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Free Trade Agreement and Prospects of Regional Integration in Southern Africa: An Evaluation of Impingements to Southern Africa Development Community (SADC) Free Trade Area (FTA)

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Abstract:- The wholesome disillusion of protectionism among industrialized countries emerged after World War, henceforth, former allied power the aegis of the General Agreement on Tariffs and Trade (GATT) adopted New Multilateralism that evolved into 'Free' (fair) Trade (Sandrey,2013). Since then the world-over has seen growth in trade among nations, states which has also been contributed by manifestation of globalization. There is increasingly unification of capital markets, internationalization of production, mega-revolution in information, networks, distribution, communication and technology. In view of that member states of Southern Africa Development Community (SADC) felt prudent in 2008 to achieve liberalize intraregional by trading in goods and services hence, SADC Protocol for Free Trade Area (FTA) was adopted. This Article is on Free Trade Agreement and Prospects of Regional Integration in Southern Africa with an evaluation of impingements of SADC-FTA. The Article highlights the introduction, background of SADC FTA, cites two other trading blocs thus, the stand alone and the regional organized. Thereafter, the article evaluates the impingements and draws the conclusion. The article is the product of a qualitative research methodology study conducted on the benefits of South Africa from FTA. The study used secondary data to which units, categories and condensation applied to analyze the data. The geographical proximity, overlapping membership, policy harmonization, indivisibility of sovereignty, dependence syndrome, lack of industrial capacity, political barriers, low input from private sectors and tariffs variation are some of the impingements.

Keywords:- *SADC, Free Trade Area, Regional Bloc, Economic Integration, Tariffs.*

I. INTRODUCTION

Free Trade Agreement (FTA) in the climate of globalization that has caused the breakdown of traditional borders has become imperative for the growth of economy and nations to have an opportunity to accord rights to workers. FTA is an accord involving two or more countries with well spelt obligations in trade of goods and services, as it promotes trade, increase competition, job creation, and help in growing of the economy of member states (Noah, 2018). The breakdown of borders has not spared African states and to that the continent 2018 established what is called 'African Continental Free Trade Area (AfCFTA)' comprising 54 out of 55 African Union nations and is the largest in the world.

With the end of world war and globalization, there has been a manifestation of regional and sub-regional blocs especially in the fields of economic integration that has culminated into openness of borders. SADC is one of the richest regions in Africa. To increase regional integration SADC Free Trade Area (FTA) operates as a vehicle for possible investment flows and trade among the member states (Simwaka, 2011). In the direction to realize effective trade liberalization, SADC has devised and undertaken a number of protocols in areas of cooperation, economic and industrial policy, infrastructure and services, political among member states. Conversely, progress on SADC FTA has been sluggish due to a number of dynamics inter-alia; geographical proximity, dual memberships, policy harmonization and dependency syndrome among others. The sluggish is evidence in the implementation of SADC Trade Protocol which came into effect on 1 September 2000 despite having signed in August 1996.

II. BACKGROUND OF SADC FTA

The genesis of SADC FTA is drawn from 1960s regional integration championed by Economic Commission for Africa (ECA). To achieve economic development, Africa was intersected and advocated for the division into regions. The desire was to be achieved at all cost by ECA, therefore, in 1980 the Lagos Plan was adopted and special initiative was launched by Organization of Africa Union (OAU) awake of the formation a single Pan African common market before the year 2000. UNCTAD Report (2012) postulates that to attain a discreet but convergence and encompassing integration in all Africa trading by 2025, three regional arrangements were established in West Africa, East and Southern Africa, North Africa Central Africa. The regions established inter alia; Economic Community of West Africa (ECOWAS); Preferential Trade Area (PTA) that later transformed to current Common Market for Eastern and Southern Africa (COMESA); the Arab Maghreb Union (AMU) and Economic Community of Central African States (ECCAS).

Later, another integration arrangement manifested away from the Lagos Plan which established Southern African Development Co-ordination Conference (SADCC) which evolved into Southern African development Community (SADC) to drive economic integration in the region (SADC Report, 2015). As a way of enhancing member states economic growth, SADC embraces basic development through integration and since inception it has grown to 16 member states (Thornhiil & Dijk van, 2002). The sixteen (16) member states namely; Angola, Botswana, Comoros, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe (https://www.sadc.int>media-centre>fre).

The region ensures that gross domestic product and other characteristics are controlled and member states explore the advanced skills in openness as opposed to other developing countries. However, the member states prefers trade more in products with each other, hence the shares are low on world trade. Meanwhile, despite SADC reducing tariffs, the arrangement remains multifaceted and could be inferior on intermediates.

