




**Economic opportunities for Namibia
from closer regional integration**

Economic Association of Namibia Annual Conference
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Safari Hotel




Namibia Trade Forum

What?
It is an agency of MITSMED, with mandate to INSTITUTIONALISE Public Private Dialogue and Collaboration on matters of trade policy.

Why?
Public Private dialogue has been identified as a cross cutting enabler for a conducive business environment.

How?
We are undertaking various activities and projects.



Overview

1. Introduction to Regional Economic Integration
2. Agreements/ Negotiations: SACU, SADC, Economic Partnership Agreements (EU); Tripartite Free Trade Agreement (TFTA); Continental Free Trade Agreement (CFTA)
3. Namibia's Trade Statistics
4. Opportunities from Regional integration
5. Conclusions



Regional Economic Integration


Introduction
According to Mwasha (2015), " regional economic groups eliminate or reduce trade tariffs (and other trade barriers) among the Partner States while maintaining tariffs or barriers for the rest of the world (non-member countries)".

- Regional economic integration agreements give preferential treatment to members of that agreement, but not equal treatment to non-members.
- Countries eliminate barriers to international trade and competition on a regional rather than a global scale.
- This is against the MFN Clause of the WTO which states that other member states may not be discriminated against: as such Regional Economic Agreements violate the non-discrimination principle of the GATT/WTO.



However, REA can be exempted from the non-discrimination principle if;

- The uninhibited trade flows among the group of countries is seen as increasing free trade ; or
- a preferential trade agreement provides an impulse to the growth and development process of less developed countries.



1.1 Preferential Trade Agreements (PTA)

- Tariffs or other trade restrictions are reduced among the members of the agreement for some goods or services, sometimes unilaterally.
- There is no general reduction of internal tariffs or a common external tariff
- e.g. Cotonou Agreement, SACU Mercosur, SACU India (being negotiated)

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Regional Int

1.2 Free Trade Area (FTA)

Members eliminate internal tariffs and other measures that restrict trade between members.

There is no common trade policy relative to other countries. The lack of an external trade policy requires the use of certificates of origin for goods crossing the borders and other measures to prevent 'deflection'.

Trade Deflection means taking advantage of arbitrage opportunities by importing goods from outside the FTA via the countries with lowest barriers to imports.
e.g. SADC and NAFTA, TFTA and CFTA

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1.3 Customs Union

Like an FTA it abolishes internal tariffs and other trade restrictions among its members.

A customs union also develops a common trade policy, such as Common External Tariff, relative to other countries.
e.g. SACU, European Economic Community

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1.4 Common Market

- Countries allow not only for the free movement of goods and services, but also for the free movement of factors of production, i.e. capital & labour. E.g. Comesa
- A common market gradually moves to an integrated market if the member countries also eliminate other more concealed barriers to trade arising from differences in national policy, e.g. regarding product standards or taxation. e.g. EU

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1.4 Economic Union

The extension of the common market is an economic union, in which case there is also harmonisation of the institutional framework, regarding competition policy, procurement, etc, and a fair degree of policy coordination.

The economic union therefore provides the counterpart in the real sphere of a monetary union, in which case there is sufficient policy coordination to allow for one currency.

A combined example is provided by the EU's Economic and Monetary Union.

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Institutions of the EU

- ❖ **The Council of the European Union:** this is at heads of state or ministerial level.
- ❖ **The European Commission:** administers and initiates policy; also represents the Council at international negotiations.
- ❖ **The European Parliament:** involved in decision and law making, is democratically chosen by the citizens of the EU, every 4 yrs.
- ❖ **The European Court of Justice:** provides judicial safeguards and is concerned with the interpretation of EU Law, including actions brought before the court by members states & or Commission.
- ❖ **European Central Bank:** a largely independent institution responsible for the monetary policy of the euro area, with price stability as the primary objective.

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SACU



SACU
SOUTHERN AFRICAN CUSTOMS UNION

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SACU con't

The oldest Customs Union in the world was founded in **1910**, is composed of Botswana, Lesotho, Namibia, South Africa and Swaziland.

The 1910 Agreement was re-negotiated leading to the **1969** Agreement.

That Agreement was further re-negotiated in **1994** leading to the current

SACU 2002 Agreement that came into force on **15 July, 2004**.

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SACU

The main objective for the establishment of SACU

- (a) to facilitate the cross-border movement of goods between the territories of the Member States;
- (b) **to create effective, transparent and democratic institutions which will ensure equitable trade benefits to Member States;**
- (c) to promote conditions of fair competition in the Common Customs Area;
- (d) to substantially increase investment opportunities in the Common Customs Area;
- (e) to enhance the economic development, diversification, industrialization and competitiveness of Member States;
- (f) **to promote the integration of Member States into the global economy through enhanced trade and investment;**
- (g) to facilitate the equitable sharing of revenue arising from customs, excise and additional duties levied by Member States; and
- (h) to facilitate the development of common policies and strategies.

