]

- A comprehensive political dimension that provides for adherence to democratic principles, a respect for human rights, political dialogue, conflict prevention and good governance;

- Participatory approach which extends participation beyond government to include civil society and other non-state actors;

- Development strategies that focus on poverty reduction, which has been elevated to the central objective of the partnership based on an integrated approach that reflect the multi-dimensional nature of poverty;

- A new economic and trade cooperation framework which aims to enhance production, supply and trading capacities, promote the gradual integration of ACP economies into the world economy, create new trade dynamics and encourage investment, while ensuring conformity with WTO provisions; and

- Reform of financial cooperation, replacing a complex system of instruments with one providing grants and one supplying risk capital and loans to the private business, and the introduction of the principle of performance-based partnerships in the place of old-style “aid entitlements”.

A radical change introduced by the Cotonou Agreement and the feature that is of particular relevance to this report is contained in the fourth pillar of Economic and Trade Cooperation.[21] This entails the substitution of reciprocal trade agreements for non-reciprocal arrangements, which is to take effect in 2008. Some key phrases in Articles 34 and 35 of the Agreement portray the spirit and the letter of EPAs:

20 The Cotonou Agreement, Overview of the Agreement 2000, 2006, Online
http://ec.europa.eu/comm/development/body/cotonou/overview_en.htm
21 Cotonou Agreement, Title II.

- Due regard for political choices and development priorities the gradual integration of the ACP states into the world economy

- Promoting sustainable development and poverty eradication

- Enabling the ACP states to manage the challenges of globalisation and to adapt to new conditions of international trade

- Enhancing the production, supply and trading capacity of the ACP countries and their capacity to attract investment

- Economic and trade cooperation to be implemented in conformity with the provisions of the WTO, including special and differential treatment, and taking account of the Parties' mutual interests and their respective levels of development

- Economic and trade cooperation to be based on true, strengthened and strategic partnerships and build on regional integration initiatives of ACP states, bearing in mind that regional integration is a key instrument for the integration of the ACP countries into the world economy

- Economic and trade cooperation is to take account of the different needs and levels of development of the ACP countries and regions, with all parties reaffirming their attachment to special and differential treatment for all ACP countries and special treatment for ACP LDCs, taking account of the vulnerability of small, landlocked and island economies.

Linking these observations to the analytical framework described in Section 3, it is evident that EPAs concluded in terms of the Cotonou Agreement closely corresponds with the framework. The principal thrust of an EPA must be the development of the ACP countries in a way that will alleviate and eventually eradicate poverty. The Cape Town Declaration in 2002 of the ACP-EU Joint Parliamentary Assembly unequivocally committed future ACP-EU development, economic cooperation and trade arrangements to the promotion of sustainable development that would reduce poverty in ACP countries.[22]

The Cotonou Agreement emphasises that this must be achieved through, on the supply side of the economy, an expansion of the capacity of these economies and regions to produce tradable goods competitively, which, it is implied, must occur in a way that will alleviate poverty and bring about the structural transformation of the economy, an objective explicitly emphasised in the Cape Town Declaration. The latter goes further by stating that this transformation must adjust ACP production structures "away from goods with low demand growth and stagnant or declining price trends towards the production of goods and services with higher demand growth and favourable price trends".[23] Structural transformation of this nature, it is recognised, requires development, economic cooperation and trade arrangements that provide for "coordinated and integrated programmes to address the major supply-side constraints which inhibit the competitive production of internationally traded goods and services in ACP countries".[24] The emphasis on changes in the production structure in favour of high demand goods is in line with the tendency in trade analysis to distinguish between goods for which export growth is faster than the growth in total world trade (described as dynamic products) and those for which export growth is lower than growth in world trade, often registering absolute declines in export trade.[25] The latter group is dominated by primary commodities.

The EPA pillars also reveal an unambiguous emphasis on the quality of governance which can be ascribed to a high regard for the importance of institutions in developing the production capacity of economies. Given the principal aim of this study it should be noted at this point already it is difficult to "measure" the existence and quality of institutions objectively. The existence of high quality institutions can paradoxically be recognised fairly easily but it is difficult to relate them to an objective, quantitative measure.

22 ACP-EU Joint Parliamentary Assembly, Cape Town Declaration on the Forthcoming ACP-EU Negotiations with a View to New Trading Arrangements, Cape Town, 21 March 2002, Section II.1.
23 Ibid., Sections II.2 & 3.
24 Cape Town Declaration, Section III.10.
25 See United Nations Conference on Trade and Development (UNCTAD), Trade and Development Report 2002, New York and Geneva, United Nations, pp.54-58.

The trade dimension enters the equation through the emphasis on international trade on the demand side of economic development and the gradual insertion of the ACP countries into the world economy. The EU will partner the ACP countries in this process by providing development assistance and through trade and economic cooperation which include the conclusion of reciprocal free trade agreements that are asymmetrically structured to accommodate the development needs of the ACP countries. The importance of regional integration and its role in facilitating participation and integration in the global economy is recognised in the regional focus of the EPA negotiation between the EU and six identified ACP regions, of which the SADC (minus) region (Section 2.1) is the subject of this report.

The conclusion of reciprocal free trade agreements is mainly concerned with the question of market access and in this respect it widely recognised that many ACP countries do not have the capacity on the supply-side of production to implement and monitor the relevant SPS requirements that apply to imports into the EU market. This, and strenuous rules of origin, are important non-tariff barriers to ACP exports to the EU, which received explicit attention in the Cape Town Declaration. In this Declaration the EU concern with trade deflection was acknowledged but the intention was recorded to examine the application of the rules of origin to encourage new investment in ACP countries. Respect for EU concerns over food safety and animal disease control are also acknowledged but it was noted that regulatory measures should be established and implemented in ways that minimise the additional economic costs placed on small-scale ACP producers. The Declaration notes that the EU should at the request of ACP governments initiate consultations on the application of SPS standards and other regulations that impede ACP exports while respecting EU safety concerns.

The principle of differentiation applies since not all ACP countries have to open their markets to imports from the EU. LDCs have the option, discussed in Section 2.3, to either continue under the Lomé arrangements or under the EBA provision. ACP countries that do not fall in the LDC group have the choice of transferring to the EU's Generalised System of Preferences (GSP). With respect to the latter it should be noted that Article 37.6 of the Cotonou Agreement stipulates that the situation of those non-LDC countries that after consultations decide that they are not in a position to enter into an EPA will be assessed and alternative possibilities will be examined "in order to provide these countries with a new framework for trade which is equivalent to their existing situation and in conformity with WTO rules".[26]

5. Complications for SADC-EU EPA negotiations

The SADC-EU EPA negotiations are bound to be difficult, as can be appreciated if a number of complications are considered.

5.1 The SADC EPA configuration

In the first place, the configuration of SADC countries that constitute the regional grouping with which the EU must negotiate in the spirit of the regional integration principle can hardly be described as logical and consistent with the principles of sound integration. The group, as noted in Section 2.3, incorporates only eight SADC members, with the other SADC countries forming part of Southern and East African group. The SADC group consists of the five members (Botswana, Lesotho, Namibia, South Africa and Swaziland – South Africa and BLNS) of the Southern African Customs Union (SACU), of which Lesotho, Namibia, and Swaziland are effectively integrated into the South African money and capital market through the Common Monetary Agreement (CMA).

Tanzania's participation in the group is peculiar since it is a member of the East African Community, a developing customs union, whose other three members (Kenya, Uganda and Rwanda) form part of the Southern and Eastern African group.[27] Two Lusiphone countries, Mozambique and Angola, make up the rest of the group. Angola has accepted the SADC Trade Protocol but has not yet made any commitments under it. However, Angola is responsible for agriculture and fisheries in negotiations for the SADC-EU EPA, which could be serious cause for concern. South Africa, the dominant fifth member of SACU earlier concluded its own EPA with the

26 The roadmap for the negotiation and implementation of EPAs during 2000-2008 set down 2004 as the year in which to assess the situation of non-LDC ACP countries not in the position to enter into an EPA and to examine alternative possibilities.
27 At the time of writing a request by Tanzania for inclusion in an East African EPA group consisting of Tanzania, Kenya, Uganda, Burundi and Rwanda is pending. For the purposes of this study, the authors worked on the assumption that the current configuration will apply.

EU, that is, the Trade, Development and Cooperation Agreement (TDCA) which has been in force since 1 January 2000.

Furthermore, within this configuration Angola, Lesotho, Mozambique and Tanzania are least developed countries with the EBA option available to them. The EBA initiative is an extension of the EU General System of Preferences (GSP) that grants duty free access to imports without any quantitative restrictions of all products from LDC's, except for arms and munitions and some farm products). However, it is an EU unilateral initiative, which can unilaterally be removed without negotiation or notification. Botswana, Namibia and Swaziland are developing countries that could be hard hit when their preferential access to the EU market, especially for beef, sugar and table grapes, are lost when the WTO waiver expires at the end of 2007 prior to the conclusion and implementation of a SADC- EU EPA.

5.2 Heterogeneity of the group

The indicators summarised in Table 1 illustrate the stark differences that exist within the eight-country SADC group. Population-wise it is a combination of very small and medium to large countries. Measured by GDP they are all decidedly small economies. In terms of income levels, the small countries, with the exception of Lesotho, are much better off than Mozambique, Angola and Tanzania. However, the economies with the highest per capita incomes experience high inequality in the distribution of income as shown by the large shares of the highest 20% of income (or consumption).

The economies, with the exception of Tanzania, are all remarkably open to international trade, as measured by the ratio of exports and imports of goods and services to GDP, but by and large have dissimilar production structures. Relatively to its GDP, Swaziland has the most industrialised economy, as reflected in the share of manufacturing in GDP. The dominant role of mining in the economies of Angola (oil and diamonds) and Botswana (diamonds) is demonstrated by the large share of industry and the small share of manufacturing in GDP.

In one respect all members of the SADC group share a similar fate and that is low life expectancy at birth, which without exception has declined sharply since 1990. This can only be attributed to the scourge of AIDS, made worse by diseases such as Malaria and Tuberculosis. Compared to developed countries infant mortality is high.

South Africa plays a very important role in the region's economy. It is by far Africa's largest and industrially the continent's most developed and diversified economy with a transport and communications infrastructure that in some respects resembles that of developed economies. South Africa is the economically dominant member of SACU and SADC, a growing source of imports for other African countries and a substantial and high-profile source of direct investment in the region and further a field. In many political and business circles in the region, South Africa is regarded as a less-than-friendly hegemon.

Considering all these factors it is clear that it will be difficult to negotiate an EPA that will meet the differentiated development needs of the SADC group. This becomes particularly apparent when the different development strategies of the SADC EPA countries are brought into the picture.

Table 1: Selected economic and social indicators for the SADC EPA group, 2004

	Population Mil.	GDP Mil $	GDP average growth 2000-2004 %	GNI per capita $	PPP GNI per Capita $	Man share in GDP %	Industry share in GDP %	Trade in goods & services % of GDP	Life expectancy at birth Yrs	Infant mortality per 1000 live births	Share of highest 20% of income or consumption
Mozambique	19	6 086	8.8	270	1170	13	31	68	42	104	46.5
Angola	15	19493	8.1	930	1930	4	58	126	41	154	…
Tanzania	38	10851	6.8	320	670	7	17	48	46	78	42.4
Botswana	2	8974	5.5	4360	9580	5	51	72	35	84	70.3
Lesotho	2	1312	3.1	730	3250	19	41	90	36	80	66.5
Namibia	2	5712	4.7	2380	7520	14	32	91	47	47	78.7
Swaziland	1	2396	2.3	1660	5650	39	47	176	42	108	64.4
South Africa	46	212777	3.2	3630	10960	20	32	54	45	54	62.2

Source: The World Bank, *World Development Indicators 2006*, Washington D.C.

5.3 Development strategies

The diverse economies of the SADC EPA group, while all sharing a desire to eradicate poverty through economic development, follow diverse economic development strategies. Unfortunately, the countries in the group, except South Africa, are disadvantaged in seeking diversified economic development by their small size, poor infrastructure, high transactions costs, poor institutions, a weak capital base and a poorly skilled labour force, a weak business cadre and low factor productivity. In some instances mineral wealth dictates development strategies and in others efforts to diversify and grow have been driven by a range of incentives that sought to attract FDI in export-oriented manufacturing that could benefit from preferential access to the large markets of the developed world, notably the USA and the EU.

Angola is an example of an economy seeking to benefit from its mineral wealth. The country still suffers form severe war damage, which requires large investment in social and economic infrastructure. But this oil and diamond rich economy also has the benefit (or curse, depending on how you view the benefit of mineral wealth) of providing large mineral rents, which is the driving force behind Angola's status as being the largest SADC recipient of foreign direct investment (FDI) in 2002 and 2003 (see page 46).

Mozambique has in recent years benefited from substantial FDI by South African based firms in the service, communications, transport and mineral processing industries. Trade between Mozambique and South Africa has been growing and there are strong indications that Mozambique may apply for membership of SACU.

Judging potential market size by size of population, the BLNS countries are very small, which, with the exception of Namibia, experience the constraint of being landlocked in a region that does not have access to navigable waterways that offer the advantage of low transport costs. Lesotho faces the unique situation of being landlocked within a single neighbouring state, making it completely dependent on South Africa for its overland transport facilities.

Until recently BLNS, as members of SACU, have had their policy space constrained by the inability to use the import tariff as an instrument of industrial policy. Under the 1969 SACU Agreement and before, South Africa managed the common external tariff (CET) of the customs union and did so with its own particular industrial development needs in mind, which until the 1970s and early 1980s were mostly decided by a policy of inward-looking, import-substituting development. Under the 2002 SACU Agreement (operational since June 2004 but which in important respects has not yet been implemented as envisaged) the CET will be managed by SACU institutions in which all member states will have an equal say. A crucial outcome of the new regime is that the new SACU Agreement requires all member states to develop common industrial policies and coordinate agriculture policies. With respect to international trade negotiations and agreements an important but logical development for a customs union has been the provision in the new agreement of a single legal entity that empowers SACU member states to negotiate international trade agreements as a customs union, which of course, requires the development of common negotiating positions.

An important outcome of the way that SACU has been structured is a revenue distribution mechanism that has strongly favoured BLNS as compensation for the loss of policy independence and the polarisation effects of being in a customs union with a much larger economy. A consequence has been that BLNS - Lesotho, Swaziland and Namibia in particular – have come to depend on transfers form the customs and excise revenue accumulated in the common revenue pool as important, even dominant, sources of recurrent revenue. This revenue dependence in itself has a constraining impact on the space to change development policy in any way that will impact on the size of the revenue pool, such as bilateral and multilateral trade liberalisation of which the negotiation of an EPA would be a good example. For many developing countries trade taxes are recognised to be an important source of revenue; within the SACU context it is even more important.

South Africa, the dominant regional economy, is in the process of formulating a new national industrial policy, having since 1994 implemented a process of trade liberalisation which has reduced the SACU tariff quite significantly. However, the tariff remains very complex, with more than 5000 tariff lines, many at the eight digit HS level, and more than 50 tariff bands. Furthermore, tariff complexity is increased by an extensive range of tariff rebates and drawbacks implemented by South Africa as part of its industrial policy. Currently, South Africa is developing a national industrial policy, apparently with little consultation with its customs union partners, and there are indications that further tariff restructuring and reductions are likely to form part of the new approach.

5.4 Conclusion

The negotiation of a North-South trade arrangement is likely to be more difficult than South-South or North-North arrangements, especially because of asymmetry, the existence of sensitive industries, both in the North and the South, and the need for differentiation. It could be argued that the complex configuration of the SADC EPA group and the inclusion of South Africa in the group, as well as the extreme heterogeneity of the SADC EPA economies and the diversity of development policies adopted, will make the EPA negotiations complex and sensitive. It will also require substantial coordination on the part of the EPA countries. It follows as a matter of course that the identification of appropriate benchmarks will have to deal with these difficulties.

6. Benchmarks

The principal intention of this study is to monitor the progress of the SADC-EC negotiations and implementation of an EPA through benchmarking. In this section a number of benchmarks are identified against the background of the analytical framework and the EPA institutional and legal framework discussed earlier. But first, some clarification of the concept of a benchmark and benchmarking will be useful.

6.1 Benchmarks and benchmarking

A benchmark, derived from its use in surveyor parlance, can be described as a point of reference; as The Chambers Dictionary defines it: “something taken as a point of reference or comparison, a standard, criterion…”. In management studies the concept has been applied as an objective criterion, mostly an empirical measure, which sets the standard for comparison of best practice performance in a benchmarking exercise. This study seeks to apply the practice of benchmarking to EPA negotiations and implementation.

