

3.2 The SADC context

The SADC stretches from the Democratic Republic of Congo in the north to the southern tip of Africa and includes Mozambique, Namibia, Mauritius, South Africa, Lesotho, Swaziland, Malawi, Zambia, Zimbabwe, Botswana, Namibia, Tanzania, the Seychelles and Angola.

The 14 members of SADC represents 54% of Sub-Sahara's Gross Domestic Product (GDP) but less than a third of its population. The SADC has the highest levels of intra-regional trade in sub-Sahara African namely 22% of the total trade. This is expected to increase to 35% by the year 2001.

The following table shows the current state of economic development of SADC. (Complete information not available for all countries) ²

Table 1: Economic development within the SADC region

	GDP % growth	GDP per Capita US\$	Budget balance as % of GDP	Current account as % GDP	CPI % Change
South Africa	0.1	2769	-3.5	-2.1	6.9
Mozambique	11.2	141	-5.9	-18.5	-1.3
Namibia	2.6	1757	-5.6	-	6.2
Mauritius	5.6	3620	-1.8	-	6.8
Lesotho	-8.6	396	-4.3	-40.6	7.8
Swaziland	3.0	1263	-1.6	2.2	8.0
Malawi	3.1	169	0.7	-17.1	29.8
Zambia	-1.9	257	-	-2.2	31.6
Zimbabwe	1.6	439	-8.1	-5.4	31.7
Botswana	8.3	3107	7.9	14.6	-
Angola	1.3		-	-12.6	91.1
Tanzania	-	241	-	-	-
Seychelles	-	-	-	-	-

The above indicates the vast gap between the best and worst performing economies of the SADC. The World Economic Forum ranks Mauritius as the most competitive African economy (29th in World Competitiveness Report), compared to South Africa which is ranked as the 39th most competitive nation, and Angola ranked as the least competitive African country. While

² South African Reserve Bank, 1999

South Africa has the largest economy it is not experiencing the highest growth rates despite the favourable macro-economic conditions that currently exist.

For both the weaker and the stronger economies, the free trade pact between the SADC countries, which came into effect during 2000, should boost trade between the countries, giving impetus to economic growth.

The implementation of the first phase of the trade pact, which was agreed to in principle in 1996, was delayed because of disagreements between the member parties. Most disagreements centred on the pace and scale of tariff reductions as well as rules, which will determine what constitutes local content. During 1999 agreement was however reached on percentages of local content needed for products to qualify as "local".

Because of the economic dominance of the South African economy, it has agreed to easier terms for neighbouring states. It will progressively reduce tariffs on items such as clothing from SADC countries within approximately five years, while other SADC countries will phase out tariffs over eight years.

The objective is to have the pact fully implemented by 2008. Once implemented, it will open a market of close to 200 million people, with current levels of GDP worth approximately US \$ 176 Billion.

3.3 South African international trade³

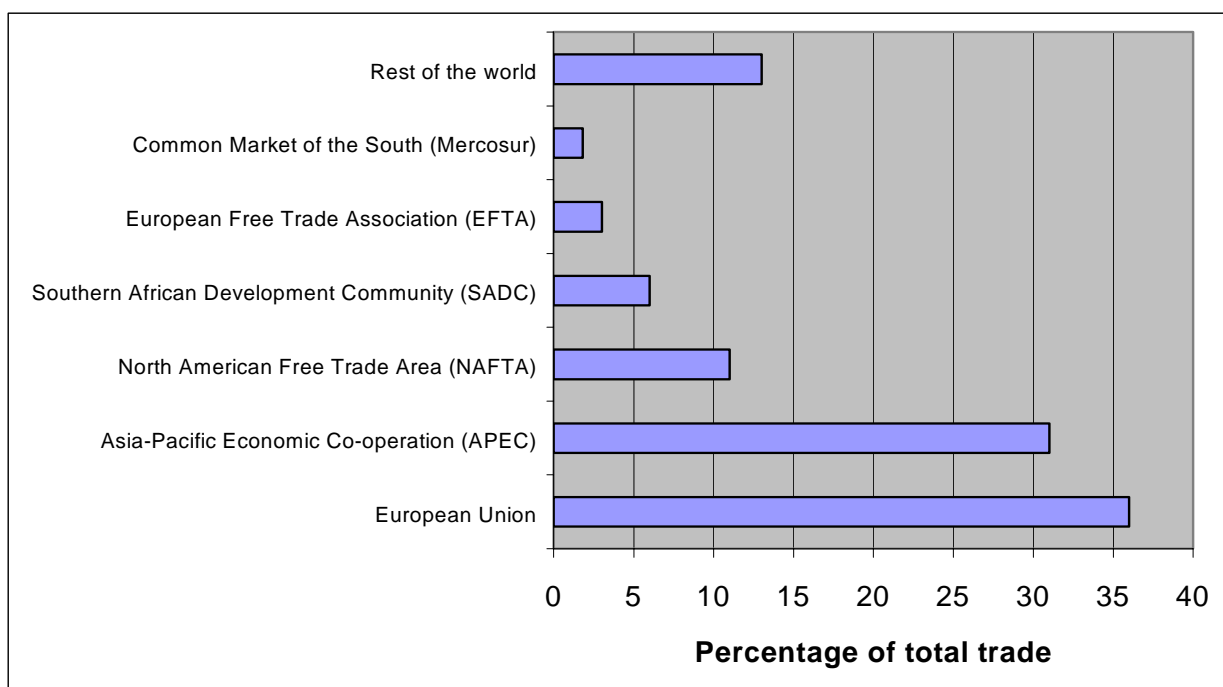
During the period of international financial sanctions, i.e. 1985 to 1993, a surplus on the current account of the balance of payments had to be maintained in order to cope with the annual net outflow of foreign capital, thus protecting the foreign reserve position of South Africa. During the post sanction period (1994 onwards) the current account showed a cumulative deficit of R 37.8 billion (US \$ 8.4 billion), while a cumulative net inflow of capital of R 57.9 billion (US \$13 billion) was recorded.

During the period 1994 to 1998 South Africa's non-gold export volumes increased by just over 9% per annum, with gold exports, as a percentage of total exports dropping to 13.1% in 1998, from 27.4% in 1994. During the same period import volumes increased by 9.9% per annum, mainly as a result of domestic real economic growth of 2.7% per annum. South Africa's trade as a percentage of world trade however remained at 0.6%.

³ Long-term prospects for the South African Economy, ABSA Group Economic Research, ABSA,2000

The following graph summarises the distribution of South Africa's trade by trade bloc.

Figure 3: Distribution of South Africa's trade by trade bloc, 1999⁴



The following table summarises the imports, exports and trade balance of South Africa by trade bloc.

Table 2: South African imports, exports and trade balance by trade bloc, 1999⁵

	Imports (R billion)	Exports (R billion)	Trade balance
European Union	64.87	49.49	-15.37
APEC	55.95	40.72	-16.23
NAFTA	21.91	16.95	- 4.96
SADC	2.65	16.35	13.79
EFTA	4.27	6.05	1.78
Mercosur	2.65	2.12	- 0.53
Rest of the world	16.16	39.91	22.72

⁴ South African Department of Trade and Industry, Trade Statistics, 1999

⁵ South African Department of Trade and Industry, Trade Statistics, 1999