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- Article 34:1 Revenue Sharing Formula: This article is vital for Namibia because revenue received from the common revenue pool is about N\$18b of our national revenue.
- There has been a decline in the revenue pool due to the several factors; but most pertinent was the decline in demand of commodities and general global down turn.
- What are the implications for Namibia, as liberalisation continues?

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SACU GOING FORWARD

- a) Strengthening the capacity in the Secretariat;
- b) Developing the necessary policies and procedures to conclude the establishment of institutions; i.e. Tariff Board, Tribunal
- c) Ensuring that all work on industrial policy, agricultural policy, competition policy, unfair trade practices and other priority commitments in the SACU Agreement are being implemented;
- d) Developing a SACU trade and tariff policy, and trade strategy that support industrialization in SACU;
- e) Developing deliberate initiatives to promote intra-SACU trade;
- f) Following the principle of unified engagement amongst SACU Member States in trade negotiations with third parties, while recognizing different levels of development and capacity of Member States

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SADC

Angola, Botswana, DRC, Lesotho, (Madagascar), Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.



A map of Southern Africa showing the member states of the Southern African Development Community (SADC). The countries are color-coded: Angola (orange), Botswana (yellow), DRC (green), Lesotho (blue), Malawi (red), Mauritius (purple), Mozambique (brown), Namibia (pink), Seychelles (light blue), South Africa (dark blue), Swaziland (light green), Tanzania (dark green), Zambia (light orange), and Zimbabwe (dark orange).

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RISDP

The SADC framework for economic integration is contained in the Regional Indicative Strategic Development Plan (RISDP)

The original Road Map or milestones

- Launch of the SADC Trade protocol 1992
- RISDP - 2003
- Free Trade Area – 2008
- Customs Union – 2010
- Common Market – 2015
- Monetary Union – 2016
- Single Currency – 2018

IT HAS NOW BEEN REVISED TO INCLUDE A REGIONAL INFRASTRUCTURE DEVELOPMENT PLAN TO 2020

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SADC EPA

- In 1992, the GRN obtained preferential market access for products to the E U on preferential and competitive conditions, in the framework of the Lomé Convention and now the Cotonou agreement between the European Union and ACP states.
- Over time, these preferences were challenged at WTO level and had to be addressed in new, reciprocal trade agreements, as stipulated in the Cotonou Agreement, the successor to the Lomé agreements.
- World Trade Organization, insists on equal, reciprocal trade conditions between its member states

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SADC EPA

Duty-free, quota-free access for BLMNS
 New market access in key products for South Africa
 Better market access for the EU into SACU and Mozambique
 Harmonisation of the trade regime between SACU and the EU

Agreement entered into force 10th October 2016, after negotiating a WTO compatible agreement.

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Inpartite Free Trade Area: COMESA, EAC & SADC

Launched on 12th June 2011
 Comprises of 3 Regional economic Communities.

COMESA: Burundi, Djibouti, Egypt, Eritrea, Ethiopia, **Kenya**, Comoros, Libya, **Madagascar**, Mauritius, Rwanda, **Malawi**, Seychelles, Sudan, **Swaziland**, **Uganda**, **Zambia** & **Zimbabwe**

EAC: Burundi, Rwanda, **Kenya**, **Tanzania** & **Uganda**

SADC: Angola, Botswana, DRC, Lesotho, (**Madagascar**), **Malawi**, Mauritius, Mozambique, Namibia, Seychelles, South Africa, **Swaziland**, **Tanzania**, **Zambia** & **Zimbabwe**.

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TFTA

■ i) The first phase will cover negotiations on the following areas:

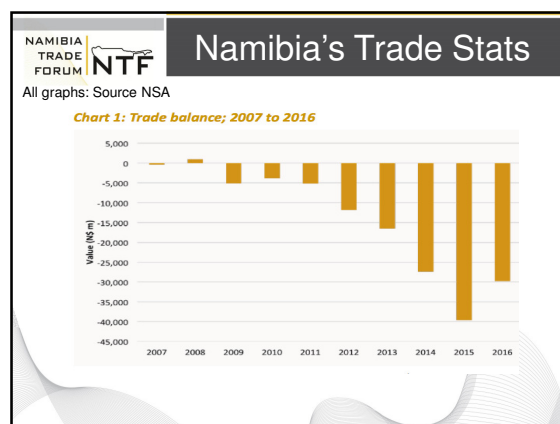
- tariff liberalisation,
- rules of origin,
- dispute resolution,
- customs procedures and simplification of customs documentation, transit procedures,
- non-tariff barriers,
- trade remedies,
- technical barriers to trade and
- sanitary and phyto-sanitary measures.