Benchmarking is described in the Wikipedia encyclopaedia as "…a process used in management and particularly strategic management, in which organizations evaluate various aspects of their processes in relation to best practice, usually within their own sector. This then allows organizations to develop plans on how to adopt such best practice, usually with the aim of increasing some aspect of performance. Benchmarking may be a one-off event, but is often treated as a continuous process in which organizations continually seek to challenge their practices".[28] Using the concept of benchmarking to evaluate economies and negotiations concerning their development therefore tries to apply a management instrument dedicated to an evaluation of production units at the micro level to the economy and society as a whole. This is not an easy task and policy analysts should be aware of a number of qualifications that apply.

The first is that there are vast differences between a firm and an economy and that it is a fallacy to compare firms and the economy as more or less similar agents of production, the one at the micro and the other at the macro level. Essentially this difference results in that the performance of firms can be benchmarked to an extent and in ways that cannot be done for economies. On all elements of best-performance measurement, firms can be benchmarked objectively, something that is not possible for an economy. For example, it is difficult if not impossible, to identify a direct and objective measure of good governance (including good policy design and implementation) and good institutions. To "measure" these criteria analysts have to rely on proximate indicators that are not available on a continuous basis.

The second qualification is that benchmarking an economy can easily lead to evaluation on the basis of stylised facts derived from superior-performing economies. Measuring performance with reference to stylised facts are acceptable but it is easy to miss or ignore a crucial or essential element/indicator that formed part of the

28 Wikipedia. http://en.wikipedia.org/wiki/Benchmarking

package of stylised facts. For example, analyses that seek to apply the stylised facts of the fast-growing South-East Asian economies to slow-growing developing economies political considerations could miss the lack of labour rights during the initial years of fast development, a complementary determinant that may have been important in launching low-cost production, high investment, including foreign direct investment, and export competitiveness.

A third qualification encompasses the problem of setting benchmarks - the specification of a set of objective best-practice criteria - for a process of negotiations between two groups of highly diverse economies for the sake of the development of an equally diverse group of developing economies. Given the dynamic and interactive nature of international negotiations, it is difficult to envisage the setting of objective benchmarks.

Bearing in mind these qualifications and the practice of benchmarking in business management, the following points could be identified as relevant and even important when EPAs are benchmarked:

- The negotiation of an EPA represents an exercise to put in place a system that will manage relationships between the developed EU and a group of developing countries for the benefit of the latter's growth and development;

- Evaluation is important in achieving this, with the "best practice" comparator criteria in the case of EPA negotiations being the indicators that signal the most likely positive outcome for growth and development;

- The identification and monitoring of benchmarks serve the important purpose of guiding the planning of negotiations to improve the development outcome (performance); and

- For EPAs benchmarking should be a continuous process that includes not only the negotiations but also the monitoring of trade relations after an EPA had been concluded.

Learning from the procedures of benchmarking in strategic business management, allows one to specify the steps to be taken in applying the method to EPA evaluation.

- Identify the problem areas that need to be targeted. The analytical framework described earlier serves the purpose of pinpointing problem areas that could exist in SADC-EU relationships and the challenges that should be addressed.

- Identify countries and regions and from this, indicators and conditions based on development experience that can serve as benchmarks.

- Apply the benchmarks to the SADC-EC negotiations and develop negotiating positions for improved practices and opportunities to achieve the development objectives of the EPA.

The qualifications raised earlier would warn against adopting the business management practice of setting up formal and objective benchmarks based on best practice economic and social management as firm guidelines and objectives. Benchmarking EPA negotiations and implementation in our view should be approached in a flexible way that would provide for the identification of the critical variables to serve as benchmarks. The rate of improvement in these indicators should then serve as the signposts in negotiating and implementing EPAs.

An EPA must provide a system of preferential trading arrangements, which meet the requirements of WTO Agreements in covering trade between developed and developing countries in a way that will be of benefit to the development of the latter. A distinction can be drawn between process and outcome, that is, on the one hand the measures put in place to achieve, on the other hand, a desired outcome. Each of these can be benchmarked, applying the framework of the legal and institutional architecture of EPA negotiations and the analytical framework that links trade and development. These benchmarks can be divided into four categories.

- The first is the building of capacity to produce and supply tradable goods competitively and to have access to the resources needed to develop these capacities.

- The second is to develop a market that can absorb the larger output, which would include the issue of access for ACP countries to the EU market, while in the spirit of reciprocal agreements adapting to the adjustments brought about by accepting EU goods and services in their markets.

- The third category would be the policy spaces that exist for the ACP countries to face the challenges of development and adjustment and have the ability to decide on and implement appropriate policies.

- Finally, the outcome of economic development needs to be benchmarked to observe the goals of development and the progress made over time in achieving these.

6.2 Benchmarking outcomes

For the purpose of guiding EPA negotiations it would be best to commence with a consideration of outcome benchmarks. These define the indicators that will serve as a measurement of the outcome of development, that is, the goals of development which in its broadest sense should be a sustainable increase in the social welfare of society at large.

6.2.1 Development

The data summarised in Table 1 show great variations in the level of development of the seven countries covering a range of middle-income economies and least developed countries (LDCs). In Section 3.4 welfare enhancement was linked to economic growth and the quality of growth, the implicit argument being that high economic growth is a necessary but not sufficient condition for poverty alleviation. The latter also depends on the quality of growth, specifically whether the benefits of growth are distributed in an equitable way. Distributing income growth among the working population at large will require that certain groups such as women are not marginalised.[29] Furthermore, important indicators of society's welfare are found in social indicators that reflect the quality of life such as life expectancy at birth and literacy rates.

In Table 1 two per capita income indicators are summarised for the eight SADC-EPA countries, namely gross national income (GNI) in US dollars and per capita GNI adjusted for purchasing power parity. Both these indicators show a substantial gap with Botswana and South Africa, with clear middle-income status, in the upper range of the group followed by Namibia and Swaziland in the middle group, and Angola, Lesotho, Mozambique and Tanzania the other four countries at the lowest – LDC - end of the range.

Table 2: Selected indicators (benchmarks) of the outcome of development

	Ave Ann GDP per capita growth 1990 – 2003 (%)	**Human Development Index(HDI) and rank /177 2003**	**Adult illiteracy rate 2003 (% of age 15 and above)**	**Life expectancy at birth 2003 (yrs)**	**Income share of the richest 20 % of the pop. (%)**
Angola	0.4	0.445 160	33.2	40.8	…
Botswana	2.7	0.565 131	21.1	36.3	70.3
Lesotho	2.3	0.497 149	18.6	36.3	66.5
Mozambique	4.6	0.379 168	53.5	41.9	46.5
Namibia	0.9	0.625 125	15.0	48.3	78.7
South Africa	0.1	0.658 120	17.6	48.4	62.2
Swaziland	0.2	0.498 147	20.8	32.5	64.4
Tanzania	1.0	0.418 164	30.6	46.0	45.6

Benchmark for Human Development Index: Average for medium human development = 0.718
Source: United Nations Development Programme, *Human Development Report 2005.*

Table 2 repeats the story of diversity among the eight target countries. In considering average annual growth in per capita GDP it is sobering to bear in mind that at a low growth rate of 1 per cent it takes about 70 years for per capita GDP to double and at growth of 2 per cent no less than about 35 years. Average annual growth in GDP per

29 While discussed as an outcome consideration, the marginalisation of any particularly group, such as women, can also be regarded as a constraint on the production capacity of the economy and, hence, within the analytical framework adopted for this study, as a supply side factor to be benchmarked.

capita during 1990-2003 in the eight countries has been positive. Growth in Mozambique, albeit from a low base, has been high and above 2 per cent in Botswana and Lesotho. In the other five countries growth has been at 1 per cent or lower. It is safe to assume that the Angolan civil war must have had a negative impact on growth during the period 1990-2003. Growth has been lowest in South Africa. However, the latter's growth has improved since 2000 and over a more recent period average growth will be higher. Growth in all eight countries took place in an environment of inequality in the distribution of income, with excessively skew distributions, as revealed by the income share of the richest 20 per cent of the population, in Namibia, South Africa, Botswana, Lesotho, and Swaziland. Data is not available for Angola but anecdotal evidence would point to a very skew income distribution in that country as well.

The HDI is a summary (composite) index of human development. It measures the average achievement in a country in three basic dimensions of human development: a long and healthy life, measured by life expectancy at birth; knowledge, measured by the adult literacy rate and the combined primary, secondary and tertiary enrolment rate; and a decent standard of living measured by GDP per capita in PPP US dollars. Although life expectancy and the knowledge indicators are not subject to changes in the short run, which GDP per capita could be because of short term changes in GDP growth, *the HDI is annually updated and as a composite measure could be a useful benchmark of human welfare*. As an index value it portrays the most recent welfare position of countries and defines the base from which improvement should be achieved. It also over time allows the monitoring of the outcome of development efforts. *It is suggested that the average the medium human development index be adopted as benchmark, the target against which performance is to be measured.*

6.2.2 Female marginalisation and the distribution of the benefits of development

The outcome of economic development, as noted earlier, can be influenced by the existence of marginalised groups in society and in the EPA context the emphasis falls on the marginalisation of women. For example, the ACP – EU Joint Parliamentary Assembly called on the ACP and EU governments "to repeal discriminatory laws and replace them by legislation that guarantees women's rights as regards access to education, property, employment and equal pay for equal work including parents' education on women's rights".[30]

Table 3: Female participation in the benefits of economic activity, 2003

	Female literacy rate %	Male literacy rate %	Ratio of estimated female to male income	Female econ. activity rate a) as % of Male rate
Angola	53.8	82.1	0.62	82
Botswana	81.5	76.1	0.61	76
Lesotho	90.3	73.7	0.39	56
Mozambique	51.9	66.8	0.68	92
Namibia	83.5	86.8	0.51	68
South Africa	80.9	84.1	0.45	59
Swaziland	78.1	80.4	0.39	52
Tanzania	62.2	77.5	0.71	93

a) Females 15 years or older that supply or are able to supply labour

Source: United Nations Development Programme, *Human Development Report 2005.*

Marginalisation can have a substantial impact on the gender distribution of income in favour of males. The information collated in Table 3 illustrates how difficult it is to benchmark development and the constraints on development through single indicators and points out the importance of in-depth analysis if certain situations are to be explained. The table reveals some paradoxical observations. For example, in Lesotho the female literacy rate far exceed that of males and is the highest of the eight countries, but the female economic activity rate is only 56 per cent of the male rate and the ratio of female to male income is the lowest for all eight countries.[31] In Tanzania again, the female literacy rate is significantly lower than that of the male rate but the both the ratio of female to male income and the female economic activity rate as percentage of the male rate are highest for the eight countries.

30 The Cape Town declaration adopted in March 2002 http://www.acp.int/en/jpa/cape_town/c_23120020927en00190066.pdf
31 This peculiar situation can be explained by the prominent role in the Lesotho labour market of male migrant workers in South African mines.

To address these apparent paradoxes it is proposed that a very simple composite index be calculated with equal weights given to three indicators: the female to male literacy rate, female to male income ratio and the ratio of female to male economic activity rate. The female/male inequality index (FII), shown in the first column of Table 4, is the sum of the three ratios, each given a weight of 1/3. The Gender-related Development Index (GDI), calculated in the Human Development Report, is given in the second column. While the FII as a composite index indicates the position of women relative to men for the three variables noted above, the GDI adjusts the average achievement of the HDI to reflect inequalities between men and women in the three dimensions incorporated in the HDI, namely life expectancy at birth, adult literacy and per capita GDP.

Table 4: Female relative to male inequality

	Female/male Inequality Index a)	**Gender-related Development Index (GDI) 2003**	**GDI rank out Of 140 countries**
Angola	0.698	0.438	124
Botswana	0.814	0.559	100
Lesotho	0.725	0.487	114
Mozambique	0.792	0.365	133
Namibia	0.717	0.621	96
South Africa	0.667	0.652	92
Swaziland	0.627	0.485	115
Tanzania	0.814	0.414	127

a) Own calculations from data summarised in Table 4.

Source: United Nations Development Programme, *Human Development Report 2005.*

A comparison of the HDI (Table 2) and the GDI (Table 4) reveals that women are worse off in all eight countries, and had it not been for naturally longer life expectancy the difference would have been more substantial. While the FII, as calculated in Table 4, must be regarded as a rather crude measure, it can serve as a useful benchmark in evaluating the extent of female marginalisation in the economic world and a proximate cause of lower welfare levels for women. The difference in all eight countries is substantial, varying from women being about 63 per cent as well off as men in the combination of literacy, income and participation in economic activity in Swaziland to 81 per cent in Botswana and Tanzania.

Cognisance should also be taken of the fact that because of the nature of the constituent variables of the index, it stands little chance of showing notable improvements (excluding changes in measurement and quantification) in the short run. Literacy rates and economic participations rates, in particular, are not susceptible to improvement in the short run with a commensurate impact on female income levels. Furthermore, labour market institutions are often also imbedded in society and regrettably difficult to change in the short run.

The benchmarks discussed so far tries to measure human development and gender equality in an objective sense. Underlying the outcome of economic activity, measured by these indicators, there is likely to be a number of institutions that qualitatively impact on the outcome of development. These are now briefly reviewed for the eight countries in the SADC-EPA group.

Angola

Women, as is usual in war torn countries, are the principal victims of large-scale war crimes. Due to poverty, displacement and traditional practices, the situation of Angolan women remains difficult. The Constitution and Family Code provide for equal rights without regard to gender; however, societal marginalisation against women remains a problem, particularly in rural areas. In addition, a portion of the Civil Code dates back to colonial times and includes discriminatory provisions against women in the areas of inheritance, property sales, and participation in commercial activities. The law provides for equal pay for equal work, but in practice women rarely are compensated equally[32].

Botswana

The Constitution of Botswana prohibits discrimination in all its forms including discrimination based on gender. The process of amending such laws began early in

32http://www.unhchr.ch/tbs/doc.nsf/898586b1dc7b4043c1256a450044f331/ff087e6d83da6191c125728300407e0d/$FILE/N0433971.pdf

1995 after a survey of all laws that discriminate against women and disadvantaged groups and a consultation process which included all interests groups. The Citizenship Act was amended in 1995 in response to a court decision declaring certain of its provisions unconstitutional on the basis that they discriminated against women. In 1996, a bill repealing a provision which denied women married in community of property the right to have immovable property registered in their names, passed through Parliament to become law. Other laws that have been amended in order to remove their gender bias include: the Employment Act of 1992 which now gives all female public officers full pay while on maternity leave; and the Mines and Quarries Amendment Act of 1995 which now allows females to work underground in mines if they so chose[33]. The result is that women today legally have the same civil rights as men, but in practice societal marginalisation still persists. A number of traditional laws enforced by tribal structures and customary courts restrict women's property rights and economic opportunities, particularly in rural areas[34].

Lesotho

Article 4(1) of the Constitution of Lesotho recognises and declares every person in Lesotho to be entitled to the fundamental rights and freedoms of the individual regardless of gender[35]. However, these rights are subject to limitations laid down in other sections of the Constitution. Read with Article 18(4)(b)-(c) this implies that traditional law and custom can limit the rights of women in areas such as property rights, inheritance, and contracts. A woman married under customary law has no standing in civil court. Under the country's dual legal system, marriages which occur under customary law must be legalized in the civil system to have legal standing[36]. Women have the legal and customary right to make a will and sue for divorce; however, under customary law, a married woman was considered a minor during the lifetime of her husband, and she could not enter into legally binding contracts without her husband's consent. However, in October 2006 parliament passed the Legal Capacity of Married Persons Act, which effectively eliminated *de jure* discrimination against married women in the customary law system.

33 http://www.sardc.net/widsaa/sgm/1999/sgm_ch5.html
34http://www.state.gov/g/drl/rls/hrrpt/2006/78720.htm
35 http://www.idlo.int/texts/leg5542.pdf
36http://www.state.gov/g/drl/rls/hrrpt/2006/78741.htm

Mozambique

Mozambique has identified the promotion of human rights as a critical area of concern at national level and the government and NGOs have been working together to advance women's rights. Both common law and customary law contain legislation and practices that marginalise women. The Family Law aims to reconcile these two sets of laws and introduce legislation that will protect women from discrimination. The new Family Law was passed by the National Assembly of Mozambique in December 2003, securing a broad range of rights previously denied Mozambican women. The new law raises the minimum age of marriage from 14 to 18, allows women to inherit property, and legally recognizes traditional marriages, which constitute the great majority of marriages in Mozambique[37]. Mozambique also approved and divulgated the Land Law. This law explicitly states that women have equal rights to land like men, including the right to inherit the land and land deeds. To endorse women's rights, the government has ratified the Convention on the Elimination of All forms of Discrimination Against Women (CEDAW), so it became a legal instrument to Mozambique[38]. However, customary law is still practiced in many parts of the country. In some regions, particularly the northern provinces, women had limited access to the formal judicial system for enforcement of rights provided under the civil code and instead relied on customary law to settle disputes. Under customary law, women have no rights to the disposition of land[39].