III. IMPINGEMENTS OF SADC FREE TRADE AREA

The FTA has been one of the major drivers to technology transfer among member states and contributes to economic growth as well as reduces government expenditure. However, there are certain cons that this article prescribes as impingements to the prospects of economic regional integration.

- *Geographical Proximity*

The closeness of the countries in terms of geographical proximity is taken to be an optimistic aspect that powers regional bloc trading. In some instances, there is evidence to show that countries considered geographical proximity to trade in goods and service with the countries within reach unlike countries that are far apart despite being within the bloc. Hayes (2019) point out that David Ricardo an English political economist in the ‘ Principles of Political Economy and Taxation’ in 1817 encourage the organization or states to apply a comparative advantage theory to produce goods and service at a lower cost taking in consideration the opportunity cost and ability than the competitor and realize stronger sales margin. This works well when a state analyses the opportunity cost in selecting a particular country to trade with than others within the bloc by factoring the geographical proximity and kills off protectionism.

However, much that the country posses absolute advantage in all in all products, trade will thrive when states employ comparative advantage. The absolute advantage entails the superiority to produce more or better goods and services than others whereas, comparative advantage applies opportunity cost factor. Some scholars argue that adjacent or closeness the countries are to each other within the region does not provide a factor to enhance economic trade. The study established that in SADC FTA, the proximity was a factor as it encourages in creating relationships to trade among member states (Yang & Sanjeev, 2005) though at the same time partly contributes to overlapping of membership. Some SADC member states like Seychelles and Zambia are far apart to trade in certain goods and services that they may have absolute advantages and connectivity in terms of transport is difficulty.

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Fig 1:- Map of SADC Member States.
Source: SADC Secretariat.

➢ *Overlapping Memberships*

The Southern African Development Community (SADC) has a total of 16 member states out of 46 nations in Sub-Sahara Africa. There has been increasing stride on the economic, political and social fronts in the 21st century among the member states despite challenges of climate change, natural and human disasters, and high unemployment among the youths and complains that the economic growth has not benefited the poorest (UNDP Africa report, 2019). Most of the SADC members have affiliation/ membership with a number of economic groups within and outside the region aimed at achieving economic integration. Botha (1973) postulates that the duo or multiple memberships of states to various economic trade agreements was an impingement to SADC FTA growth as certain requirements overlap. Some SADC member states have heterogeneity membership in Community of Eastern and Southern African countries (COMESA), East African Community (EAC) European Union (EU) extra- extra. Vickers (2011) described the relationship of SADC having entangled in a 'rock' (EU) and 'hard place' (South Africa) that were both competing for regional integration.

The European Union (EU) classifies South Africa as an economy in transition, and in June 2016 Six (6) SADC small member states succumbed to the powers of EU and entered into multilateral agreement called Economic Partnership Agreement Group (EPA) involving Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland as the first in its kind with African region pursuing economic integration (https://www.tralac.org>by-region).

The Regional Economic Partnership Agreement (REPA) EU signed with SADC does not accommodate non-reciprocal access offered by Lomé to SACU and the members were being controlled by the Agreements which EU earlier signed with South Africa. Besides, SADC access preferential arrangements from other developed countries like United States of America Initiative for Africa are unattainable. The EU agreement demands for reciprocity in tariff reduction, hence the preferential arrangements and legal regime for any changes like at World Trade Organization (WTO) level causes implications for the value of an Agreement between EU and SADC. Meanwhile, other SADC countries are currently members of the Lomé Convention, which gives non-reciprocal preferential access to former European colonies.

Even though, there is a temporary waiver, the Lomé Convention contravenes World Trade Organization rules (Lumby, 1990). Another membership overlapping ensured in 2011 when Head of States and Government for COMESA-EAC and SADC endorsed a declaration for triple economic integration called COMESA-EAC-SADC -Free Trade Area (FTA) aimed at complimenting the AU drive in region economic integration. These overlapping memberships have impingement on the effective achievement of the objectives of SADC-FTA because some conditions or requirements contradict each other.

➢ *Policy Harmonization within the SADC Region*

In order to effectively benefit from regional trade, SADC member states should consider policy harmonization as a key factor. Pant (2009) SADC member states in 2006 established had ratified their Finance and Investment Protocols (FIP) aiming at harmonizing policies on investment, insurance, macroeconomic convergence, taxation, development finance, clearing systems, stock exchanges, and exchange control payments. In 2016 in Swaziland, 36th SADC summit amended Annex 1 to the SADC FIP and retained the provision on the admission of investments promotion of local and regional entrepreneurs, including use of Public Private Partnership for the need to secure development (Chidede, 2017). It can, therefore, be argued that without a healthy collaboration among member states, trade and regional integration will be a failed agenda. Lack of policy harmonization will affect trade protocols and the ability to provide for rules of origin among the unsettled SADC issues (Pant 2009).

