

Honourable Minister of Trade & Industry, Mr Hage Geingob

Member of Parliaments & Members of the Diplomatic Corps

Distinguished panellists, Mr Peter Draper: Project Head Development through Trade, SAIIA, South Africa & Mr Rolf-Joachim Otto: Deputy Director Trade Negotiations, SACU

Members of the Media

Distinguished Guests,

Everybody seems to agree that regional integration is a good thing. Integrating your local market with that of your neighbours into a bigger regional market seems to be good for economic growth and development. And it seems to be beneficial for the economies of all the countries participating in such a larger market.

Cross-border co-operation, regular interaction, joint institutions, developing of common interests and ultimately a common destiny seems also be good for lasting peace. And this was perhaps the most important driver of European integration after WW2.

The European model of integration has somehow become the standard or textbook model of regional integration. This standard model of integration envisages movement, in linear succession, up the ‘ladder of integration’. This model starts from a preferential trade area to a complete Free Trade Area (with substantially all goods being traded freely within that area), from FTA to a Customs Unions (with a Common External Tariff), to a Common Market, from a Common Market to an Economic & Monetary Union (with factors of production moving around freely and a currencies bound to each other) and, finally a Political Union as well.

SADC, the Southern African Development Community, and its 14 Member States have broadly adopted that linear model of integration. In their Regional Indicative Development Plan (RISDP) SADC envisages a Free Trade Area by 2008, a Customs Union by 2010, a SADC common market by 2015, a SADC monetary union by 2016 and a joint currency by 2018.

This is ambitious and some argue that it doesn’t adequately take into consideration the challenges and complexities in the real world out there.

One of these complexities, for instance, has to do with the fact, that in the Southern part of SADC we already have SACU. SACU is the oldest existing customs union in the world (since 1910) to which the BLNS countries and South Africa belong. SACU itself faces its own problems – of which we might hear more today. The negotiations with its main external trading partner, the European Union, about Economic Partnership Agreements seem to have been particularly divisive to SACU unity. And there seem to be other problems as well.

It is also not quite sure whether the *SADC Free Trade Area* which was launched with much fanfare in August this year will by itself be able to trigger much additional trade among member states, let alone development.

SADC market integration seems to face major obstacles, such as low levels of complementarities in the production structures, hence low levels of intraregional trade, infrastructural problems, the challenge of harmonizing customs procedures and other trade-related regulations as well as overly complex rules of origin – an instrument albeit necessary within a free trade area to authenticate goods and services and prevent transshipments from outside the region.

Many professional observers and even policy makers seem to be of the view that the 2010 deadline for a SADC Customs Union is completely unrealistic and doesn't take into account the objective conditions required to reach a viable Customs Union. There is the problem of overlapping memberships, where some members already belong to a different existing or nascent Customs Union together with other non-SADC countries, something which is technically incompatible with a SADC Customs Union. There is also the problem of completely different tariff systems. While the SACU-tariffs are largely driven by trade and industrial policy considerations, others are much more the product of revenue considerations. This will make it extremely difficult if not impossible to harmonize them into a common external tariff (CET). Lastly, SADC Member States have concluded, albeit not finally signed different extra-regional trade agreements with their most important external trading partner, the EU. There are now 4 or 5 separate EPAs; plus the SA-EU TDCA, all with different sensitivities, tariff-phase-down schedules, etc. Unless major differences between these agreements cannot be ironed out in the ongoing negotiations, this will make the next step to deeper SADC integration even more difficult.

These and other problems seem to make further and more accelerated or deeper regional integration a very challenging endeavour. On the other hand there are also some encouraging new developments, like the proposed new trading agreement between three Regional Economic Communities (REC) in Africa, namely EAC, COMESA and SADC. Such an agreement can not only promote trade within Africa by way of creating some sort of "African Free Trade Zone". This may also be a mechanism to alleviate some of the problems that arise from multiple and overlapping memberships.

And perhaps this development is already a sign for a more general trend. There are some observers who argue that the way forward in integration is not to deepen existing integration schemes like SACU or SADC along the lines of the linear model but to first widen the ambit of preferential of free trade around Africa.

The discussion this morning, I am sure, will shed some light on these and other issues connected to this much desired regional integration, but also and above else, what this all means for Namibia.

With those few words I like to welcome you all once again to the 15<sup>th</sup> Public Dialogue on Trade and wish us all an interesting discussion.

I THANK YOU!