Namibia

Art. 10 of the country's Constitution prohibits discrimination on the basis of gender, as confirmed by the High Court of Namibia in its interpretation of the cases before it. The Labour Act of 1992 outlawed discrimination on the basis of gender in most aspects of employment, and the Income Tax Act of 1981 did away with sex discrimination through a series of amendments. Namibia ratified the CEDAW in 1992 and since then numerous measures had been introduced by the government to improve the situation of women in the country. These measures include the national gender policy, elevation of a department for women's affairs to a full Ministry,

37http://www.state.gov/g/drl/rls/hrrpt/2006/78748.htm
38 http://www.un.org/womenwatch/daw/cedaw/cedaw38/responses/cedaw.c.moz.q.2.add.1_single.pdf
39 http://www.state.gov/g/drl/rls/hrrpt/2005/61583.htm

introduction of awareness and training programmes, and numerous acts of legislation, including the Affirmative Action (Employment) Act of 1998, the Combating of Rape Act of 2000 and the Domestic Violence Act of 2003[40].

South Africa

Since coming to office in 1994 the first democratic government has made strong commitments to uphold and promote gender equality. South Africa ratified the CEDAW, begun implementation of the Beijing Platform for Action and is working towards addressing women's issues within the Constitution, as well as reformulating policies and legislation regarding the protection of women. The introduction of the Domestic Violence Act 116 in 1998 heralded a significant step forward on issues of violence against women[41]. Although the society is undergoing rapid transformation, discrimination against women continues despite equal rights accorded to them under family law and property law. Women experience economic discrimination in areas such as wages, extension of credit, and access to land. For example, township housing transfer schemes favoured existing titleholders, who tended to be men. Many rural areas are administered through traditional leadership structures, often including a chief or a council of elders, who do not grant land tenure to women, a precondition for access to housing subsidies. Women, particularly black women, typically have lower incomes and less job security than men while female farm workers often experience discrimination in their access to housing, which is often dependent on their relationship to male farm workers[42].

Swaziland

In Swaziland, tradition, customs and entrenched patriarchy have a strong influence on gender roles and gender equality, and empowerment of women is a slow evolving process. Though Swaziland acceded to the CEDAW, it still has to be implemented domestically[43]. A married woman cannot enter into contracts without the consent of

40 http://www.un.org/News/Press/docs//2007/wom1592.doc.htm
41 http://www.womankind.org.uk/why-south-africa.html
42 http://www.state.gov/g/drl/rls/hrrpt/2006/78758.htm
43 http://www.undp.org.sz/apr.html

her husband or register land in her own name because she is considered to be a legal minor, subject to the marital power of her husband[44].

Tanzania

Despite Tanzania's commitment to equality for women under its own constitution and under international law, marginalisation based on gender still persists. In 2000 the Tanzanian Constitution was amended to include Section 13(5) to prohibit gender discrimination. Tanzania has also signed and ratified a number of international treatises, including the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social, and Cultural Rights, the CEDAW, the Convention on the Rights of the Child, and the African Charter on Human and People's Rights. Notwithstanding its efforts to date, Tanzania has not eradicated discrimination against women. Tanzania has an obligation based on its own law and international commitments to guarantee women's equality in all aspects of life, and to eliminate laws, cultural practices, and beliefs that act as legal barriers to that equality[45].

Qualitative Benchmarks

The ICTSD and APRODEV Benchmark study to monitor gender equity goals[46] proposes the newly developed AGDI – African Gender and Development Index. The Index was developed by the UN Economic Commission for Africa (UNECA) and represents a considerable statistical effort which establishes country profiles on gender equality and empowerment. The AGDI looks at quantitative and qualitative indicators and also allows comparing the social, economic and political empowerment index[47]. This presents the best practice scenario which the SADC EPA Member States should strive to attain.

The other benchmark that can be considered is the agreed undertakings in the context of the EPA negotiations. In the all-ACP phase of the EPA negotiations the

44 http://www.unhabitat.org/downloads/docs/3983_71713_Inheritance%20Final%20071006.pdf
45 http://www.awid.org/members/reports.php?id=13
46 http://www.aprodev.net/trade/Files/BMA%20and%20gender%20equity%20Warwick.pdf
47 www.uneca.org

joint ACP – EU Parliamentary Assembly unanimously adopted the **Cape Town Declaration**[48]. The declaration is paramount in that it seeks to create space for the effective monitoring of the progress of the EPA negotiations. One of the resolutions adopted focuses on gender issues and the impact that it can have on the sustainable development of a country. The declaration identifies a number of objectives which can also be a useful tool for benchmarking. The following objectives, or in this case benchmarks, can be highlighted:

- repeal discriminatory laws and replace them by legislation that guarantees women's rights
- greater efforts to promote women's participation in all decision-making processes and in the prevention and resolution of conflicts
- measures to combat physical violence and other forms of degrading treatment
- provision of training on the gender aspects of conflict resolution and peace building
- universal access to reproductive health care and reforms of the health sector, especially for women and girls
- grave punishment for rape
- gender impact assessments should be done to attract development aid for women
- women's involvement in parliamentary dialogue

6.3 Benchmarking supply side development

In Section 6.2 on the outcome of economic activity the emphasis was placed on increasing welfare levels, i.e. in the standard of living of the population at large. Historically, the development experience of nations confirms the logic of the development process, namely that countries raise their standard of living by creating productive jobs and raising the productivity of workers. Viewed from the supply side of production the growth in employment and an increase in labour productivity are closely associated with a change in the production structure of the economy. In a study searching for development benchmarks it is useful to identify certain

48 The Cape Town declaration was adopted on 21 March 2002 http://www.acp.int/en/jpa/cape_town/c_23120020927en00190066.pdf

characteristics or driving forces of the process of development, borne out by theory and the development experience of countries.

- Growth and development is characterised by industrialisation, which shifts production and employment from lower-productivity primary production, especially agriculture, to higher-productivity industry, manufacturing in particular. This evolutionary process should, however, not lead to the fallacious conclusion that the development of agriculture is unimportant.

- In all sectors, also agriculture, increasing living standards are brought about by growing labour productivity.

- The growth in labour productivity can be linked to increases in capital formation through investment in both physical and human capital.

- The growth and change in output is supported by growth in investment in infrastructure which sees rapid development in transport, communication, electricity and water supply, as well as improvements in social infrastructure such as education health services and housing.

- Economic transformation from low to high levels of development is largely driven by a growing group of business people and entrepreneurs “who are capable and willing to invest in activities that are new to the domestic economy”.[49]

- The process of economic transformation is also characterised by the growing importance of the production of tradable products, an increase in the international competitiveness of domestic firms and growth in international trade.

- A final observation, is that rapid economic transformation to high living standards is best achieved when development-supporting institutions exist, such

49 United Nationas Conference of Trade and Development, Trade and Development Report, 2004, New York and Geneva: United Nations, p. 102.

as security of property rights, a judicial systems that can enforce contracts and increasing use of money, which is a social institution.

6.3.1 Institutions: property rights and the judicial system

The importance attached to the contribution of good, established institutions, which are not to be confused with organisations, to economic development was raised in Section 3.2. In the literature on the New Institutional Economics the emphasis usually falls on the security of property (property rights), including intellectual property, and the quality of an independent judicial system. The practice and rules of governance can also be regarded as an institution and recognition of the contribution of quality governance has become a standard feature of development and development policy reviews.

The focus in this section is property rights and the judicial system as benchmarks. It is difficult to identify quantitative measures of the security of property rights and the quality of the judicial system; consequently, a qualitative overview will have to suffice.

Angola

Real estate transactions are subject to strict controls and the rule of law cannot be guaranteed through the local justice system, which is reported to suffer from political interference. Angola's legal and judicial system is not efficient in handling commercial disputes and several issues confront the system. Many of the seats on the Supreme Court remain vacant, and a Constitutional Court, authorized by law in 1992, has not yet been established. In addition, the courts were crippled by the war and are perceived ineffective and untrustworthy by the few who have access to it[50]. Judicial corruption, especially at the administrative level, was a problem; however, recent changes, such as the implementation of a new court case filing system and the random assignment of judges, improved transparency and efficiency in the judicial system in Luanda and some other provinces[51]. Angola has basic intellectual property rights protection, and is working to strengthen existing legislation and enforcement,

50 http://www.nationsencyclopedia.com/Africa/Angola-JUDICIAL-SYSTEM.html
51 http://www.state.gov/g/drl/rls/hrrpt/2006/78718.htm

which currently is weak due to lack of capacity. Angola has adopted the Paris Convention for the Protection of Industrial Intellectual Property and is also a member of the World International Property Organization (WIPO)[52].

Botswana

Botswana has a tradition of respecting property rights and relies on the notion of good governance. The Constitution provides for an independent judiciary, and the government respects this provision in practice. This suggests that the legal system is sufficiently robust to facilitate the conducting and enforcing of commercial dealings. The force of law is however weakened by slow enforcement in the courts[53] and there is substantial and increasing backlog of cases. It was reported in May 2007 that major judicial reforms are underway and measures are being implemented to speed up the delivery of justice[54]. Foreigners are not allowed to own property freehold but can obtain leases for 55 years or more. Significant improvements have been made in the last few years in the protection of intellectual property rights. Legislation is now largely in accordance with the Agreement on the Trade Related Aspects of Intellectual Property Rights (TRIPS), except for geographic indications and integrated circuits[55]. Capacity building is mainly needed to enforce intellectual property rights.

Lesotho

Private property is guaranteed, and expropriation is unlikely. The constitution and law provide for an independent judiciary, which generally has been independent in practice. The court has been allowed to carry out its role effectively, even during the years of military rule. In civil and criminal courts, women and men are accorded equal rights. However, in traditional courts, certain rights and privileges were previously denied to women but in October 2006, the Legal Capacity of Married Persons Act were passed, which effectively eliminated discrimination against women in the customary law system[56]. There are concerns that the judiciary is slow in response and access to justice is limited. Although a commercial division of the High Court was

52http://www.ustr.gov/assets/Document_Library/Reports_Publications/2006/2006_NTE_Report/asset_upload_file788_9182.pdf
53 http://www.ifsc.co.bw/news/econominc_freedom.htm
54 http://allafrica.com/stories/200705100964.html
55 http://botswana.usembassy.gov/botswana/ccg2006ch3.html
56http://www.state.gov/g/drl/rls/hrrpt/2006/78741.htm

established in 2001, it was short-lived. Commercial cases are, thus, heard in regular courts that are already bogged down with backlogs, an issue that is of concern to the business community[57]. No information is available on intellectual property rights.

Mozambique

Property rights are weakly protected, and the judiciary is not regarded as incorruptible. There is a severe shortage of qualified legal personnel, and the backlog of cases is substantial. Enforcement of contracts and legal redress through the court system cannot be assured. Most commercial disputes are settled privately because of the judicial system's inefficiency[58]. An USAID Corruption report indicated that judicial corruption was one of the most problematic sectors in Mozambique. Courts are seen not only as a main venue for corruption, but also as a key bottleneck in efforts to sanction corrupt behaviour. Administrative corruption in the justice sector is also rampant but political control and manipulation from above are the critical failures of the system[59]. According to a November 2006 IMF report[60], "*the weaknesses in the justice sector and a lack of transparency will continue to impede the development of a viable private sector in particular due to the slow contract enforcement process"*. The document emphasises a need for faster reforms but also recognises that "*accelerated justice sector reform will remain a key to improving the investment climate.*" As far as intellectual property rights are concerned, Mozambique's National Assembly passed a copyright and related rights bill in 2000. This bill, combined with the 1999 Industrial Property Act, brought Mozambique into compliance with the WTO agreement on TRIPS. However, the inefficient nature of the Mozambican judicial system makes protection of property rights extremely challenging. Private sector organizations have been working together with various government entities on an IPR task force in an effort to combat intellectual property right infringement and related public safety issues[61].

57 http://www.afdb.org/pls/portal/url/ITEM/0B0C2DD4E5335A18E040C00A0C3D2380
58 http://www.eepcindia.org/country-notes.asp?coun=120&param=FAP
59 http://siteresources.worldbank.org/INTMOZAMBIQUE/Resources/USAID_corruption_assess.pdf
60 http://siteresources.worldbank.org/INTPRS1/Resources/Mozambique_JSAN-PRSP(Nov14-2006).pdf
61 http://maputo.usembassy.gov/trade_regulations_customs_and_standards.html

Namibia

The property rights system in Namibia is based on the principles entrenched in the Constitution and subsequent legislation. The national commitment to redress the social and economic injustices inherited from the colonial past also forms part of these fundamental principles and expropriating land from white farm owners is now official policy[62]. The government expropriated three large farms at the end of 2005 and by mid-2006 had begun to offer the land for resettlement. The lack of qualified magistrates, other court officials, and private attorneys causes a serious backlog of cases. Protection of intellectual property rights by Namibia improved towards the end of 2003 when Parliament ratified the following international instruments: the Paris Convention, the Patent Co-operation Treaty, the Madrid Protocol and Agreement and the Hague Protocol and Agreement. Namibia is now also a member of regional bodies, such as, the African Industrial Property Organisation (ARIPO), and its Banjul Protocol governing trademarks and the Harare Protocol on patents[63].

Swaziland

All land in the Kingdom is considered to be held in trust by the King for the people. Tenure is awarded to male citizens in the form of a lease obtained by pledging allegiance to one of the 350 palace-appointed chiefs (Swazi women cannot hold land on their own). Non-residents may only apply for a lease through land-holding corporations which have Swazi nationals as directors. But land leases are unclear and uncertainty exists as to the details of land ownership rights. Real estate transactions by foreigners must be approved by the government[64]. The judiciary suffers from inadequate training, low salaries, and a small budget. Delays are common. The judiciary is generally independent in most civil cases, although it is known that the king has ultimate judicial powers; the royal family and the government often refuse to respect rulings with which they disagree[65]. No information is available on intellectual property rights.

62 http://www.bon.com.na/docs/pub/Property%20Rights%20and%20Access%20to%20Credit.pdf
63 http://www.mti.gov.na/frame_pages/internal_trade_launch.htm
64 http://www.globalpropertyguide.com/country.php?id=184
65e.org/inhttp://www.freedomhousc/content/pubs/fiw/inc_country_detail.cfm?year=2006&country=7065&pf

South Africa

South Africa has one the most progressive Constitutions in the world and property rights are entrenched in the Bill of Rights. Although the threat of expropriation is low, the government has recently called for the right of first option on property entering the market[66]. This is indication that the government will use legal seizures if necessary to speed up the redistribution process. Foreigners can own fixed property in South Africa without restriction. However, all foreign funds remitted to the country must be declared and documented to ensure repatriation. The property must also be endorsed 'non-resident' as a condition for repatriation. The judiciary is independent, and contractual arrangements are secure. The judiciary is understaffed, under funded, and overburdened and cases take a long time before final judgments are granted. South Africa has a comprehensive and modern set of statutes governing intellectual property. South Africa is a signatory to the Berne Convention, the Paris Convention and the Patent Co-operation Treaty, as well as a member of the World Intellectual Property Organisation. The Department of Trade and Industry (DTI) is principally responsible for policy formulation in the areas of patents, trademarks, designs, and copyright. It also provides the framework for registrations of intellectual property rights, examination and adjudication[67].

Tanzania

A new Land Amendment Act 2003 recently became operational and strives to create a legislative framework that allows for the regulation of sale of unused land. This would permit the mortgaging of property as a means of encouraging domestic and foreign investment. It was reported that the government is planning to continue to implement projects geared towards the Individualisation, Titling and Registration (ITR) of residential land. However, the land rights of smallholder producers such as peasants, miners, and pastoralists were receiving less attention[68]. The new land laws place emphasis on the wider participation of women on issues relating to dispute settlement as well as review of policy and legal framework pertaining to land

66http://www.mg.co.za/articlePage.aspx?articleid=302031&area=/breaking_news/breaking_news__national/
67 http://www.ielrc.org/research_intellectual_property.php
68http://www.oxfam.org.uk/what_we_do/issues/livelihoods/landrights/downloads/independent_review_land_issues_2004_5_vol_2_number_2_eastern_africa_dec_2005_final.pdf

administration. Despite a progressive legal framework, there remained a persistent lack of gender and human rights awareness and many women did not have information, confidence, experience and resources to secure their proprietary entitlements. The inefficient and corrupt judicial system often do not provide expeditious and fair trials and pervasive corruption continued to have a broad impact on human rights[69]. Due to the power of the executive branch and the corrupt practices of many in the judiciary, prosecutors can be influenced by political pressures, and high-level government officials are rarely prosecuted for corrupt practices and other inappropriate and illegal activities[70].. A commercial court has been established to improve the capacity of the legal system to resolve commercial disputes. Although trade marks, copyright and patent laws are in the statute books, the machinery for their automatic enforcement is nonexistent. As such, redress depends largely on the aggrieved party's legal pursuit of the issue[71]. This process has been known to take years to complete.