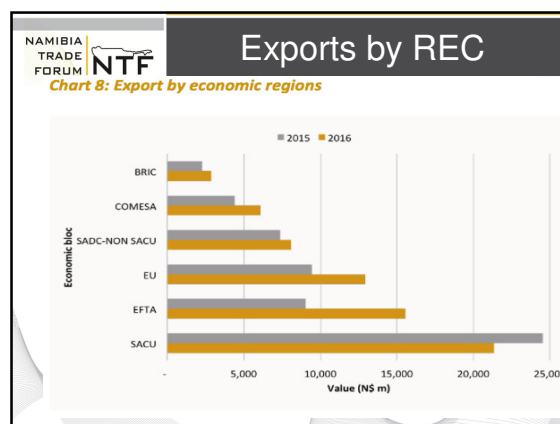
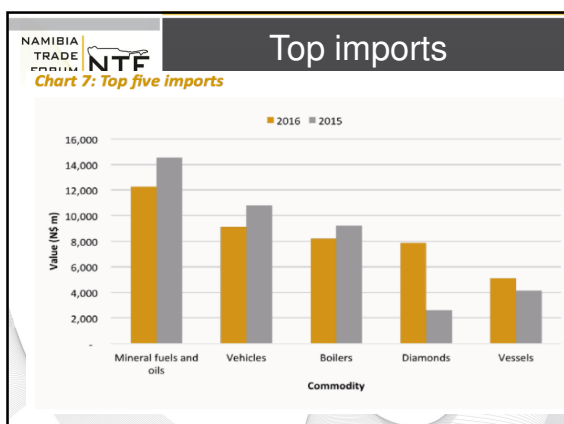
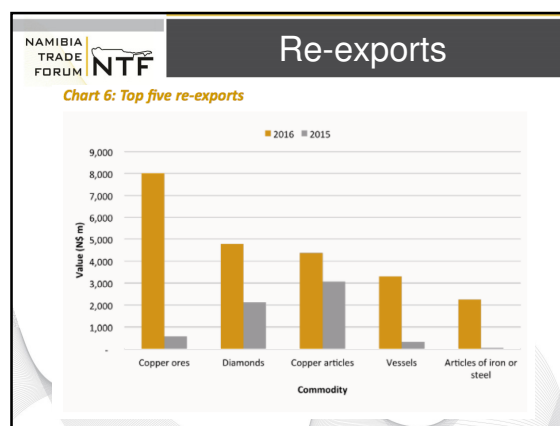
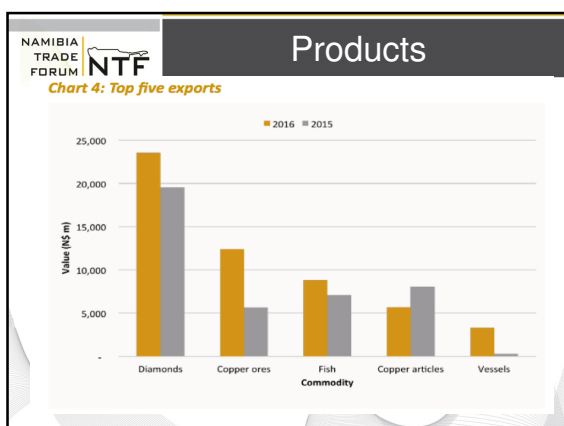
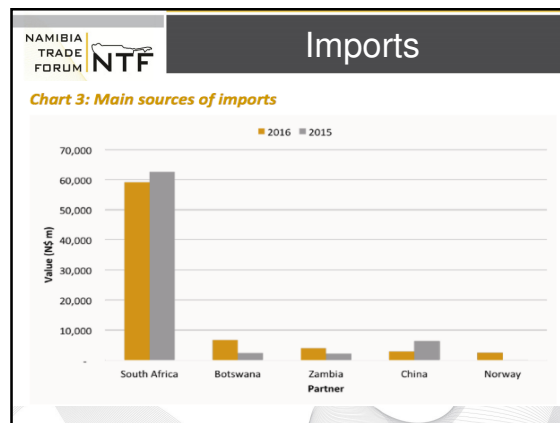
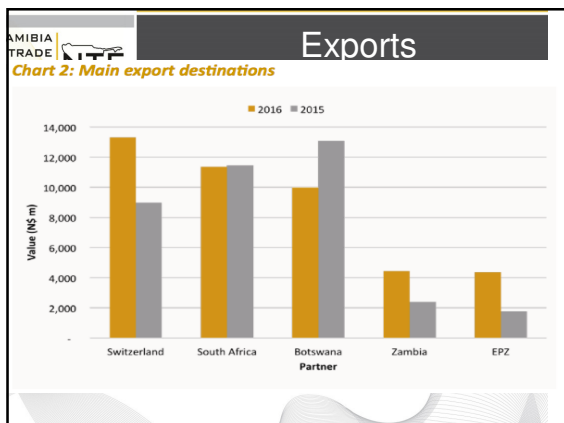
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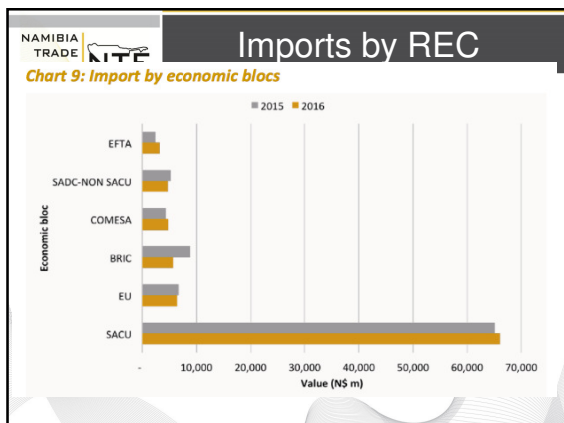
CFTA