➢ *Indivisibility of Sovereignty*

Democracy embraces self-rule and in particular sovereignty. Through the establishment of trade blocs or customs unions, states will be required to surrender their sovereignty which cannot be shared. Sovereignty entails the ability of a country to made decision without external controls. Therefore, it can be argued that customs unions, such FTA, will subject member states to some degree of external control contradicting sovereignty as a democratic principle (Botha, 1973).

According to SADC (2002), SADC members have been willing to work together towards promotion of trade, political and economic development. However, a number of member states do not support the sharing of sovereignty. Currently, although SADC is an FTA, some countries have not fully implemented tariff phase downs for the FTA whereas, Angola and Democratic Republic of Congo have not completed their commitments under the FTA.

➢ *Dependence Syndrome on External Funding*

Todaro (2008) postulates that for effective development to be achieved, it should be localized. The South-North relationship has been one sided at the expense of the South countries. Despite Africa being endowed with resources,' poverty and lack of social and economic development have characterized many countries in the continent.

Dr Stergomena Lawrence Tax, SADC Executive Secretary in 2014 during 16th Ministerial committee meeting on Organ on Politics, Defence and Security Cooperation appealed to member states to reduce dependence on donor funding (SADC Secretariat, July 2014). Dependence syndrome has been a concern and one of derailing factors of implementations of most of protocols among SADC member states. In August, 2015, the then Minister of foreign Affairs for Zimbabwe Hon Simbarashe Mumbengegwi lamented that more than half of the SADC $79 million annual budget was financed by donors and appealed to the member states to reduce dependence. Such dependency derails sustainability of the program and compromise ownership and control of SADC (www.enca.com).

➢ *Economic Disparities*

Chingono & Nakana (2009) it is not a disputable fact that there is very minimal trade between and among member states, save for South Africa due to economic disparities and inequities among Member States. This accounts for the low growth of trade between member states and the subsequent heavy external debt. In the region, there is relative or sometimes absolute abandoning of rural African populations thereby causing acute poverty since the incomes are very low. The variety of African Regional Economic Blocs, and the individual countries that consists their membership, are at varying stages of development and implementation of their regional arrangements.

The blocs' scope covers various socio-economic, developmental and political considerations, including the promotion of intra-regional trade, socio-economic policy coordination, and management or development of shared physical infrastructure and the environment. Some of the African regional arrangements also cover issues of common interest in the areas of public governance, defence and security, among other socio-economic and political dimensions. Incidentally, it is worth-noting that five SADC countries are classified as least developed, while the rest (apart from South Africa) are developing. This means that there is potential for goods with reduced tariffs to be imported from the other regional economic bodies, such as the EU, by the "more advanced" members of SADC and re-exported under the FTA to members, which should be protected by higher tariffs. The table 1 illustrates the performance of SADC member states in term s of trading for 2014-2016, though Congo DR.

Member	Merchandise Trade - 2016				Rank in World Trade 2014		GDP US $ billion (2016)	Trade to GDP ratio 2014 - 2016
	Exports US $ Billion	% World Exports	Imports US $ billion	% World Imports	Exports	Imports		
Botswana	7.4	0.05	6.1	0.04	68	89	15.1	52.0
Lesotho	0.9	0.01	1.8	0.01	125	125	2.3	60.1
Malawi	1.0	0.01	2.4	6.01	122	114	5.5	34.7
Mauritius	2.4	0.01	4.7	0.03	101	100	11.9	52.4
Mozambique	3.4	0.02	5.3	0.03	91	92	11.3	49.7
Namibia	4.4	0.03	6.4	0.04	87	88	10.6	53.9
Seychelles	0.4	0.00	1.0	0.01	136	141	1.4	103.1
South Africa	75.1	0.47	91.6	0.56	24	23	294.1	31.2
Eswatini	1.4	0.01	1.3	0.01	112	135	3.8	47.7
Tanzania	5.1	0.03	9.6	0.06	78	71	47.2	22.7
Zambia	5.8	0.04	7.0	0.04	73	83	21.3	38.4
Zimbabwe	2.8	0.02	3.7	0.02	95	104	14.2	43.4

Table 1:- SADC Members Merchandise Trade Profiles
SOURCE: WTO 2018

➢ *Lack of Industrial Capacity in SADC*

SADC Barometer (2005) indicates that although member states have readily available resources, such as minerals, these countries are always disadvantaged due to technological gap. The countries are mostly found exporting raw materials with less value added to attract more financial resources. The non-diversity of exports within SADC is considered a major factor affecting intra-SADC trade. Most scholars argue that countries with diversified exports attract more trade with other countries (Grossman, 2000). SADC countries lack industrial capacity for diversified manufactured goods. As a result, the exports within SADC countries often comprise of goods which are of little value to other African states.