Benchmarks

The international property rights index (IPRI)[72] accounts for the interest of a variety of domestic and international organisations in having an innovative gauge which ranks countries according to their strengths and efforts to protect both physical and intellectual, property. The legal and political framework, adequate physical property rights enforcement, and respect for intellectual property are critical for a nation’s economic development; *hence, all three variables can serve as useful benchmarks.* These three core components can further be divided into the following categories to simplify benchmarking:

69http://jurist.law.pitt.edu/world/tanzania.htm
70http://www.freedomhouse.org/template.cfm?page=140&edition=7&ccrcountry=139&section=78&ccrpage=31
71 http://www.bustpatents.com/forafri.htm
72 http://internationalpropertyrightsindex.org/UserFiles/File/PRA_Interior_LowRes.pdf

Legal and Political Environment

- Judicial Independence – the freedom of the judiciary from external groups like the government and business lobbies.
- Confidence in Courts – effectiveness of the judicial system to uphold, protect and enforce property rights
- Political Stability – degree of political stability and power of the government
- Corruption – misuse of power by public officials for private benefit

Physical Property Rights

- Legal Protection of Property Rights – quality of judicial protection
- Registering Property – effectiveness of the necessary procedure to purchase land
- Access to Loans – accessibility to a bank loan to purchase property

Intellectual Property Rights

- Protection of Intellectual Property Rights
- Patent Strength
- Copyright Piracy
- Trademark Protection

6.3.2 Transformation in production

Table 5 again shows the diverse nature of the SADC countries that form part of the EPA configuration, with the contribution of the different sectors to total value added varying significantly. The large contribution of mineral resources is encapsulated in the dominating contribution of industry in the economies of Angola and Botswana, both economies with heavy concentrations in single commodities, oil in Angola and diamonds in Botswana. Agriculture is still very important as major contributors to GDP in Lesotho, Mozambique, Namibia, Swaziland and especially Tanzania. Although diversification out of agriculture is a defining characteristic of economic development a point raised earlier should be borne in mind: raising productivity in agriculture in these economies has the potential of raising welfare overall.

Table 5: Composition of Value Added in the SADC-EPA Group Countries, 2005 (% of GDP)

	Agriculture	Industry	Manufac=turing	Services
Angola	8	66	4	26
Botswana	3	51	4	46
Lesotho	17	41	19	41
Mozambique	23	30	14	47
Namibia	10	32	13	58
South Africa	3	31	19	66
Swaziland	12	48	37	40
Tanzania	45	18	8	38
Lower middle income	13	41	…	46
Upper middle income	7	32	19	63
High income	2	26	17	72

Source: *World Development Indicators* database

In the Angolan economy the oil industry is primarily responsible for the 66 per cent share of industry in aggregate value added. Manufacturing's share is only 4 per cent but growth is rapid (Table 6). Angola has the lowest share provided by services value-added (26 per cent) of all the countries under investigation. The 26 per cent contribution of services is below the average of other low middle income countries (46 per cent), which suggests a major area for diversification.

Botswana also relies heavily on one industry, diamonds, although its services sector, with tourism as a leading industry, is also a major contributor to GDP. Manufacturing, like in Angola, is very small and far below the average of Upper Middle Income countries (19%). The low share of manufacturing in Botswana's GDP can be ascribed to many factors, including the small size of its domestic market, but the question remains of why it cannot derive more developing opportunities from the common customs area of the Southern African Customs Union or, like Lesotho, from selling manufactured goods to the European and American markets.

An analysis of Lesotho's economy suggests that it is more diversified than some of its neighbours. Agriculture (17%), industry (41%) and services (41%) all make significant contributions to GDP. Because of its emphasis on attracting foreign direct investment, with the emphasis on producing clothing and textiles for export, manufacturing in Lesotho contributes no less than 19 per cent to GDP. The Highlands Water Scheme is also a major factor in the significant share of industry. The services industry could be improved to bring it on par with the Lower Middle Income countries average, especially if full use could be made of Lesotho's substantial tourist potential.

Agriculture is an important sector in the Mozambican economy (23%), while industry is relatively small at around 30 per cent. Manufacturing contributes 14 per cent of GDP, indicating a limited contribution of non-manufacturing industry to the Mozambican economy. The services sector, in which tourism plays a substantial role, is relatively important and adds close to half of all value in the economy.

Namibia is also a relatively well-diversified economy, with agriculture weighing in at 10 per cent and industry at 32 per cent. Services are very important in the economy, with tourism one of the key performers. Namibia compares well to other Lower Middle Income countries but should further improve its services industry and manufacturing if benchmarked against Upper Middle Income countries.

South Africa is by far the largest of the 8 economies under investigation (Table 1). It is also the most diversified economy, with 66 per cent of GDP created in the services sector. Agriculture produces only 3 per cent of the country's GDP, while the share of manufacturing is close to 19 per cent, which is lower than an earlier high of 23 per cent. Given these indicators, South Africa is on par with other Upper Middle Income countries worldwide.

Manufacturing, dominated by the processing of agricultural commodities, is a major contributor to GDP in Swaziland (37%).

Tanzania relies heavily on agriculture as means of production (45%). The contibutions of manufacturing and industry are low at 8 per cent and 18 per cent respectively. Compared to other Low Income countries, Tanzania shows considerable room for prioritising the development of industry.

Table 6: Average Output Growth, 2000 -04

	GDP	Agriculture	Industry	Manufacturing	Services
Angola	8.1	13.7	8.6	11.3	4.3
Botswana	5.5	1.5	5.2	1.6	4.5
Lesotho	3.1	-1.8	4.7	3.9	3.2
Mozambique	8.8	8.9	11.8	15.2	7.5
Namibia	4.7	1.2	7.3	6.7	4.5
South Africa	3.2	-0.4	2.0	1.7	4.1
Swaziland	2.3	-0.3	2.0	1.8	3.5
Tanzania	6.8	4.9	8.9	7.6	5.9

Source: *World Development Indicators 2006*, Washington D.C., World Bank

All the countries included in the study will benefit from diversifying industrialisation. This would also apply to South Africa where accelerated industrial growth and the development of service industries are a prerequisite for increasing welfare levels of society as a whole and currently integrated into the planned National Industrial Development Strategy. For the remaining seven economies diversification through the growth of manufacturing industry is essential to boost welfare levels.

In considering and evaluating these changes it will be difficult to make use of fixed, best practice benchmarks on the share of sectors in GDP. *What would be more sensible is to set goals for growth in selected sectors of the economy, notably manufacturing, agriculture, and in service delivery (for tourism development where the environment provides a comparative advantage) and in the provision of financial services*.

The average growth rates of output in the different sectors summarised in Table 7 show that on this indicator a number of the target countries are showing signs of diversification. Manufacturing growth during 2000-04 substantially exceeded GDP growth in Angola, Mozambique and Namibia while in Lesotho and Tanzania manufacturing also exceeded GDP growth, albeit with smaller margins.

6.3.3 The intricate web of investment and enterprise development

The accumulation of physical capital is an essential feature of economic growth and development since growth in the supply of the "tools of production" allows communities to produce more goods and services. The investment function is a complicated relationship in which a large number of variables play a role that varies in importance in determining investment. Suffice it to note for the purposes of this study that in a market economy investment essentially requires the following basic or essential conditions:

- Since savings finance investment, the economy must have a savings capacity and a financial system that can serve as a conduit to channel savings from savers to investors.

- Investment requires entrepreneurs who are able to identify profitable opportunities for investment and who are willing to run the risk of losing their money. A vibrant private sector is crucial if economic growth and the sustainable improvement of the lot of the poor are the goal. Again, this is not a sufficient condition but unambiguously a necessary one.

- Investment is encouraged by a favourable investment environment characterised by factors such as good governance, appropriate transport and communications infrastructure, social and economic stability and, in particular, the institutional elements noted in Section 6.3.1, such as security of property rights, an efficient judicial system that can provide for the enforcement of contracts and a sound regulatory environment.

Access to finance

As far as access to finance is concerned, the consultants found that published indicators to assess the development of financial service providers are absent for many countries in the target group. Since access to external finance is such an important constraint on the building of capacity to produce tradable goods, indicators of access to finance and the extent and depth of financial development should be developed through primary research to fill the gap in available information. With information more readily available, it will be possible to identify a number of ratios that could be used as benchmarks in assessing development progress.

Investment

The investment ratio is defined as gross fixed capital formation in the economy as a percentage of GDP; the ratios for the eight countries are summarised in Table 7. *As a rule of thumb, an investment ratio of about 25 per cent could be regarded as necessary for acceptable levels of growth and investment for developing countries and may serve as a development benchmark.* Botswana. Lesotho, Namibia and Mozambique seem to be on the right track with their investment ratios. The high investment ratio of Lesotho can be ascribed to the impact of the massive Highlands Water Scheme and success of attracting foreign investment in the export-oriented clothing and textile industry. The other countries, in particular war-ravaged Angola, could benefit from a significant increase in the investment ratio.

Table 7: Gross fixed capital formation (% of GDP)

	Average 2003 - 2005
Angola	11.3
Botswana	25
Lesotho	40
Mozambique	23
Namibia	26.3
South Africa	16
Swaziland	17.3
Tanzania	18.3
Lower middle income	27.5
Upper middle income	18.7
High income	20

Source: *World Development Indicators* database

Recalling the essential conditions for investment noted above, there are two constraints that need to be considered. The first is that, with the exception of South Africa and to a lesser extent Namibia, none of the economies, for a number of reasons rooted in history, are noted for a cadre of entrepreneurs who can identify opportunities and invest. The second constraint is that all the study economies are relatively poor and, therefore, cannot generate sufficient savings from domestic sources to finance the levels of investment required for the accelerated growth in investment needed to cross the threshold to higher levels of development.

The solution to both problems may be found in foreign direct investment (FDI), which presents itself as a package of tangible and intangible resources and assets that include capital, technology, skills and management techniques and a vehicle for the recipient countries to access international markets by integrating the international production and distribution chains of multinational corporations.[73]

73 See United Nations Conference on Trade and Development (UNCTAD), Trade and Development Report, 2006, New York and Geneva: United Nations, p. 111.

Table 8: Foreign Direct Investment

Foreign direct investment			
	Inward flow Mil US$	**Inward stock Mil US$**	**Per annum change since 2002 in inward stock**
Angola	-23.9	13,412.8	4.40%
Botswana	346.1	982.1	-17.90%
Lesotho	47.2	526.8	11.00%
Mozambique	107.9	2,386.1	12.00%
Namibia	349.1	2,440.3	11.60%
South Africa	6,379.0	77,108.8	37.60%
Swaziland	14	803	9.80%
Tanzania	473.4	6,028.8	12.70%

Source: www.investmentmap.org

In many developing countries, FDI "is still heavily concentrated in extraction and the exploitation of natural resources with weak linkages to the domestic economy".[74] This is the case in Angola, which has a considerable accumulated stock of foreign capital (Table 8), presumably mostly located in oil extraction. During 2002 and 2003 Angola in fact attracted more than 40 per cent of all net inflows of FDI into the 14 SADC countries and in these years proved to be more successful in attracting FDI than South Africa,[75] which has the largest stock of foreign capital (Table 8). FDI in diamond mining, as is well known, also played a substantial role in the development of the Botswana economy. Mineral resource extraction has also been a prominent feature of Namibia's and Tanzania's inflow of FDI. In contrast to these economies, Lesotho has been successful in attracting FDI in manufacturing. However, the investment in Lesotho's export-oriented manufacturing is also noted for the lack of linkages with and spillovers to domestic industries.

FDI inflows are a variable that can serve as a useful benchmark of development in the SADC-EPA countries. However, experience has shown that host-country benefits to be derived from FDI will depend on their capacity to absorb the investment and to the extent to which investment policies are in line with the development objectives

74 UNCTAD 2006, p. 111.
75 Calculated from data published in World Development Indicators 2006 data base.

and strategies of the host country. Mere concentration on a figure, absolute and relative, will not suffice.

Entrepreneurs and the business sector

The limited multiplier effect of FDI in the domestic economy is an intricate problem that requires comprehensive analysis; for the purposes of this paper it is only noted that poor linkages are often associated with the poor absorptive capacity of the domestic economy, which in turn is linked to the limited range of developed industries and firms that can lock into the backward and forward linkages of the foreign firm. Earlier it has been alluded to that the majority of the study's SADC economies have poorly developed business sectors that can supply to or buy from the foreign-owned firms. An appropriate policy response to this situation would be for governments to have active small business development programmes that proceed beyond mere rhetoric and have organisations in place that facilitate access to finance (frequently identified as the principal constraint on small business development) and provide training in business skills and a range of extension services to assist small and micro business with management functions like production, bookkeeping and marketing.

All the economies in the study group have special programmes in place to develop small and micro business. South Africa, which has a large and developed private business sector, also has a programme to develop small business. The programme has the specific aim of developing small black business. However, the mere existence of a small business development programmes cannot serve as a relevant benchmark in assessing development since they could be highly ineffective. To be useful, *measures such as dedicated small business finance need to be identified and these can then serve as a benchmark of efforts to develop small business*.

Business environment

Investment, whether FDI or by domestic firms, small and large, are frequently constrained by an unfavourable investment environment created by political and economic instability, excessive regulation, and ineffective service provision. Table 9 gives some indication of the business environment in the study countries. It must be emphasised that this is only a partial and imperfect indication of the business environment.

The outstanding message of Table 9 is the poor business environment in Angola, which confirms anecdotal evidence provided by business people of the difficulties encountered when doing business in Angola. But there is also an interesting facet to this situation: Angola has been very successful in attracting FDI, which illustrates the different conditions that apply when FDI is destined for mineral extraction compared to manufacturing, services and agriculture. High mineral rents render the investment function in mineral extraction totally different from investment in other economic sectors, where factors such as the business environment, institutions, governance, and infrastructure are very important in attracting investment. It also explains why mineral extraction could take place with low absorptive capacity reflected in limited linkages with domestic industries.

Mauritius, an African country widely acknowledged for its diversified growth and business friendly environment, has been included in Table 9 as comparator country. Angola is a clear outlier when compared to Mauritius, while Mozambique also compares unfavourably on all the listed indicators. Of the remaining countries, South Africa compares most favourably with Mauritius.

Table 9: Indicators of the Business Environment, January 2005

	No. of procedures to start a business	Days required to start a business	Cost of starting business as % of per capita income	No. of procedures to enforce contracts	Days required to enforce contracts
Angola	14	146	642.8	47	1 011
Botswana	11	108	10.9	26	154
Lesotho	9	92	56.1	49	285
Mozambique	14	153	95.0	38	580
Namibia	10	95	18.8	31	270
Swaziland	…	…	…	…	…
South Africa	9	38	8.6	26	277
Tanzania	13	35	161.3	21	242
Mauritius	6	46	8.8	28	367

Source: *World Development Indicators 2006*, Washington D.C.: World Bank

Infrastructure

Adequate infrastructure will impact positively on the investment decisions of domestic and foreign firms, especially in those cases where mineral extraction is not involved. Manufacturing, modern farming and tradable services require good transport, communication, electricity and water services in order to function efficiently. Infrastructure impacts on economic growth primarily in two ways. First, infrastructure lowers the cost of input factors in the production process, also called the direct effect. Secondly, infrastructure improves the productivity of other input factors, known as the indirect effect.

However, it is not so easy to measure the causal link between infrastructure and economic growth and development. Although countries that have achieved high growth rates all have relatively good infrastructure indicators, the direction of causality is unclear. Is it infrastructure that leads economic growth or the other way round? One way round this problem is to simply compare infrastructure indicators in different countries and benchmark the country under investigation against a comparator group of similar countries. However, it is not easy to simply compare infrastructure indicators across countries. Infrastructure depends on the geography of a country, the distribution of the population and the allocation of resources within a country. Furthermore, most infrastructure indicators only measure the quantity of infrastructure and not the quality of the services provided.

Given these constraints, however, more empirical research with regard to infrastructure has recently been undertaken. An important dataset, published in 2004, has helped with benchmarking infrastructure indicators of countries. Using the Estache and Goicoechea dataset,[76] a number of key infrastructure variables can be benchmarked against comparator country groups. Because of the nature of infrastructure and the difficulty in comparing absolute indicators over time and geography, a qualitative approach, using evidence from the 2006 SADC review, will also be added to the discussion of the quantitative measures.

