Southern African Development Community Economic Bloc and the implementation of the African Continental Free Trade Agreement: Challenges

By:

Sharon Raston

November 17, 2022

According to the African Trade Statistics 2020 Yearbook, intra-African trade accounts for only 15% of Africa's trade volume. This means that African countries are trading more with the rest of the world rather than with their neighbouring African countries. Nonetheless, the African Continental Free Trade Area Agreement (AfCFTA) that entered into force on 30 May 2019 is a unique opportunity for Africa to pave its way for inclusive growth and sustainable development. The regional economic communities (RECs) are recognized in the preamble to the AfCFTA as building blocks. One such REC is the Southern African Development Community (SADC). This blog post will focus on examining some of the challenges of SADC as one of the RECs in the implementation of

the AfCFTA.

The AfCFTA and interplay with the regional economic communities

Amongst the objectives of the AfCFTA is the creation of a single continental market for goods and services, with free movement of persons and investments, the expansion of intra-African trade through better harmonization and coordination of trade liberalization, and facilitation regimes and instruments across RECs and across Africa. AfCFTA has a ten-year implementation plan from 2014 to 2023, and according to the African Union (AU), if successfully implemented, it has the potential to become the largest free trade area (FTA) in the world, with a combined GDP of USD3.4 trillion[1]. Nonetheless, we all know that this is a very ambitious plan.

Regarding the interplay with RECs, Article 19(2) of the AfCFTA Agreement provides that:

"*Notwithstanding the provisions of Paragraph 1 of this Article, State Parties that are members of other regional economic communities, regional trading arrangements and custom unions, which have attained among themselves higher levels of regional integration than under this Agreement, shall maintain such higher levels among themselves [2]*". This implies that SADC is also a building block of the continental integration plan envisaged by the AfCFTA.

Economic integration within SADC is driven by the SADC Treaty and the SADC Common Agenda. The latter is based on the principles of development orientation, subsidiarity, market integration and development, facilitation and promotion of trade and investment, and variable geometry, with both developmental and political objectives[3].

The main intra-SADC trade export items include petroleum, agricultural products and textile, which are products that require good infrastructure to be moved from one point to another, representing only 10% of its overall trading with only 3% to African countries, which means that the majority of SADC exports go outside of Africa.

Some of the challenges that militate against SADC's implementation of the AfCFTA are discussed below.

Lack of political will

Although the SADC has designed various programs to foster integration, a lack of political will in implementing the various treaties and protocols has limited its success. There is a lack of good governance and a deficit of capability to manage domestic challenges such as conflict, violence and economic problems[4].

For instance, given the insurgency situation that Mozambique is facing, SADC is obliged to assist whenever a member state is facing security challenges, and Article 11(2) (b) of SADC Protocol on Politics, Defense and Security justify the basis for SADC intervention since it is a conflict that is threatening peace and security, but at present, very few have been done.

Industrialization and infrastructure development

The main issue that concerns SADC members regarding the AfCFTA is inadequate infrastructure. Infrastructure is needed so goods, people and services can flow and be transported efficiently from one country to another within the region. Lack of infrastructure increases the cost of doing business, makes the region unattractive to investors and prevents landlocked countries and/or people that live in rural areas from having access to staple food and even potable water. Thus, a good Regional Infrastructure Development strategy will create better economic opportunities for member states and larger markets, as well as promote sustainable regional economic development, trade and investment, and contribute to SADC's final goal, which is poverty eradication.

Moreover, it is unacceptable that it is easier and cheaper to fly to any other country in the world rather than to the region. For instance, if we calculate the flying time as well as visa procedures, travelling from South Africa to Brazil takes less time than travelling from Zambia to Angola. The lack of good infrastructure, on railway, road, air or maritime, makes travelling in the SADC area extremely costly in terms of money and time[5]. The railway system is also precarious and takes too long to travel within the region, and the absence of good roads in some countries is also a barrier because it limits access to certain areas by traders. In addition, there is a huge lack of supply of energy in the region, which leaves several families living, working and studying in the

"dark".

Other challenges that hamper trade include highly priced and unpredictable transport and logistics services, especially for landlocked states; lack of low-cost access to information and communications technologies; and inadequate meteorological services for effective and efficient planning and management of water resources, energy production, transport services and other climate-sensitive sectors.

Even though some progress has been made over the years, there is a shortage of financial resources to implement the projects, and this happens especially because governments are not able to carry the full costs of the project alone, which makes most SADC countries dependent on external funding.

Conclusion

Regional integration plays a very important role when it comes to generating easily more trade of goods and services within the region and Africa. Considering the current world situation and COVID-19, greater integration is expected to contribute to the economic recovery from the crisis. Notably, most countries in Europe are expected to recover from the crisis easier because they are part of the Union. And this is something African leaders need to understand is that UBUNTU is the way forward. The truth is, when it comes to programmes, recommendations and initiatives, there are many that are needed to move from planning to action.

References

---

[1]https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area

[2] Agreement Establishing the AFCFTA

[3] Ramsamy, Prega (2004): The Regional Indicative Strategic Development Plan (RISDP) as a Strategic Framework for Deeper Economic Integration and Social Development in the SADC Region. In: SADC Review 2004. Gaborone

[4] C. Alden and M. Soko (2005), South Africa’s economic relations with Africa: hegemony and its discontents, Journal of Modern African Studies, pp. 367-292

[5] GIZ, SAIIA and German Cooperation, SADC Univisa: Why the lack of Progress? – Case Study 05

View online: Southern African Development Community Economic Bloc and the implementation of the African Continental Free Trade Agreement: Challenges

Provided by Afronomicslaw