



YOUTH LEADERSHIP DEVELOPMENT PROGRAMME

Trade Organizations and Trade Agreements:
Their relevance for Namibia

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Introduction

◆ Why do Nations Trade?

- Namibians drive German cars;
- The English take holidays to Italy and France,
- Europeans eat Tanzania spices;
- My Motorola phone is American though the various parts are made in different countries
- Your t-shirt: the cotton was grown in the US, the material processed in China, then sown and printed in Namibia (at ramatex), then sent to Malaysia; then sold in the EU, and back to you here!



The Theory of Comparative Advantage



- ◆ First Coined by an English-man: David Ricardo
- ◆ Classical force behind Int. trade flows are technological differences btwn nations.
- ◆ If one country can produce a good relatively more cheaply, then we ourselves can make it,
- ◆ It is better to import this good from abroad as it will increase our welfare.
- ◆ The per capita welfare level, however depends on absolute costs difference,
- ◆ Which also explains the differences in wage levels



WORLD TRADE ORGANISATION(WTO)



- ◆ After WWII, the intention was to set up the international Trade Organization (ITO), to deal with int. trade issues.
- ◆ As a result the General Agreement on Tariffs & Trade (GATT) signed in 1947, evolved in a de facto international organization.
- ◆ 1 Jan 1995, the GATT was converted to the WTO, thus becoming the official international trade organization.



WTO is based on three principals

- ◆ 1. Non Discrimination:
 - ◆ (i) most favour nation (MFN) treatment; trade concessions apply to all other WTO members.
 - ◆ (ii) national treatment; imported goods must be treated as local produce.
- ◆ Exceptions to Non Discrimination
 - ◆ (I) Free Trade areas and Customs unions
 - ◆ (ii) developing countries; preferences are allowed to allow developing countries to develop.



WTO PRINCIPLES

- ◆ 2. Reciprocity
- ◆ If one country makes trade concessions , the other countries should make equivalent concessions to balance the advantages & disadvantages of trade liberalization.



WTO PRINCIPLES

- ◆ 3. PROHIBITION ON TRADE RESTRICTIONS OTHER THAN TARIFFS
- ◆ Trade restrictions other than tariffs, such as quotas, export taxes, are prohibited
- ◆ The main reason is because they are trade distorting.
- ◆ Namibia as a member of the WTO has to abide to all the rules of the WTO as it is a rules based institution.



EU – ACP COTONOU AGREEMENT



- ◆ In 1992, the Government of Namibia obtained preferential market access for products to the European Union 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

ECONOMIC PARTNERSHIP AGREEMENTS

- ◆ These reciprocal trade agreements, one of these being the SADC – EPA – EU trade agreement of which Namibia is part of, have to be concluded by the end of 2007.
- ◆ There are 6 groups negotiating EPAs. The Caribbean, the Pacific, the West African, the Central African, the East African and SADC EPA group of countries.
- ◆ A waiver was granted to the EU by the WTO to replace the Cotonou,
- ◆ otherwise the preferential market access for exports to the EU will lapse.
- ◆ Member states of the SADC – EPA are: Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland Tanzania, and since February 2007, South Africa.
- ◆ Namibian earns over N\$ 1billion from exports to the EU mainly from beef, fish and grapes.

SOUTHERN AFRICA CUSTOMS UNION (SACU)





SACU BACKGROUND

- ◆ **The Southern African Customs Union (SACU) consists of five Member States, Botswana, Lesotho, Namibia, South Africa and Swaziland. It was established through the Customs Union Agreement of 1910.**
- ◆ **The 1910 Agreement was re-negotiated leading to the 1969 Agreement. The Agreement was further re-negotiated in 1994 leading to the current SACU 2002 Agreement that came into force on 15 July, 2004.**



SACU OBJECTIVES



The main objective for the establishment of SACU was that of

- ◆ **Regional Integration,**
- ◆ **the facilitation of Trade between the Members of the Agreement and Trade Negotiations between SACU and third parties,**
- ◆ **in order to improve the economic development of the Member States.**



SACU NB ARTICLES

- ◆ Article 31: 3 of 2002 SACU agreement states:
- ◆ “No member state shall negotiate and enter into new preferential trade agreements with 3rd parties or amend existing agreements without the consent of the other Member states.”
- ◆ Article 34:1 Revenue Sharing Formula
- ◆ This article is vital for Namibia because revenue received from the common revenue pool is about 40% of our national revenue.

SOUTHERN AFRICAN DEVELOPING COMMUNITY (SADC)





SADC BACKGROUND



- ◆ The Southern African Development Community (SADC) has been in existence since 1980,
- ◆ when it was formed as a loose alliance of nine majority-ruled States in Southern Africa known as the Southern African Development Coordination Conference (SADCC),
- ◆ with the main aim of coordinating development projects in order to lessen economic dependence on the then apartheid South Africa.
- ◆ The founding Member States are: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.



SADC CON'T



- ◆ SADC was formed in Lusaka, Zambia on April 1, 1980, Africa: Towards Economic Liberation.
- ◆ The transformation of the organization from a Coordinating Conference into a Development Community (SADC) took place on August 17, 1992 in Windhoek,
- ◆ The Member States are Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.
- ◆ SADC headquarters are located in Gaborone, Botswana



SADC RISDP

- ◆ The integration agenda in SADC is enshrined in the Regional Indicative Strategic Development Plan (RISDP).
- ◆ It aims to achieve the following:
 - ◆ (i) A free trade area (FTA) by 2008;
 - ◆ (ii) A customs union by 2010
 - ◆ (iii) A common market by 2015
- ◆ According to the critics; the SADC integration agenda is highly unrealistic, because SADC does not have a comparative advantage in trade integration but rather has strength in political unity and solidarity.



COMESA

- ◆ Namibia left COMESA in 2004 as it was felt the benefits were not apparent.
- ◆ 6 of the 20 countries of COMESA are also members of SADC. Complications with overlapping membership.
- ◆ It is hoped that the FTA is to evolve into a customs union by 2008.
- ◆ Preparations are advanced to have a common external tariff in place.
- ◆ Comesa presents an opportunity for Namibia as it has a market of over 200 million inhabitants.



CONCLUSIONS



- ◆ Namibia is involved in all these agreements in order for her to be more competitive because liberalization entails that we
- ◆ expand our production base,
- ◆ source cheaper inputs,
- ◆ diversify our markets and
- ◆ Mitigate against the risk of losing newly established industries, in the face of tough international competition.