Table 10: Infrastructure indicators

	Year	Angola	Botswana	Lesotho	Mozam-bique	Namibia	South Africa	Swaziland	Tanzania
Road density, population (road-km/1000 people)	1999	4.27	6.2	3.44	1.76	36.36	8.44	2.9	2.68
Fixed line and mobile phone subscribers (per 1,000 people)	2002	15	336	58	19	145	408	100	27
Improved sanitation facilities (% of population with access)	2002	30	41	37	27	30	67	52	46
Improved water source (% of population with access)	2002	50	95	76	42	80	87	52	73
Access to Electricity Network (% of population)	2000	5	10	5.9	5.8	20.2	66	20	8.9

Source: Estache and Goicoechea , 2005

76 A. Estache and A. Oicoecheas, A 'Research' Database on Infrastructure Economic Performance. Policy Research Working Paper No. 2545, Washington D.C.: World Bank, 2005.

Table 11: Infrastructure in comparator groups

	Road density in terms of population (road-km/1000 people)	Access to Electricity Network (% of pop)	Access to improved water sources (% of pop)	Access to improved sanitation (% of pop)	Teledensity (total telephone subscribers/ 1000 people)
Sub-Saharan Africa	3.3	15	64	37	99
Low Income	3.0	31	65	41	64
Middle Income	7.0	85	89	79	468

Source: Estache and Goicoechea , 2004.

Comparing the study countries to the three comparator groups listed in Table 11, the comparatively weak position of Angola and Mozambique is apparent. Both countries, as well as Tanzania, fall below the average for Sub-Saharan Africa. No doubt, this can be ascribed at least partly to the legacy of war. The Angolan government estimates that the road system, for example, will require 10 to 15 years to restore to its pre-independence status.[77] South Africa is below par when compared to the average for middle income countries but significantly better off than the other countries in the group.

Is it viable to benchmark infrastructure with a specific indicator or group of indicators? Differences in geography and the quality of services render the probable outcome of such an effort to be poor. *It will be more useful to monitor improvement in selected infrastructure indicators and to complement this with a review of the quality of services.*

6.3.4 Human capital and factor productivity

In the previous section attention was given to the accumulation of physical capital through investment as a necessary determinant of economic growth and development. Since the 1950s, however, economic growth theory shifted the focus, supported by growth experience, to investment in human capital, that is, education

77 SADC, Official SADC Trade, Industry and Investment Review 2006, Southern African Marketing Co. (Pty) Ltd.

and training that build skills and enhance productivity and through productivity growth the growth of the economy and the welfare of society.

It is difficult to assess empirically the levels of human capital in the study countries. Investment in human capital commences with the achievement of literacy, although this does not deny that illiterate people can also develop skills. Table 12 shows that literacy levels in Angola and Tanzania are low, with an exceptionally high *illiteracy* rate in Mozambique and high rates in Angola and Tanzania. In all the countries literacy rates are substantially lower than the average rate for lower middle income countries.

Table 12: Adult illiteracy (% of people ages 15 and above), 2003

Angola	33.2
Botswana	21.1
Lesotho	18.6
Mozambique	53.5
Namibia	15.0
South Africa	17.6
Swaziland	20.8
Tanzania	30.6
Lower middle income	11
Upper middle income	6

Source: UNDP, *Human Development Report 2005*; World Bank, *World Development Indicators* database (Lower and Upper middle income countries)

Insight into poor literacy in Angola and Tanzania is obtained when progression to secondary school and public expenditure on education are considered.[78] In Tanzania only 19 per cent of the total primary school enrolment progresses to the secondary level (no data are available for Angola). In Angola only 3 per cent of GDP is spent on education programmes (a comparable figure for Tanzania is not available). This is not significantly below the average of other countries, but Angola earns substantial mineral rents of which a significant portion should be invested in education if the “mineral curse” is to be avoided and future diversifying economic growth to be encouraged.

78 Sourced from the World Development Indicators database.

It does seem that most study countries are spending far more than the average of developing countries on education, measured as percentage of GDP. Yet, the outcomes are far less impressive. This is an area that reflects on the effective utilisation of public funds and should be investigated. Given this, *it is important that benchmarks are set against educational outcomes, such as the literacy rate (at 90%), rather than against the inputs (such as education spending as a percentage of GDP).*

In traditional growth accounting, economic growth is the product of input growth and productivity growth. In this study focus on input growth has been on investment in physical capital. Productivity growth refers to total factor productivity growth, that is, of capital and labour, but moving on from *ex post* growth accounting to development policy to raise the standard of living of the population, the emphasis shifts to growth in labour productivity. Growth in the productivity of labour translates into higher real incomes for workers and if this occurs without being at the cost of employment, labour productivity becomes the source of increasing living standards.[79]

Unfortunately, available sources do not allow an assessment of multi-factor and labour productivity in the study group, with the exception of South Africa. *In view of this absence of highly relevant but currently unavailable information, improvements in labour productivity do not suggest itself as a practical benchmark to be applied in EPA negotiations. But studies that address labour productivity in a comparative sense could prove valuable in assessing the implementation of EPAs in terms of development outcomes.*

6.3.5 EU development assistance

It is difficult to benchmark a time-specific and fluctuating variable such as development assistance. The various allocations made by the European Commission to the African countries under study are summarised in Tables 13.1-13.6.

79 It is possible to have a situation where the growth in labour productivity is associated with a decrease in employment numbers. This could be the outcome of increasing capital intensity of production in a process of mechanization. Fewer workers producing more goods is accounted for as increasing labour productivity but it could be associated with a decline in multi-factor productivity because of an implied decline in capital productivity. This is not an hypothetical case but has been experienced in South Africa. In this regard see Colin McCarthy, Productivity Performance in Developing Countries, UNIDO Country Case Studies – South Africa, United Nations Industrial Development Organization, Vienna, 2005.

The EU seems to be addressing the areas in most need as recorded under the supply constraints identified above. Angola, for example, receives large allocations for health and education, two areas that urgently require attention. Botswana and Namibia's human capital needs are addressed, while Lesotho, Mozambique and Tanzania receive large allocations for infrastructure investment which is, as shown above, of greatest need in these countries.

Yet, when the total donation is calculated in per capita terms, it is evident that Botswana, Lesotho and Namibia receives significantly more development assistance than the Least Developed Countries of Mozambique, Tanzania and Angola. Obviously, this is partly the function of the smaller populations of the former group of countries.

Table 13.1: Angola

	Allocation (€ million)	**% of overall allocation**
Focal area		
Health	50-60	42-51%
Education	25-30	21-25.5%
Food security/rural development	0-3	0-2,5%
Non-focal areas		
Civil society	3	2,5%
Good governance	0-15	0-12,5%
DDRR, social sectors	7,6-39,8	6,5-34%
Total	117	100%
Total per capita	€8.36	

Source: European Commission (2007)

Table 13.2: Botswana

	Allocation (€ million)	% of overall allocation
Focal area: Human Resources Development (HRD)	32	80%
Non focal areas	7	20%
Total	39	100%
Total per capita	22.47	

Source: European Commission (2007)

Table 13.3: Lesotho

	Allocation (€ million)	% of overall allocation
Focal areas		
Water and sanitation	Up to 17.2	Up to 20%
Road Transport	Up to 17.2	Up to 20%
Macro-economic support and capacity building	Up to 43	Up to 50%
Non-focal area		
Other Programmes (HIV,/AIDS, micro-projects, decentralised cooperation, support of NSA, contributions to trade and regional integration)	Up to 8.6	Up to 10%
Total	Up to 86	
Total per capita	Up to €39.1	

Source: European Commission (2007)

Table 13.4: Mozambique

Focal area	Allocation (€ million)	% of overall allocation
Transport infrastructure	82.2	30%
Macro-economic support	137	50%
Non-Focal area		
Governance, Health, NSA	54.8	20%
Total	274	100%
Total per capita	€14.45	
Food Security	48	Covered by the Food Security Budget line

Source: European Commission (2007)

Table 13.5: Namibia

	Allocation (€ million)	% of overall allocation
Focal area : Rural Development and land reform	34	60%
Focal area : Human Resources Development (HRD)	21	30%
Non focal areas		10%
Total	73	100%
Total per capita	€39.89	

Source: European Commission (2007)

No data available for South Africa and Swaziland.

Table 13.6: Tanzania

	Allocation (€ million)	% of overall allocation
Focal area		
Transport infrastructure	101.9	26%
Macro-economic support	171	43%
Education	43.3	11%
Non focal area		
Governance	29.1	7%
Other	48.4	12%
Total	393.8	100%
Total per capita	€10.84	

Source: European Commission (2007)

6.4 Benchmarking the demand side

Demand side considerations to an important extent relate to market access, which means that they lie at the root of EPAs as WTO acceptable trade arrangements that focus on access to the EU market for ACP economies but simultaneously access to ACP markets for EU goods. In time this means that ACP industries will have to contend with the competition of EU firms in their domestic markets. A complicating factor for ACP is the competition that will come from producers located in the lesser developed entrants to the EU.

The following factors should be benchmarked, again reliable information permitting:

- Given the asymmetrical phasing in of free trade arrangements, the sensitive industries in the SADC configuration to be provided for in the “essentially all trade requirement” of regional integration arrangements;

- Technical and other non-tariff barriers to trade with the EU, including rules of origin for a complex SADC group (part of the larger SADC, two customs unions – SACU and EAC, and the TDCA);

- The meaning of the “essentially all trade” WTO requirement in terms of industries excluded from liberalisation;

- Trade integration within the SADC group – intraregional trade and investment flows and regional cooperation;

- Export growth by product group and direction of trade;

- Imports (changes in import penetration ratios) and the impact on domestic industry; and

- Policy initiatives to build export production capacity, both with respect to goods and services.

6.4.1 Essentially all trade requirement and sensitive industries

In considering and planning for the asymmetrical negotiation of a free trade agreement between a group of developing countries and an arrangement of developed countries, the first problem to address is the goods that should be included in the category that may be excluded from the free trade (zero tariff) requirement of the “essentially all trade” requirement of GATT Article XXIV. The second is to determine the differentiated time scale of removing import tariffs on the different categories of goods.

There are two views of how to interpret the ‘substantially all trade’ provision. The *quantitative approach* favours a statistical benchmark on the proportion of trade covered – for example, 90 per cent of all existing trade between the parties. Assuming that the EU offers free market access for 100 per cent of SADC imports, the 90 per cent of all trade between the SADC group and the EU will place a liberalisation requirement on about 80 per cent of SADC imports from the EU, thus leaving 20 per cent of SADC group imports outside the free trade net. The key objection to this approach is that it would not preclude exclusions of certain sectors.

The *qualitative approach* overcomes this objection and argues that no sector (or at least no major sector) should be excluded from RTA trade liberalisation.

A further question is if 'substantially all trade' should be measured for the region as an accumulated whole, or on a country by country basis. South Africa's trade is massive in comparison with the rest of the SADC group, and measuring 'substantially all trade' after combining all the trade in the region would have the potential of excluding numerous developing industries, especially in LDCs. After the formal inclusion of South Africa in the SADC-EPA configuration it can be assumed that the EC will pursue the measurement of 'substantially all trade' in each individual country. This essentially means a more ambitious liberalisation agenda and less protection for sensitive industries.

On *a priori* grounds it can be accepted that the countries in SADC group will have different views on the identification of sensitive goods that they would like to keep outside the free trade requirement. On the assumption that full liberalisation will be required for 80 per cent of imports from the EU and furthermore, that current tariff levels reflect the protectionist disposition of governments with respect to product groups, the proper approach would be to start from the highest tariff and work down until the 80 per cent level of imports is reached.

Logically, the next step would be to build the asymmetry of the transition to free trade on the remainder of imports on a continuation downward from the highest tariff that falls within the 80 per cent constellation of imports. For example, if the "substantially all trade" definition excludes goods bearing a tariff of 25 per cent and higher, with 23 per cent as the highest tariff in the "substantially all trade" category, the goods with the 23 per cent tariff will be phased in to free trade over the full duration of the transition period, and so forth.

In the SADC-EPA negotiations the SACU member states will negotiate on the basis of the customs union's common external tariff. However, this process will be complicated by the TDCA and the EU intention of keeping SA separate

However, there is no clear guide on which industries to exclude from liberalisation and this will be one area of negotiation. One needs to keep in mind that under an FTA it is not necessary for each country to have the same external tariff. Therefore, it is possible for countries in the same configuration to exclude different sets of products. However, this will increase fragmentation in the region and could lead to arbitraging. Countries should therefore ideally strive to have similar lists of exclusions/inclusions to simplify trade facilitation in the SADC EPA region.

Negotiations can be benchmarked by analysing the agenda agreed to for inclusion/exclusions of traded products. The more arbitrary these inclusions/exclusions, the less likely it will be for strong industry players to develop and emerge in the region. If the inclusions / exclusions in the region are more focussed, it is a sign that countries had prepared a coherent negotiating strategy and is negotiating as a unit.

More or less the same issues that apply to the “substantially all trade” requirement will also apply to the back-loading of trade liberalisation per category of goods. In this regard much will also depend on whether the SADC8 will be negotiating as a unit in which case intra-SADC negotiations on the development of a common position will be a prerequisite.

6.4.2 Technical skills and capacity to meet EU product standards[80]

Market access is usually considered in terms of tariff and quantitative constraints to trade. But this is only one dimension of the constraints that countries, developing countries in particular, may face in selling goods in the markets of the developed world. Sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) are increasingly becoming barriers to trade, especially for products from developing countries. New rules and regulations are constantly being put in place, making it difficult for small producers and growers in the developing countries to comply with these technical measures. This imposes significant compliance costs as adjustments to incorporate SPS and TBT regulations must be made to secure

80 This discussion is adopted from the SPS and TBT position papers which were prepared as part of the SADC EPA negotiations.

markets for exports. Inadequate resources to install the necessary capacities and infrastructure for compliance have led to the decline in exports from the SADC group to the international markets and in particular the EU. SPS measures are especially prominent for the SADC group countries because of the dominance of agriculture and other food products in their exports.

The joint SADC–EC Roadmap recognizes SPS measures and TBT as priority areas for the EPA negotiations and preparations in these areas have begun in all earnest. At the first SADC–EC Technical meeting focusing on SPS, TBT and regional integration, held on 16 March 2005, it was agreed to produce joint reports on SPS and TBT. The purpose of these reports was to identify areas for facilitating and strengthening regional integration, bilateral cooperation, technical assistance and capacity building. According to these reports, the main SPS and TBT related problems affecting SADC region include the following:

- Limited knowledge of SPS and TBT issues by the private and public sector;
- Limited conformity assessment capacity;
- Insufficient accredited laboratories;
- Limited resources - technical, financial, human and infrastructure;
- Limited capacity for food hygiene control system;
- Lack of harmonisation of existing policy and regulations standards in Member States;
- Limited information sharing on SPS and TBT in the region; and
- Inadequate participation in WTO and international standard-setting bodies.

On TBT, parties to the Cotonou Agreement reaffirmed their commitments under the WTO SPS Agreement[81] and WTO TBT Agreement[82] and these should be considered as the basis for applying these measures. It should be remembered that the Cotonou Agreement provides a framework in terms of which the EPA negotiations must be conducted and concluded. Art 47 of the Cotonou Agreement considers Standardisation and Certification and refers specifically to the manner in which to

81 Art. 48 of the Cotonou Agreement
82 Art. 47 of the Cotonou Agreement

deal with TBT. Cooperation between the parties *“shall aim at shall aim at promoting compatible systems between the Parties”* and in particular include the following:

- measures to promote the greater use of international regulations and procedures;
- cooperation in the area of quality management and assurance;
- capacity building initiatives in the areas of conformity assessments, metrology and standardization; and
- developing functional links between ACP and EC institutions.[83]

The joint SADC-EC report on TBT closely corresponds with Art. 47 of the Cotonou Agreement and identify the following objectives for negotiations in this area:

- adopted measures are not to become unnecessary barriers to trade;
- technical capacity for the development, implementation and monitoring of technical regulations must be established and enhanced;
- market access is to be improved through an improvement in quality and competitiveness of products;
- facilitate harmonization of technical regulations and standards and develop an appropriate regulatory framework;
- promote greater use of international best practices;
- promote arrangements for mutual recognition; and
- afford special and differential treatment in the preparation and application of technical regulations.

The EC is currently working with the SADC EPA Member States to assist them in meeting their WTO TBT obligations. The project intends to ensure that the technical regulations framework and necessary infrastructure is developed to the appropriate level. This is a five year project funded under the 9th EDF.