The MODALITIES ARE THE SAME AS THE TFTA

THIS IS PART OF THE ABUDJA TREATY TO ESTABLISH AN AFRICAN ECONOMIC COMMUNITY.







What are the opportunities

Table 56: SWOT Analysis: Namibia's opportunities and challenges in Regional Integration

	STRENGTH	WEAKNESS	OPPORTUNITY	THREAT	Policy Recommendation
EXPORT POTENTIAL	<ul style="list-style-type: none"> Neighboring SADC countries have become medium-relevant export markets for selected products (e.g. beer, home appliances, mining products). Long-standing relations and common history with a number of regional trading partners (e.g. Angola, Zimbabwe, SACU). 	<ul style="list-style-type: none"> Limited export capacities. Range of export products that is also produced in many countries in the region. High transport costs for intra-regional trade. Language barriers to major regional export markets (Angola, DRC). 	<ul style="list-style-type: none"> SACU/TTA, CFTA market offers chance to expand value added exports. Potential market niches for Namibian agro-processed and manufactured products. 	<ul style="list-style-type: none"> Protectionist tendencies in SACU/TTA/CFTA. Changing rules and procedures (e.g. in Angola). Region sources subsidized agricultural products from Ruff (e.g. dairy/farming products), which subsidize Namibian export products. 	<ul style="list-style-type: none"> Strengthen dialogue with private sector to assess what happens exports to the region and to what extent Government can support export expansion (e.g. NTBs, custom facilitation...). Enter into dialogue with Governments of main regional export markets (Angola, DRC) to negotiate how bilateral trade could be facilitated.
IMPORTS / INCREASED COMPETITION	<ul style="list-style-type: none"> Namibia is already in a customs union with SA and, having no trade a FTA with the EU about 87% of its total imports enter its territory duty free. 	<ul style="list-style-type: none"> Namibia does hardly source from the region: only 2.4% of its total imports come from the non-SACU/TTA region (of which 75% were mineral products from two countries). 	<ul style="list-style-type: none"> The region could potentially supply some of Namibia's agricultural imports, e.g. maize and wheat. 	<ul style="list-style-type: none"> Namibia's subsidized imports from Ruff (e.g. wheat US and EU). 	<ul style="list-style-type: none"> Assess options for increased sourcing from the region and address sources for low level of regional imports, e.g. product, quality, quantity, reliable delivery, NTBs etc.
REVENUE	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> Namibia's high dependency on the COTV trade duties as income source. 	<ul style="list-style-type: none"> Namibia and South Africa's extremely linked trade with the non-SACU/TTA region. 	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> Exclude some of the top 10 revenue exempt from liberalization, e.g. even clothing, motor vehicles, sugar.

CONCLUSIONS

According to Meyn (2013),
"Consolidating the operation of existing national and regional institutions so that they become effective in supervising the proper implementation of existing trade commitments appears to be a top priority for Namibia."

The opportunities lie in our ability to ensure that the trade policy infrastructure is refined and responsive to the needs of the private sector.

End

Thank you