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*Section Three*  
**OPENING REMARKS**





## Opening remarks at the FANRPAN (SADC) Workshop on 14 March, 2000



by Mr Percy Misika, Under Secretary, Department of Agriculture and Rural Development (DARD) of the Ministry of Agriculture, Water and Rural Development (MAWRD)



Master of ceremonies,



Distinguished Guests

Ladies and Gentlemen:



I am both honoured and delighted to have been invited to participate in this important workshop and, in particular, to have been given this opportunity to say a few words at this forum for policy dialogue and advocacy among stakeholders.



The Namibian agricultural sector is second to the mining sector in terms of both contribution to GDP and export revenues., as well as being an important source of raw materials for many of our industries livestock and maize grain, for example. In addition, it provides the main source of livelihood and employment for 70% of our population. It is therefore not difficult to appreciate that it is a sector which is fundamental to any progress being made in our national economy.



The agricultural sector in Namibia experienced major changes over the last 10 years. Not only did we move to a deregulated domestic market environment, we also experienced a major change in the international environment due to globalisation contributing to increased competition and opportunities for the sector.



Namibia has been involved in a range of regional and international trade arrangements. I would like to share with you the state of these trade arrangements and their effect on the Namibian agricultural sector. As a Network, which aims at improving policy research, analyses, formulation and monitoring of priority FANR issues, I hope this will serve a purpose of stimulating your discussions in identifying areas that need some research as far as agricultural trade is concerned.



The key trade arrangements affecting Namibian agriculture and ancillary sectors are the Southern African Customs Union (SACU), the Southern African Development Community (SADC), the Common Market for East and Southern Africa (COMESA), the European Union Republic of South Africa Free Trade Agreement (EU-RSA FTA), the European Union- African Caribbean Pacific arrangements (known as the Lome/Cotonou Convention) and the World Trade Organisation (WTO) agreement.



The main implications for agriculture will fall in the areas of improved market access, heightened competition, on both the domestic and international markets, reduced subsidy, and more consistent trading standards and rules. The result of the greater regional and international market integration promised by these trade agreements will be increased trade flows, i.e. more imports and exports.



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## The Southern African Customs Union (SACU)

SACU provides a framework for the free movement of goods with a common external tariff (CET). A customs union is an advanced form of trade arrangement whereby all members agree to pool the revenues from imports and share them out according to a formula. Within a customs union, there are normally no barriers to trade.

Currently, SACU has no secretariat. South Africa is the coordinator of SACU with most functions performed by the Board of Tariffs and Trade (BTT). The BTT sets the CET for SACU and is responsible for the Common Revenue Pool, out of which, at the end of each year, each of the member states is allocated a revenue share based on amounts collected. The allocation of revenue is based on a formula and is shared unevenly between the partners. Revenue allocation has been an area between South Africa and its less development partners the (BLNS).

### ***SACU re-negotiations***

During 1994, members of the SACU expressed concern that the agreement no longer met their demands. Significantly, the BLNS held the view that South Africa dominated SACU and that they were not treated as equal partners. It was generally agreed that the agreement should be re-negotiated. Therefore, the Customs Union Task Team (CUTT) was established to come up with recommendations on a re-negotiated agreement. Although some progress was made on a number of areas, including agriculture, two major stumbling blocks remained, namely the organisational structure of the new SACU and the sharing of revenue. Regarding agriculture the objective of moving to free trade within SACU for agriculture was accepted, however with the proviso that in certain circumstances protection would be necessary particularly for development purposes. Within the process of the re-negotiations the drawing up of development strategies for specific industries were started, e.g. dairy, wheat, maize, red meat and sugar. Although some progress were made, the main problem still is the non agreement on the use of non tariff barriers, the level of tariffs, and the existence of rebate facilities for BLNS countries for certain products.

## The Southern African Development Community (SADC)

SADC consists of 14 Southern African countries. Heads of states of these countries met in Maseru, Lesotho in August 1996 where a protocol was signed. The overall objective of the protocol is to structure a free trade area as a practicable model to promote equitable and mutually beneficial economic development through efficient utilization of the comparative and competitive advantages of each nation.