On SPS, the importance of cooperation on SPS measures was already addressed in the Joint Report on the all-ACP–EC phase of EPA negotiations, which was adopted

83 Art. 47(2) of the Cotonou Agreement

in Brussels on 2 October 2003. In the report the EC concurred with the ACP's recommendation of supporting the development of national and regional capacities, including testing and certification institutions, as one of the best immediate ways forward. The report further recognised the value of developing a co-ordination and consultation mechanism on SPS issues within the EPA[84]. The parties also agreed the following in Art. 48 of the Cotonou Agreement to facilitate trade between them:

- reinforce coordination, consultation and information in the notification and application of proposed SPS measures[85];
- prior consultation and coordination with Codex Alimentarius which is responsible for food safety[86]; and
- re-enforce the capacity of the public and private sector relating to SPS[87].

The joint SADC – EC report on SPS elaborate on these principles and lists the following objectives to guide the negotiations:

- measures adopted do not become unnecessary barriers to trade;
- enhance technical capacity for the implementation and monitoring of SPS measures;
- provide technical assistance for the development of necessary infrastructure;
- facilitate regional harmonization of measures and develop appropriate regulatory frameworks and polices;
- improve market access through an improvement in quality and competitiveness of products;
- promote cooperation between SADC and the EC;
- promote cooperation on the implementation of the WTO SPS Agreement; and
- promote bi-regional cooperation to recognize appropriate levels of protection on SPS measures.

The report concedes that the last SPS inventory was done in 2001 as the first phase of a comprehensive project to address SPS issues. The project further intended to

84 ACP/00/118/03 Rev.1
85 Art. 48(2) of the Cotonou Agreement
86 Art. 48(2) of the Cotonou Agreement
87 Art. 48(3) of the Cotonou Agreement

assess compliance under the WTO SPS Agreement and to provide technical assistance and capacity building initiatives to strengthen SPS measures. The last mentioned aspects of the project are still outstanding and it was propose that these be included in the context of the EPA negotiations.

While SPS and TBT are undoubtedly important factors that will determine trade and development under an EPA, and hence an important item for inclusion on the agenda of EPA negotiations, *it is difficult to envisage how this can be benchmarked. The assistance that the EU will be affording the SADC countries in establishing and developing the capacities required to meet the standards can hardly be quantified and can only be entered into an EPA as an unqualified condition, specifying the kind of assistance required and the time frame that will apply in its provision.*

A point that has repeatedly been made in this report is the diverse nature of the SADC countries; this also applies as far as the capacity to meet the required EU standards is concerned. The ability of South Africa to meet the requirements cannot be compared to that of Mozambique, for example. This introduces another factor into the equation and that is regional cooperation in dealing with constraints to trade. South Africa has substantial capacity and could be expected to use this capacity in assisting the other seven partners in developing their capacities to meet the requirements of SPS and TBT.

6.4.3 Export growth by product group and direction and Imports (changes in import penetration ratios) and the impact on domestic industry

From the perspective of an EPA an important demand side consideration is that economic development of the SADC group will have to be driven by export growth. Economic transformation will also require the export growth to be diversified. In the EPA context three issues suggest themselves as relevant for the sake of benchmarking EPA negotiations and implementation. The first is the direction of trade with more trade with the EU as the expected outcome, the second is the growth in trade, and the third is the change in the composition of trade.

Composition and direction of trade

Data on imports and exports by country and product group is attainable from the Market Access Map, a project undertaken by the International Trade Center to make trade data available to all participating countries. Such data ensure that current trade flows and directions of trade can be reviewed, even for countries that often do not provide reliable data, since information is gathered both from the exporter and importer.

In general the data show that most of the SADC group export primarily low value-added primary products, such as minerals, oil, and basic food stuffs. Lesotho benefits from the AGOA arrangement, exporting clothing and textiles to the United States. South Africa is the only country with a relatively diverse export base, with high value-added products, such as vehicles, exported in large quantities to Japan and the United States.

It is furthermore striking that trade between the countries of southern Africa is not substantial. Only Namibia exports a substantial percentage of its total exports to neighbouring countries.

The Appendix provides an analysis of the top ten exports and imports by country as well as the top ten product exports by destination of each of the countries under study.[88] It is evident from this analysis that a large share of the imports of the countries consists of manufactured and technologically advanced products.

Angola

Angola is a major oil exporter, exporting US$ 8,971,076 in 2005. Oil exports are more than ten times larger than the second largest exported product, diamonds. It is also more than all of the other countries' exports (except South Africa) combined. Apart from oil and diamonds, Angola also exports a number of very technologically advanced products, such as various instruments, appliances, electrical machinery

88 On this point a word of caution is called for. A perusal of the data derived from the Market Access Map reveals anomalies that will have to clarified before use is made of the data.

and parts of aircraft. However, the quantities of these exports are very small and the mineral rents could be used to develop these high value-added industries further.

Although most oil is exported to the USA, China has recently become a major buyer of Angolan oil. Angola is now the third largest oil exporter to China.

Angola imports mostly mechanical appliances used in the oil industry. Semi-durable goods, such as vehicles, furniture and electrical machinery and equipment, and consumables, such as beverages, animal fats and wheat, are also major imports.

Botswana

The diamond industry, producing exports of US$ 1,805,997 in 2005, is the major export industry in Botswana. These uncut diamonds are mostly exported to the UK. Nickel is the second largest export product, with Norway as the major importer. Bovine cuts exported to the United Kingdom are the third largest export product. Botswana also benefit from the AGOA agreement, with a number of clothing and textile products exported to the United States. The only major high value-added product exported by Botswana is ignition wiring sets for vehicles. The low value-added nature of its exports should be of concern for Botswana.

Botswana imports mostly tractors (used in diamond and agriculture industries), as well as semi-durable goods and consumables.

Lesotho

The top ten exports of Lesotho are all clothing products and the United States is the only destination of these exports. The AGOA agreement is primarily responsible for the incentives to locate clothing manufacturing firms in the country. The dependence on this agreement and industry should be urgently addressed in the economy.

By far the largest import is textiles used in the clothing industry. Again, the dominant other imports are semi-durable goods.

Mozambique

Mozambique is primarily an aluminium exporter, with most of the aluminium exported to the European Union. Other primary goods are also exported in large quantities, such as shrimps (also to the EU), tobacco, logs, cotton, cashew nuts (to India), molluscs, granite and coal. Not one of the top ten export products are manufactured. Oil is the biggest import for Mozambique.

Namibia

Namibia exports mostly low value-added products. These include diamonds, frozen fish, gold and bovine meat. However, a number of manufactured products are also exported such as non-alcohol beverages to Angola and beer to Angola and South Africa. Only two leading developed countries import a large quantity of Namibian goods, the UK (diamonds) and Spain (fish). Namibia imports mostly oil and vehicles.

South Africa

South African exports are dominated by minerals. Coal, platinum, diamonds, oil, chromium and aluminium are all mineral products which appear in the top ten group. They are all exported to developed countries. The only two manufactured goods are vehicles (US$ 1,611,611 exported to the US and Japan) and filtering and purifying machinery (US$ 1,150,598 exported to Germany).

Yet, it should be remembered that the size of South African exports are much larger; the tenth top export in South Africa is larger than the second export of all countries under study, and even larger than the number one export of a number of these countries. Therefore, even though South Africa's top exports are dominated by minerals, manufactured goods are exported in large volumes, which make South Africa a far more diversified exporter than the other countries. Evidence of this is provided when the top 50 exported products are identified.

Oil is South Africa’s the biggest import. A variety of mostly high-tech goods, such as aircraft, transmission apparatus, vehicles, computers and capital goods in general are also imported.

Swaziland

Sugar cane (exported to the UK and France) is the primary export commodity of Swaziland, followed closely by food preparations (exported to Australia and New Zealand) and substances for the food industry (Kenya). Swaziland also benefit from the AGOA agreement, with a number of clothing products exported to the US.

Swaziland imports mostly durable goods, such as televisions, computers and printers.

Tanzania

Gold is the major export of Tanzania which is mainly imported by the UK and France. Most of the country’s exports are primary commodities, including fish, metal ores, coffee (not roasted), cashew nuts, cotton, tobacco, wheat, diamonds and black tea. Diversifying the export base into manufactured products should be an important objective.

Oil is Tanzania’s biggest import, followed by trucks, vehicles and aircraft. Non-durable products (worn clothing, wheat, rice and palm oil) are also imported extensively.

Export growth

The conclusion of a free trade agreement removes constraints to market access and should in this way encourage two-way intra-regional trade. Welfare is enhanced by access to cheaper goods from imports, while growth in exports acts as a growth engine by providing an outlet for growth in production, thus escaping the constraint of a limited domestic market. As noted earlier, this source of growth depends on the supply-side ability to produce goods for which an export demand exists.

However, growth in export production may not have a broad-based effect on the economic wellbeing of society. In table 14 it is shown that two countries in the SADC group, Angola and Lesotho, have experienced a sharp increase in the contribution of export production to GDP from 1990 to 2004. In the case of Angola the export growth is due to an expansion of oil production and in Lesotho it is growth in the production for export of garments on the basis of preferential access to the American market. However, in both cases there are indications of poor linkages to the domestic economy, which were alluded to in section 6.3.3. While growth in exports, and specifically the growth in exports to the EU, could serve as an indicator of the outcome of EPA driven improved market access, a closer observation of the nature of this growth would be required, focusing not only on the growth as such but also on the composition of exports and specifically on indications of export diversification. Simultaneously, the impact of the growth in export production on the broader economy should be considered, including the ability of governments of mineral-rich countries to capture through appropriate policies mineral rents for the sake of future growth and general welfare.

Table 14: Export growth

	Exports of goods and services as % of GDP		Average annual growth in exports of goods and services	
	1990	**2004**	**1990 -2000**	**2000 - 2004**
Angola	39	71	…	…
Botswana	55	40	4.7	-5.8
Lesotho	17	48	11.1	12.4
Mozambique	8	30	11.0	23.3
Namibia	52	46	3.8	8.7
South Africa	24	27	5.6	0.8
Swaziland	75	84	3.8	2.0
Tanzania	13	19	7.1	4.2
Middle income countries	22	35	7.2	10.1

Source: World Development Indicators 2006, World Bank, Washington D.C.

6.5 Benchmarking policy spaces

It is often argued that WTO compatibility and the conditions that apply when development assistance is provided restrict the ability of developing countries to implement the development policies which they deem appropriate and important; in other words, their policy space is being inhibited. Moreover, cognisance has to be taken of the fact that entering into a free trade agreement with the EU could have important policy implications for the SADC group. A number of policy spheres are relevant from an EPA perspective.

6.5.1 Competition policy

Competition policy has long been recognised as being closely related to both development and international investment issues. However, it is also an area where considerable scope remains for building capacity and institutions. In Art. 45 of the Cotonou Agreement, the parties agree that sound and effective competition policies are crucial in order to *“improve and secure an investment friendly climate, a sustainable industrialisation process and transparency in the access to markets”*. Competition policy in the context of common policy development is also mentioned in the 2002 SACU Agreement. SACU members recognize in the Preamble that the implementation of the 1969 SACU Agreement was hampered by the lack of common policies and institutions. Therefore Part 8 was included in the 2002 SACU Agreement which relates the development of common policies and requires different levels of cooperation or coordination in the areas of industrial policy, agricultural policy, competition policy and unfair trade practices.

The parties agree in Art. 40 of the 2002 SACU Agreement that there **shall** be competition policies in each Member State and that they **shall** cooperate in the enforcement of competition laws and regulations. At this stage **South Africa** is the only member of SACU which has competition legislation and policy, overseen by a functioning competition authority. **Namibia** has competition legislation but not yet a functioning competition authority while the others are at various stages of policy or legal drafting[89].

89 http://www.unctad.org/sections/wcmu/docs/c2clp_ige7p28_en.pdf

Tanzania is at the very beginning of institutional building of competition agencies after the current Tanzanian Fair Competition Act was passed by Parliament in 2003. The aim of the Act is to promote and protect effective competition in trade and commerce, protect consumers from unfair and misleading market conduct, and provide for other related matters. The two implementing institutions as sanctioned by the Act have been set up - the Fair Competition Commission and the Fair Competition Tribunal. The newly formed institutions need capacity building in terms of training, working equipment and tools while recruitment for staff for the two institutions is currently ongoing[90].

The adoption of a competition policy in many countries has been as a result of conditionality in bilateral financial assistance or other similar initiatives. In **Mozambique** however, the adoption of competition policy has been preceded by national introspection, debate, and the deliberation of the advantages and disadvantages of such a policy. An assessment of institutional capacity to administer the most effective programme was even undertaken. Recent studies by USAID and UNCTAD assisted Mozambique in identifying its interest in competition policy and recommended adoption of a staged approach for the development of competition legislation in Mozambique. It further prescribed the law to focus exclusively on prohibiting price-fixing behaviour, and suggested the newly established competition agency to take up competition advocacy as a priority activity. Mozambique has many institutional constraints that might render a wide ranging approach for competition administration difficult:

- little tradition in competition
- limited jurisprudence on the subject
- limited capacity to administer laws
- little confidence in the legal system
- no natural constituency for a competition agency
- constrained budgets and scarce human capital.

90 http://www.tzonline.org/pdf/effectivenessandpotentialimpactofcompetitionpolicy.pdf

Therefore, the implementation of a focused competition policy seems more realistic and inexpensive than managing a comprehensive competition system[91].

SADC EPA Member States are reluctant to embrace trade-related issues, including competition in the EPA negotiations. The most commonly cited reasons are lack of capacity and lack of common policies in the region. The Cotonou Agreement recognizes these constraints and in Art. 45 (3) provides for *"assistance with the drafting of an appropriate legal framework and its administrative enforcement"*, while particular reference is made to the special situation that exists in the LDCs. The Catch-22 situation, however, is that the EU will only grant this assistance when the SADC EPA group accepts binding commitments on competition in the negotiations. It would be ideal if the EPA negotiations can act as a springboard to develop the necessary competition policy for the increasingly competitive regional and domestic markets that will be created by the implementation of the EPA. This would also further the objectives of SACU to consolidate and implement the common policies provisions in the SACU Agreement.

A practical example with regard to the above relates to Namibia. The country enacted competition legislation in 2003; however, to date it still does not have a functioning competition authority. Budget and capacity constraints and political will are distinct challenges. The EPA negotiations present an opportunity to prepare a proposal for implementation that could form part of the negotiations on the development dimension from a SACU perspective, not only by providing financial and capacity support but also by dispelling the concerns of the EU regarding the inclusion of competition in the negotiations[92]. With the deadline looming, it may well also be in the interest of both parties to include a 'built-in' agenda to revisit not only competition, but other trade-related issues at a future date.

The objectives agreed to in Art. 45 of the Cotonou Agreement can be a useful benchmark since the aim was specifically to strengthen their capacity relating to competition policy as well as improving and supporting the institutional frameworks. The following benchmarks can be identified in Art. 45:

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91 http://www.cuts-international.org/documents/Mozambique_PCP.doc
92 http://www.unctad.org/sections/wcmu/docs/c2clp_ige7p28_en.pdf

- *Introduction and implementation of national or regional competition rules*. This is a necessary starting point especially in a configuration like this one, as very few of the countries have existing competition legislation. This correlates with the undertaking in Art. 40(1) of the 2002 SACU Agreement which states that "Member States agree that there shall be competition policies in each Member State". New policies are typically based on new statutes, so the first step would logically be the drafting of competition legislation.

- *National competition agencies to ensure the efficient enforcement of the rules*. Countries implementing competition policies necessarily need institutions with properly trained employees and adequate resources to enforce the enacted legislation. It is essential that the institution be politically independent and operates transparently to avoid accusations of corruption.

- *Formulation of effective competition policies that facilitate development*. There is a growing consensus that countries which have experienced high and sustained economic growth and prosperity are those that have relied on the working of a dynamic enterprise sector, well regulated and operating within a stable and predictable environment. Competition policy and the promotion of vigorous regional and domestic competition is the basis on which to build international competitiveness[93].

- *Cooperation in the formulation and support of competition policies to ensure effective enforcement.* This benchmark is echoed by Art. 40(2) of the SACU Agreement in which Member States are obliged to "co-operate with each other with respect to the enforcement of competition laws and regulations". Cooperation from the EU, however, will only be provided if binding commitments on competition is made in the negotiations. It is important that SADC EPA Member states proactively engage each other at the regional level to formulate a common position on competition.

93 http://r0.unctad.org/en/subsites/cpolicy/docs/capacity_building_report.PDF

6.5.2 Revenue

Customs duties provide developing countries with a valuable source of revenue. If the tax base of the economy is narrow and weak the easy, simple and relatively inexpensive solution is to tax international trade, imports in particular. Customs duties, unlike taxes on exports which often have a revenue objective only, have the additional advantage of being seen as a justifiable means of protecting domestic industry. Nevertheless, if the revenue consideration is important, as it is in the majority of the SADC group of countries (see table 15), a serious budgetary constraint can develop if trade with the major trading partners of the economy is liberalised.