Due to technological and infrastructural gaps, such as at border posts, transport and Information and Communication Technology (ICT) networks, there are duplicative border procedures, cumbersome paper requirements and the lack of free movement of people and goods across borders. The restrictive Rules of Origin within SADC have also been found to increase the cost of doing business in SADC. This un-conducive environment is a potential risk to meaningful trade among member states (SADC Barometer, 2005).

➢ *Conflict*

Domestic tensions may also undermine progress towards the formation of the FTA. For example, both the revival of hostilities in Angola and Zimbabwe's economic decline has the potential to disrupt those countries' compliance with any agreement, even if ratification proceeds. The optimism, which was evident in the region in 1996 and 1997, has given way to a fear that the process might be difficult to get underway, even though it is ratified by a majority of member states. South Africa's unilateral implementation of its own offer might be viewed as an attempt to precipitate action. If credible sanctions for non-compliance can be established, trade integration will create a regional agency of restraint, limiting government discretion in making trade policy changes and providing more predictability and stability for importers, exporters and investors (Mutesa, 2004).

Failure to achieve a free trade area because of non-compliance by all members will mean that the SADC free trade area will suffer the fate of other FTAs in Sub-Saharan Africa. On this score, a failed attempt would set back future attempts at regional integration by many years. Political factors may, therefore, be a greater problem in sustaining than in creating the FTA. Political conditions in SADC fluctuate. As already noted, there was considerable optimism in 1996-97 as progress was made in creating protocols not only on trade but on energy and transportation. In 1998, it appeared that the collapse of SADC on the back of political fallout was imminent. In 2000, this threat was reduced and the FTA was implemented by a majority of members. The enthusiasm and goodwill that was necessary to agree on establishing the FTA will, however, evaporate if not all members see themselves as gaining equally from closer economic integration (Mutesa, 2004).

➢ *Low Input from Private Sector and Persistence of Natural Monopolies*

Soludo *et al* (2004) argued that in most economies, there is a set of monopolies that have emerged as result of economies of scale and the huge sunk-in costs needed to operate in such industries. In African countries, such monopolies, often called "natural monopolies", are prevalent and concentrated in a number of important sectors. There is a grouping of "strategic industries" for which arguments are made for the need of direct or indirect state intervention. This category often includes water supply, the electricity power, primary health care, primary education, and postal service.

However, technological change and the advance of the private sector have reduced the irrelevancy of the arguments for government intervention in what are called "natural monopolies". The private sector has been found to operate as efficiently as the public sector in some of the sectors, and in some cases even better. Nonetheless, political patronage that control of public enterprises given to ruling governments has proven to be a major stumbling bloc to privatization of public enterprises in Africa as well as to the elimination of natural monopolies.

➢ *Tariffs Variations among States*

Intra-SADC tariff rates are high and uneven across countries in the region, with the exception of Botswana and South Africa, which have eliminated bilateral tariffs. Zimbabwe has the highest average tariff rates against other SADC countries, ranging from 12 percent against imports from Malawi to 94 percent against imports from Tanzania. Mozambique faces zero tariffs when it sells to most countries in the region (Botswana, Malawi, Zambia, and rest of SADC). The highest average tariff rate against another SADC country ranges from 94 percent (Zimbabwe against imports from Tanzania) to 20 (Zambia against imports from Malawi. The average tariffs in the region against imports from the EU range from 8 percent (South Africa) to 24 percent for the rest of SADC (Yang, & Sanjeev 2005).

High tariffs in SADC region also affect some sectors. For instance, apparel in Malawi has 41 percent against South Africa and 42 percent against Zimbabwe; food processing in Botswana attracts 70 percent against Zimbabwe and 67 percent against the EUfood processing in Mozambique attracts 50 percent against Tanzania; apparel in Zimbabwe, 80 percent against South Africa, 100 percent against Rest of SADC, and 55 percent against the EU; and apparel in the Rest of SADC, 58 percent against South Africa and 35 percent against the EU (ECA, 2004).

IV. CONCLUSION

The article interrogated the impingements of regional trading bloc in the case of SADC-FTA and established that geographical proximity; overlapping and concurrent memberships; lack of policy harmonization among member state; unwillingness of member states to give up their sovereignty; over- dependence on donor funds; lack of industrial capacity in SADC; high cost of doing business within SADC; continued internal conflict in some states like DRC. Although there are such impingements within the SADC-FTA region, individual countries have strengths which can bring about trade and competitiveness within the region. Meanwhile, it is recommended that with sponsorship, a field research need to be conducted and obtain primary data from high income, middle and low income SADC-FTA member states to investigate the progress of the trading bloc and barriers affecting the progression.

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