From Table 15 it appears that among the lesser-developed members of the SADC group, that is, excluding South Africa with its relatively broad and developed tax base, Angola and Botswana, in this order, are less dependent on customs duties as a source of government revenue. However, both these economies are mineral rich (oil and diamonds) and derive substantial revenue from their extractive industries, such as royalties, tax on exporting firms and profits earned by state-owned enterprises transferred to the government budget. According to UNCTAD, Angola in 2003 earned 75.1 per cent of government revenue in this way and Botswana 52.7 per cent in 2002.[94]

94 UNCTAD, Trade and Development Report, 2005, Table 3.5.

Table 15: Contribution of customs duties to government revenue, % of, 2005/6

Angola*	5.7
Botswana	12.1
Lesotho	48.6
Mozambique*	15.3
Namibia	25.1
South Africa	3.4
Swaziland	68.5
Tanzania*	38.1

Sources: SACU member states: Estimates by Frank Flatters & Matthew Stern, Implementing the SACU Revenue-Sharing Formula: Customs Revenues, Policy Brief prepared for the South Africa National Treasury, 8 April 2005. *For Angola, Mozambique and Tanzania: Annual average of contribution of taxes on international trade to total government revenue, derived from World Bank, *African Development Indicators*, 2005

It is clear that the BLNS countries and Tanzania will suffer in fiscal terms if a SADC-EU EPA is concluded and effectively phased in over time. These fiscal constraints can have a detrimental impact on development spending by governments and in this way could sabotage the development objective of the EPA mechanism. Part of the solution to the problem is to develop alternative sources of revenue, but in the medium term at least these economies will have to be supported by EU grants to compensate for the loss of revenue commensurate with falling tariffs on imports from the EU.

For South Africa, customs revenue is relatively small and not regarded as important; the import tariff is primarily seen as an instrument of industrial policy. However, for South Africa's SACU partners, namely BLNS, and Lesotho, Namibia and Swaziland in particular, the revenue provided by customs duties is of considerable importance. The 2002 SACU Agreement has changed the revenue distribution mechanism, which effectively means that BLNS are no longer guaranteed a minimum revenue rate (revenue as a percentage of import values and excisable consumption) of 17 per cent, but now have to share in the revenue pool with South Africa. Under the previous regime South Africa kept the residual of revenue after payments to BLNS have been made. The revenue sharing mechanism has been structured to favour BLNS as far as the customs component is concerned, but the fact remains that the size of the revenue pool has now become an important determinant of BLNS revenue. Most customs revenue accumulated in the pool is derived from imports by South Africa (responsible for more than 90 per cent of the SACU GDP) from EU countries, its main source of imports.

When the TDCA was concluded between South Africa and the EU, the complications for BLNS were recognised. In February 2001 the EC signed an agreement to finance a comprehensive programme of adjustment support for the BLNS explicitly linked to the consequences of the implementation of the TDCA. In the words of the financing proposal, it was aimed at supporting the efforts of the BLNS countries to “benefit from the implementation of the EU-South Africa Trade, Development and Co-operation Agreement”. Unfortunately this programme was never implemented. The European Commission attached a rider to the financing proposal stipulating that for the programme to become operational BLNS governments must “concur” under Article XIX of the SACU agreement with the provisions of the EU-South Africa TDCA. This required the governments of the BLNS countries to fully accept the application of the EU-South Africa TDCA to the whole territory of the Southern African Customs Union, without any consultations on the consequences of this bilateral EU-South Africa agreement for the trade rights and privileges which BLNS had acquired since 1975 as members of the ACP.

In view of these considerations, *what would a sensible benchmark be? The answer to this question will vary from country to country but the general point of departure should be the estimation of the loss of revenue that each of the SADC countries could expect of EPA-based trade liberalisation. On the basis of such an estimate and the impact this will have on the national budget assistance can be provides in one or a combination of three ways:*

- *Expenditure planning and prioritising to accommodate a fall in revenue,*
- *Development of alternative revenue sources, and*
- *Grants to plug crucial gaps in the budget.*

The circumstances of the different countries will differ and this would suggest a country-specific approach to the problem.

6.5.3 EPA as an external agency of restraint

Regional integration arrangements are often seen as being able to provide leverage in creating a mechanism that can act as an external agency of restraint with respect to national political and economic policies and developments. Regional integration arrangements are known for the role they play in improving political institutions. For example, in April 1996, MERCOSUR formalised its, until then, informal democracy rule as a counter to a contemplated military coup in Paraguay. The European Union has no formal democracy requirement but since the mid-1960s it has been recognised that such a condition exists, and it is difficult to envisage a free trade agreement between the EU and any other group of countries that will not contain some conditions on governance and the quality of political institutions.

A similar line of reasoning would also apply to economic policy. A SADC-EU EPA would require a degree of economic stability between partner groups and some consensus on economic policy. A free trade agreement with the added component of economic development and development assistance for the lesser developed partner is bound to be conditional in terms of economic stability and development strategy.

6.5.4 Infant industry protection

An EPA implies eventual free trade between the developed EU and the developing ACP countries, which at a much more extensive scale resemble the integration between South Africa and its lesser developed SACU partners. The asymmetry in the level of development can be addressed in two ways. The first is the asymmetrical phasing in of the free trade requirement in favour of the ACP countries. The second is to provide for the protection of nascent industries in the ACP countries, in which case the infant industry argument would apply.

In the case of SACU, the current 2002 Agreement, like the 1969 Agreement, provides for infant industry protection in BLNS economies, which are smaller and less industrialised, against competition from established South African firms. The question arises whether integration and free trade with a much more advanced economic group such as the EU should not also provide for the exception to EPA free trade by allowing the countries in the SADC group to protect domestic industries that meet agreed-on criteria of being infant industries against the competition from established EU industries. Such a provision will allow the SADC countries some policy space in encouraging industrial development through active policy intervention. The proviso should be obvious: a selected industry must meet criteria that justify classification as an infant industry, and the protection must only apply for a limited, defined period of time.

7. Conclusion

An EPA is supposed to be more than a free trade agreement between a group of developed countries, the EU, and regional groups of ACP countries. Free trade within a reciprocal trade arrangement that is WTO compatible is to be given a substantial development component. Essentially, this means that bilateral market access for exports must be supported by efforts to create development opportunities for the developing country partners to the Agreement. Without the element of development and targeted efforts to address this, trade is bound to have an unbalanced outcome of benefiting the EU primarily at the cost of the ACP countries.

The SADC EPA group presents negotiators with particular challenges. South Africa has now been included in the configuration, which presents specific negotiating problems. Firstly, South Africa has a reciprocal trade agreement, the TDCA, with the EU in place, and secondly, adding South Africa to the SADC configuration has compounded the diversity of the group. Within the SADC group the economic inequality resembles that which exists between the EU and the SADC group.

The introduction of development into the EPA equation requires a sign posted roadmap of the progress made in the negotiation and implementation of the Agreement. These signposts can be seen as preconceived benchmarks that can guide negotiations and implementation and can serve as a means of monitoring progress. Benchmarking, which has been derived from the discipline of strategic management in which it is used to evaluate the performance of firms against best practice outcomes, can serve the purpose of evaluating EPA negotiations and implementation.

The study proposes a number of benchmarks. It must readily be admitted that it will be difficult to apply to a negotiation process, which is dynamic and susceptible to short term changes. Nevertheless, it was decided to use an analytical framework that allows economic development to be reviewed in logical segments, specifically the supply side of economic growth, that is, the capacity to produce tradable products, the demand side, which considers the absorption of the larger output by demand, and finally, the policy spaces that governments have to implement national development policies. The premise adopted is that there is a close link between economic growth and poverty alleviation and that trade is an important element in the growth and development process. Growth, however, is seen as a necessary condition for poverty alleviation and can only succeed in bringing about widespread improvements in the welfare of society if the quality of growth is such that the benefits of growth are distributed widely among the population at large.

Using this framework, a number of benchmarks have been identified that can guide EPA negotiations and implementation. Some of these are qualitative and cannot be monitored objectively. Others are of a quantitative nature but periodic and timeous availability of data may prove to be a stumbling block. However, the overall outcome is a range of benchmarks that could prove useful.

APPENDIX

COMPOSITION AND DIRECTION OF TRADE

Angola

Selected product code	Product description	Angola's exports to world value 2005 in US$ thousand
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	8,971,076.00
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with prec	277,165.00
73	Articles of iron or steel	13,012.00
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instrume	10,986.00
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	10,275.00
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	8,707.00
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television im	3,514.00
3	Fish and crustaceans, molluscs and other aquatic invertebrates	2,561.00
76	Aluminium and articles thereof	2,047.00
88	Aircraft, spacecraft, and parts thereof	1,954.00

Source: MAcMap (2007)

Selected product code	Product description	Angola's imports from world value 2005 in US$ thousand
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	734,121.00
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	388,777.00
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television im	349,731.00
22	Beverages, spirits and vinegar	327,599.00
73	Articles of iron or steel	204,128.00
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or veget	102,632.00
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps a	97,779.00
11	Products of the milling industry; malt; starches; inulin; wheat gluten	87,963.00
88	Aircraft, spacecraft, and parts thereof	78,426.00
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	73,103.00

Source: MAcMap (2007)

Product description	Leading importing country from Angola	Leading importer's imports from Angola. Value 2005, US$ thousands.	World imports from Angola. Value 2005, US$ thousands.	Top 3 leading exporters to the leading importer
Petroleum oils and oils obtained from bituminous minerals, crude	United States of America	4,331,559.00	8,801,544.00	Saudi Arabia Mexico Canada
Petroleum oils and oils obtained from bituminous minerals, crude	China	2,205,655.00	8,801,544.00	Saudi Arabia Iran (Islamic Republic of) Angola
Petroleum oils and oils obtained from bituminous minerals, crude	Chinese Taipei	754,792.00	8,801,544.00	Saudi Arabia Iran (Islamic Republic of) Kuwait
Petroleum oils and oils obtained from bituminous minerals, crude	France	693,151.00	8,801,544.00	Norway Russian Federation Saudi Arabia
Diamonds non-industrial unworked or simply sawn, cleaved or bruted	Belgium	256,452.00	277,139.00	United Kingdom Israel United Arab Emirates
Petroleum oils and oils obtained from bituminous minerals, crude	Korea, Republic of	254,994.00	8,801,544.00	Saudi Arabia United Arab Emirates Kuwait
Petroleum oils and oils obtained from bituminous minerals, crude	Italy	196,429.00	8,801,544.00	Libyan Arab Jamahiriya Russian Federation Saudi Arabia
Petroleum oils&oils obtained from bituminous minerals,o/than crude etc	United States of America	148,431.00	161,321.00	Canada Venezuela Russian Federation
Petroleum oils and oils obtained from bituminous minerals, crude	Indonesia	94,687.00	8,801,544.00	Saudi Arabia Nigeria China
Petroleum oils and oils obtained from bituminous minerals, crude	Japan	79,716.00	8,801,544.00	Saudi Arabia United Arab Emirates Iran (Islamic Republic of)

Source: MAcMap (2007)

Botswana

Selected product code	Product description	Botswana's exports to world value 2005 in US$ thousand
710231	Diamonds non-industrial unworked or simply sawn, cleaved or bruted	1,805,997.00
750110	Nickel mattes	166,630.00
020130	Bovine cuts boneless, fresh or chilled	29,382.00
854430	Ignition wirg sets&oth wirg sets usd in vehicles,aircraft etc	23,526.00
611030	Pullovers, cardigans and similar articles of man-made fibres, knitted	5,341.00
610910	T-shirts, singlets and other vests, of cotton, knitted	3,349.00
620462	Womens/girls trousers and shorts, of cotton, not knitted	1,588.00
710239	Diamonds non-industrial nes excluding mounted or set diamonds	1,481.00
250100	Salt (includg table salt&denaturd salt) pure sodium chloride&sea water	1,314.00
620342	Mens/boys trousers and shorts, of cotton, not knitted	1,102.00

Source: MAcMap (2007)

Selected product code	Product description	Botswana's imports from world value 2005 in US$ thousand
870120	Road tractors for semi-trailers (truck tractors)	55,304.00
851790	Parts of electrical apparatus for line telephone or line telegraphy	14,929.00
854720	Insulatg fittings of plastics for elec machines,appliances o equipment	14,904.00
852520	Transmission apparatus,for radioteleph incorporatg reception apparatus	7,113.00
880330	Aircraft parts nes	5,779.00
271000	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc	5,121.00
300490	Medicaments nes, in dosage	4,923.00
847330	Parts&accessories of automatic data processg machines&units thereof	4,477.00
611030	Pullovers, cardigans and similar articles of man-made fibres, knitted	3,419.00
490199	Books, brochures, leaflets and similar printed matter, nes	1,825.00

Source: MAcMap (2007)

Product description	Leading importing country from Botswana	Leading importer's imports from Botswana. Value 2005, US$ thousands.	World imports from Botswana. Value 2005, US$ thousands.	Top 3 leading exporters to the leading importer
Diamonds non-industrial unworked or simply sawn, cleaved or bruted	United Kingdom	1,777,076.00	1,805,997.00	Botswana South Africa Canada
Nickel mattes	Norway	157,057.00	166,630.00	Canada Botswana South Africa
Bovine cuts boneless, fresh or chilled	United Kingdom	23,569.00	29,382.00	Ireland Brazil Namibia
Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	Portugal	19,458.00	23,526.00	Germany Morocco Botswana
Diamonds non-industrial unworked or simply sawn, cleaved or bruted	Japan	18,441.00	1,805,997.00	Botswana Israel Belgium
Nickel mattes	Canada	9,573.00	166,630.00	Botswana United States of America
Bovine leather, otherwise pre-tanned, nes	Italy	4,964.00	4,964.00	Brazil Australia United States of America
Diamonds non-industrial unworked or simply sawn, cleaved or bruted	United States of America	4,455.00	1,805,997.00	South Africa United Kingdom Congo, Democratic Republic of
Bovine cuts boneless, frozen	Greece	4,233.00	12,568.00	Italy Spain Botswana
Diamonds non-industrial unworked or simply sawn, cleaved or bruted	South Africa	3,710.00	1,805,997.00	United Kingdom Israel Belgium

Source: MAcMap (2007)

Lesotho

Product code	Product description	World imports from Lesotho. Value 2005, US$ thousands.
611020	Pullovers, cardigans and similar articles of cotton, knitted	114,787.00
620342	Mens/boys trousers and shorts, of cotton, not knitted	78,507.00
620462	Womens/girls trousers and shorts, of cotton, not knitted	66,543.00
611030	Pullovers, cardigans and similar articles of man-made fibres, knitted	28,743.00
610462	Womens/girls trousers and shorts, of cotton, knitted	24,741.00
610342	Mens/boys trousers and shorts, of cotton, knitted	16,987.00
610910	T-shirts, singlets and other vests, of cotton, knitted	13,786.00
610343	Mens/boys trousers and shorts, of synthetic fibres, knitted	11,631.00
610463	Womens/girls trousers and shorts, of synthetic fibres, knitted	11,156.00
610610	Womens/girls blouses and shirts, of cotton, knitted	10,772.00

Source: MAcMap (2007)

Selected product code	Product description	Lesotho's imports from world value 2005 in US$ thousand
600292	Knitted or crocheted fabrics, of cotton, nes	50,517.00
600191	Pile knitted or crocheted fabrics, of cotton, nes	5,635.00
600199	Pile knitted or crocheted fabrics, of other textile materials, nes	2,750.00
392690	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes	2,067.00
190190	Malt extract&food prep of Ch 19 <50% cocoa&hd 0401 to 0404 < 10% cocoa	475.00
870839	Brake system parts nes for motor vehicles	373.00
880330	Aircraft parts nes	219.00
640299	Footwear, outer soles/uppers of rubber or plastics, nes	193.00
630790	Made up articles, of textile materials, nes, including dress patterns	126.00
870323	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	121.00

Source: MAcMap (2007)

Product description	Leading importing country from Lesotho	Leading importer's imports from Lesotho. Value 2005, US$ thousands.	World imports from Lesotho. Value 2005, US$ thousands.	Top 3 leading exporters to the leading importer
Pullovers, cardigans and similar articles of cotton, knitted	United States of America	112,780.00	114,787.00	Honduras Guatemala Mexico
Mens/boys trousers and shorts, of cotton, not knitted	United States of America	76,929.00	78,507.00	Mexico Dominican Republic Viet Nam
Womens/girls trousers and shorts, of cotton, not knitted	United States of America	65,712.00	66,543.00	Mexico Hong Kong (SARC) Viet Nam
Pullovers, cardigans and similar articles of man-made fibres, knitted	United States of America	28,652.00	28,743.00	Hong Kong (SARC) Chinese Taipei Korea, Republic of
Womens/girls trousers and shorts, of cotton, knitted	United States of America	24,077.00	24,741.00	Mexico Viet Nam Turkey
Mens/boys trousers and shorts, of cotton, knitted	United States of America	16,227.00	16,987.00	Mexico Viet Nam Honduras
T-shirts, singlets and other vests, of cotton, knitted	United States of America	13,224.00	13,786.00	Mexico Honduras El Salvador
Mens/boys trousers and shorts, of synthetic fibres, knitted	United States of America	11,527.00	11,631.00	Mexico Thailand Indonesia
Womens/girls trousers and shorts, of synthetic fibres, knitted	United States of America	11,118.00	11,156.00	Chinese Taipei Mexico Malaysia
Womens/girls blouses and shirts, of cotton, knitted	United States of America	10,770.00	10,772.00	Guatemala Viet Nam Mexico

Source: MAcMap (2007)

Mozambique

Selected product code	Product description	Mozambique's exports to world value 2005 in US$ thousand
760110	Aluminium unwrought, not alloyed	564,149.00
030613	Shrimps and prawns, frozen, in shell or not, including boiled in shell	80,070.00
760120	Aluminium unwrought, alloyed	65,739.00
240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	34,770.00
440399	Logs, non-coniferous nes	28,280.00
520100	Cotton, not carded or combed	24,832.00
080131	Cashew nuts, in shell, fresh or dried	20,627.00
170111	Raw sugar, cane	16,705.00
030799	Molluscs nes,shelld o not&aquatic invert nes,fz,drid,saltd o in brine	11,608.00
251611	Granite, crude or roughly trimmed	6,887.00
270119	Coal nes, whether or not pulverised but not agglomerated	5,350.00

Source: MAcMap (2007)

Selected product code	Product description	Mozambique's imports from world value 2005 in US$ thousand
271000	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc	111,538.00
170111	Raw sugar, cane	48,568.00
870421	Diesel powered trucks with a GVW not exceeding five tonnes	22,058.00
100590	Maize (corn) nes	21,206.00
100630	Rice, semi-milled or wholly milled, whether or not polished or glazed	16,194.00
270112	Bituminous coal, whether or not pulverised but not agglomerated	15,959.00
270119	Coal nes, whether or not pulverised but not agglomerated	15,523.00
853720	Boards,panels,includg numerical control panels,for a voltage > 1,000 V	13,508.00
300490	Medicaments nes, in dosage	12,365.00
730890	Structures&parts of structures,i/s (ex prefab bldgs of headg no.9406)	11,150.00

Source: MAcMap (2007)

Product description	Leading importing country from Mozambique	Leading importer's imports from Mozambique. Value 2005, US$ thousands.	World imports from Mozambique. Value 2005, US$ thousands.	Top 3 leading exporters to the leading importer
Aluminium unwrought, not alloyed	Belgium	305,744.00	564,149.00	Mozambique Netherlands Russian Federation
Aluminium unwrought, not alloyed	Italy	100,829.00	564,149.00	Serbia Russian Federation Mozambique
Aluminium unwrought, not alloyed	Spain	72,534.00	564,149.00	Mozambique Russian Federation Brazil
Aluminium unwrought, not alloyed	Germany	44,609.00	564,149.00	Norway Russian Federation Iceland
Aluminium unwrought, alloyed	Germany	39,950.00	65,739.00	United Kingdom Norway Netherlands
Shrimps and prawns, frozen, in shell or not, including boiled in shell	Spain	38,819.00	80,070.00	Argentina Brazil Morocco
Logs, non-coniferous nes	China	24,174.00	28,280.00	Malaysia Russian Federation Papua New Guinea
Cashew nuts, in shell, fresh or dried	India	20,627.00	20,627.00	Tanzania, United Republic of Guinea-Bissau Côte d'Ivoire
Shrimps and prawns, frozen, in shell or not, including boiled in shell	Portugal	20,070.00	80,070.00	Spain France Mozambique
Aluminium unwrought, alloyed	Netherlands	17,074.00	65,739.00	Iceland Brazil Norway

Source: MAcMap (2007)

Namibia

Selected product code	Product description	Namibia's exports to world value 2005 in US$ thousand
490700	Unused postage,revenue stamps;cheque forms,banknotes,bond certific,etc	147,110.00
710231	Diamonds non-industrial unworked or simply sawn, cleaved or bruted	138,265.00
030379	Fish nes, frozen, excluding heading No 03.04, livers and roes	109,741.00
030420	Fish fillets frozen	65,277.00
220290	Non-acloholic beverages nes,excludg fruit/veg juices of headg No 20.09	64,397.00
220300	Beer made from malt	55,230.00
030378	Hake, frozen, excluding heading No 03.04, livers and roes	53,717.00
030374	Mackerel, frozen, excluding heading No 03.04, livers and roes	30,454.00
710813	Gold in oth semi-manufactd form n-monetary(inc gold platd w platinum)	24,696.00
010290	Bovine, live except pure-bred breeding	18,784.00

Source: MAcMap (2007)

Selected product code	Product description	Namibia's imports from world value 2005 in US$ thousand
271000	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc	137,118.00
870323	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	71,293.00
260300	Copper ores and concentrates	28,233.00
870321	Automobiles w reciprocatg piston engine displacg not more than 1000 cc	20,675.00
701092	Glass containers, capacity 0.33-1.0 litre	12,153.00
252329	Portland cement nes	12,129.00
731021	Cans,iron o steel,cap <50 litres,to be closd by crimpg o soldering,nes	12,030.00
490700	Unusd postage,revenue stamps;cheque forms,banknotes,bond certific,etc	11,815.00
220300	Beer made from malt	11,542.00
600299	Knitted or crocheted fabrics, of other materials, nes	11,342.00

Source: MAcMap (2007)

Product description	Leading importing country from Namibia	Leading importer's imports from Namibia. Value 2005, US$ thousands.	World imports from Namibia. Value 2005, US$ thousands.	Top 3 leading exporters to the leading importer
Unusd postage,revenue stamps;cheque forms,banknotes,bond certific,etc	South Africa	147,110.00	147,110.00	Kenya New Zealand United Kingdom
Diamonds non-industrial unworked or simply sawn, cleaved or bruted	United Kingdom	130,175.00	138,265.00	Botswana South Africa Canada
Non-acloholic beverages nes,excludg fruit/veg juices of headg No 20.09	Angola	63,024.00	64,397.00	Namibia Portugal Netherlands
Fish nes, frozen, excluding heading No 03.04, livers and roes	Spain	46,587.00	109,741.00	Namibia Portugal France
Hake, frozen, excluding heading No 03.04, livers and roes	Spain	45,185.00	53,717.00	Chile Namibia Argentina
Fish fillets frozen	Spain	42,946.00	65,277.00	Namibia Iceland Argentina
Mackerel, frozen, excluding heading No 03.04, livers and roes	Congo	28,643.00	30,454.00	Namibia Zambia
Beer made from malt	Angola	27,903.00	55,230.00	Portugal South Africa Namibia
Beer made from malt	South Africa	26,634.00	55,230.00	Netherlands United Kingdom Czech Republic
Gold in oth semi-manufactd form n-monetary (inc gold platd w platinum)	South Africa	24,696.00	24,696.00	Italy Germany Israel

Source: MAcMap (2007)

South Africa

Selected product code	Product description	South Africa's exports to world value 2005 in US$ thousand
270112	Bituminous coal, whether or not pulverised but not agglomerated	1,715,916.00
870323	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	1,611,611.00
711019	Platinum in other semi-manufactured forms	1,383,030.00
710231	Diamonds non-industrial unworked or simply sawn, cleaved or bruted	1,271,562.00
711011	Platinum unwrought or in powder form	1,170,512.00
842139	Filtering or purifying machinery and apparatus for gases nes	1,150,598.00
271000	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc	1,143,083.00
720241	Ferro-chromium containing by weight more than 4% of carbon	1,051,596.00
760110	Aluminium unwrought, not alloyed	645,820.00
710239	Diamonds non-industrial nes excluding mounted or set diamonds	479,801.00

Source: MAcMap (2007)

Selected product code	Product description	South Africa's imports from world value 2005 in US$ thousand
270900	Petroleum oils and oils obtained from bituminous minerals, crude	3,597,860.00
852520	Transmission apparatus,for radioteleph incorporatg reception apparatus	780,141.00
880240	Aircraft nes of an unladen weight exceeding 15,000 kg	738,980.00
870323	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	661,653.00
300490	Medicaments nes, in dosage	533,905.00
847330	Parts&accessories of automatic data processg machines&units thereof	521,468.00
710231	Diamonds non-industrial unworked or simply sawn, cleaved or bruted	488,164.00
870324	Automobiles with reciprocating piston engine displacing > 3000 cc	405,773.00
880230	Aircraft nes of an unladen weight > 2,000 kg but not exceedg 15,000 kg	321,048.00
847160	Computer input/outputs, with/without storage	260,072.00

Source: MAcMap (2007)

Product description	Leading importing country from South Africa	Leading importer's imports from South Africa. Value 2005, US$ thousands.	World imports from South Africa. Value 2005, US$ thousands.	Top 3 leading exporters to the leading importer
Diamonds non-industrial unworked or simply sawn, cleaved or bruted	United Kingdom	708,184.00	1,271,562.00	Botswana South Africa Canada
Platinum unwrought or in powder form	United States of America	612,965.00	1,170,512.00	South Africa United Kingdom Russian Federation
Platinum in other semi-manufactured forms	Japan	542,660.00	1,383,030.00	Germany Switzerland United Kingdom
Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	Japan	511,744.00	1,611,611.00	Germany South Africa United Kingdom
Bituminous coal, whether or not pulverised but not agglomerated	Netherlands	450,362.00	1,715,916.00	South Africa United States of America Australia
Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	United States of America	443,364.00	1,611,611.00	Japan Germany Mexico
Platinum in other semi-manufactured forms	Switzerland	342,196.00	1,383,030.00	Germany United States of America South Africa
Filtering or purifying machinery and apparatus for gases nes	Germany	333,882.00	1,150,598.00	South Africa Belgium United Kingdom
Diamonds non-industrial unworked or simply sawn, cleaved or bruted	Belgium	312,390.00	1,271,562.00	United Kingdom Israel United Arab Emirates
Bituminous coal, whether or not pulverised but not agglomerated	United Kingdom	304,742.00	1,715,916.00	Australia South Africa Russian Federation

Source: MAcMap (2007)

Swaziland

Selected product code	Product description	Swaziland's exports to world value 2005 in US$ thousand
170111	Raw sugar, cane	90,414.00
210690	Food preparations nes	70,918.00
611020	Pullovers, cardigans and similar articles of cotton, knitted	41,707.00
330210	Mixtures of odoriferous substances for the food or drink industries	34,506.00
620462	Womens/girls trousers and shorts, of cotton, not knitted	15,991.00
620342	Mens/boys trousers and shorts, of cotton, not knitted	14,676.00
611030	Pullovers, cardigans and similar articles of man-made fibres, knitted	13,776.00
610910	T-shirts, singlets and other vests, of cotton, knitted	6,493.00
940360	Furniture, wooden, nes	4,445.00
610610	Womens/girls blouses and shirts, of cotton, knitted	4,354.00

Source: MAcMap (2007)

Selected product code	Product description	Swaziland's imports from world value 2005 in US$ thousand
852812	Colour television receivers	6,222.00
330210	Mixtures of odoriferous substances for the food or drink industries	2,458.00
960720	Parts of slide fasteners	1,775.00
300490	Medicaments nes, in dosage	1,269.00
847330	Parts&accessories of automatic data processg machines&units thereof	1,219.00
851750	Apparatus for carrier-current/digital line systems	1,116.00
844351	Ink-jet printing machines	1,054.00
847989	Machines & mechanical appliances nes having individual functions	1,037.00
392690	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes	951.00
711319	Articles of jewellry&pt therof of/o prec met w/n platd/clad w prec met	949.00

Source: MAcMap (2007)

Product description	Leading importing country from Swaziland	Leading importer's imports from Swaziland. Value 2005, US$ thousands.	World imports from Swaziland. Value 2005, US$ thousands.	Top 3 leading exporters to the leading importer
Pullovers, cardigans and similar articles of cotton, knitted	United States of America	41,210.00	41,707.00	Honduras Guatemala Mexico
Raw sugar, cane	United Kingdom	37,869.00	90,414.00	Mauritius Fiji Jamaica
Food preparations nes	Australia	29,184.00	70,918.00	Ireland United States of America New Zealand
Food preparations nes	New Zealand	28,327.00	70,918.00	Australia Swaziland United States of America
Raw sugar, cane	France	18,488.00	90,414.00	Swaziland Cuba Guyana
Mixtures of odoriferous substances for the food or drink industries	Kenya	16,798.00	34,506.00	Swaziland South Africa Israel
Womens/girls trousers and shorts, of cotton, not knitted	United States of America	15,944.00	15,991.00	Mexico Hong Kong (SARC) Viet Nam
Mens/boys trousers and shorts, of cotton, not knitted	United States of America	14,620.00	14,676.00	Mexico Dominican Republic Viet Nam
Chemical wood pulp, soda or sulphate, coniferous, unbleached	China	14,040.00	26,215.00	Russian Federation Chile United States of America
Pullovers, cardigans and similar articles of man-made fibres, knitted	United States of America	13,617.00	13,776.00	Hong Kong (SARC) Chinese Taipei Korea, Republic of

Source: MAcMap (2007)

Tanzania

Selected product code	Product description	Tanzania, United Republic of's exports to world value 2005 in US$ thousand
710812	Gold in unwrought forms non-monetary	397,471.00
030410	Fish fillets and other fish meat, minced or not, fresh or chilled	67,171.00
261690	Precious metal ores and concentrates nes	60,993.00
090111	Coffee, not roasted, not decaffeinated	49,055.00
030420	Fish fillets frozen	44,126.00
	Cashew nuts, in shell, fresh or dried	41,875.00
520100	Cotton, not carded or combed	40,795.00
240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	33,456.00
100190	Wheat nes and meslin	32,544.00
710239	Diamonds non-industrial nes excluding mounted or set diamonds	24,320.00
090240	Black tea (fermented) & partly fermented tea in packages exceedg 3 kg	21,792.00

Source: MAcMap (2007)

Selected product code	Product description	Tanzania, United Republic of's imports from world value 2005 in US$ thousand
271000	Petroleum oils&oils obtained from bituminous minerals,o/than crude etc	394,170.00
100190	Wheat nes and meslin	75,622.00
151190	Palm oil and its fractions refined but not chemically modified	48,272.00
870421	Diesel powered trucks with a GVW not exceeding five tonnes	44,326.00
870323	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	37,361.00
630900	Worn clothing and other worn articles	29,828.00
151110	Palm oil, crude	25,604.00
100640	Rice, broken	24,751.00
880220	Aircraft nes of an unladen weight not exceeding 2,000 kg	24,107.00
870333	Automobiles with diesel engine displacing more than 2500 cc	21,151.00

Source: MAcMap (2007)

Product description	Leading importing country from Tanzania, United Republic of	Leading importer's imports from Tanzania, United Republic of. Value 2005, US$ thousands.	World imports from Tanzania, United Republic of. Value 2005, US$ thousands.	Top 3 leading exporters to the leading importer
Gold in unwrought forms non-monetary	United Kingdom	289,785.00	397,471.00	
Gold in unwrought forms non-monetary	France	67,315.00	397,471.00	United Kingdom Italy Switzerland
Precious metal ores and concentrates nes	Japan	60,857.00	60,993.00	Indonesia Canada Peru
Cashew nuts, in shell, fresh or dried	India	35,272.00	41,875.00	Tanzania, United Republic of Guinea-Bissau Côte d'Ivoire
Gold in oth semi-manufactd form n-monetary(inc gold platd w platinum)	United Kingdom	34,434.00	40,581.00	
Wheat nes and meslin	Uganda	31,226.00	32,544.00	Australia United States of America Pakistan
Fish fillets and other fish meat, minced or not, fresh or chilled	Kenya	27,467.00	67,171.00	
Diamonds non-industrial nes excluding mounted or set diamonds	United Kingdom	23,574.00	24,320.00	Belgium Switzerland United States of America
Gold in unwrought forms non-monetary	South Africa	23,182.00	397,471.00	United Kingdom United States of America
Fish fillets frozen	Kenya	15,837.00	44,126.00	Norway Netherlands

Source: MAcMap (2007)