At the moment, intra-regional trade among SADC countries is very low compared to other trading blocks; for example, SADC exports to SACU accounted for only 2.2% of SACU's total imports in 1997.





Although SADC geographically is endowed with potential for extensive agriculture, most of the countries particularly the Least Developed Countries (e.g. Lesotho, Malawi etc) are net food importers. A few countries that produce agricultural non-food commodities, on the other hand, are heavily depended on the export revenues from those commodities. Development in those countries will have to be in the form of crop diversification and agro-processing in order to reduce the degree of dependence on one or two primary products.



### ***Current state of the negotiations***



Several issues are delaying the implementation of the SADC Protocol (i.e. the trade liberalization aspect, as the Protocol itself was supposed to be implemented during January this year after two-thirds of the signatories to the Protocol had submitted their ratification tools to the SADC Secretariat. The issues that are delaying the implementation are such as: trade coverage, differentiated offers, rules of origin and non-tariff barriers to trade. Negotiations are still going on to try and resolve those issues.



### **The World Trade Organisation (WTO)**



In the 1980's, discretionary non-tariff import restrictions, escalating subsidisation of exports, and domestic support measures that affected agricultural production and trade, caused distortions to world markets and strained Governments budgets, particularly in the major economies. Thus Governments agreed in the Uruguay Round to:



- Convert all non-tariff barriers to trade into tariffs;
- Offer a minimum level of access to their markets;
- Cap distorting government support measures and export subsidies
- Reduce these expenditures during the Uruguay Round implementation period; and
- Negotiate disciplines on export credits.



Notwithstanding the measure of transparency and discipline the Uruguay Round Agreement on Agriculture brought to world agricultural trade, certain inequities remain and trading conditions continue to be highly distorted. While the Agreement on Agriculture was recognized as a first step toward the long term agreed objectives of substantial progressive reductions in support and protection, resulting in fundamental reform, governments agreed at the conclusion of the Uruguay Round, as contained in Article 20 of the Agreement on Agriculture, to re-open negotiations on agriculture in the year 2000, taking into account:



- The experience to that date from implementation of the reduction commitments;
- The effects of the reduction commitments on world trade in agriculture;
- Non trade concerns, special and differential treatment to developing country Members



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- The objective of establishing a fair and market oriented agricultural trading system; and
  - What further commitments are necessary to achieve the above-mentioned long-term objectives.

## Post Seattle

Even though the Ministerial Conference in Seattle failed to launch a new broad based round of WTO negotiations, the general consensus that prevailed in Geneva was that the negotiations in agriculture have started as prescribed by the built-in agenda of the Agreement on Agriculture.

## The Common Market for Eastern and Southern Africa (COMESA)

Signed by heads of state in 1994, the COMESA treaty requires member states to have all tariffs reduced to zero by 31 October, 2000. COMESA consists of 21 members, of which, only Namibia and Swaziland are also members of SACU.

Namibia's agricultural trade with its COMESA partners is negligible, but has some potential, most notably in the area of red meat exports. Problems arise where the COMESA arrangements are in conflict with the SADC trade arrangements.

## The COMESA derogation

Because of the CUTT process and the renegotiations of SACU, COMESA gave Namibia and Swaziland a provision referred to as "derogation". This exempts Namibia and Swaziland from implementing tariff reductions and removal of NTBs regarding trade with other COMESA countries, but yet accords them preferential market access within COMESA. Derogation has been extended to July 2000, after which Swaziland and Namibia will lose access to the preferential COMESA tariff rates unless they reciprocate. Though a separate negotiation process, the existence of the derogation influences the SADC Trade Negotiating Forum (TNF) process, because when Namibia signed the SADC Trade Protocol the principle was agreed that no state should, as a result of its membership of SADC, receive any reduction of its market access. If no changes are made to current SADC tariff proposals, Namibia will pay higher tariffs on exports to COMESA members than it did before because the COMESA-SADC tariff rates are higher than the current COMESA-Namibia ones. At this point Namibia will have a choice of potential courses of action. The first option is to seek a further extension to the current derogation and delay the problem until the SADC tariff reductions have brought COMESA and SADC rates into harmony with each other. The second option is to accept higher tariffs and loss of market access.



## Post Lome arrangements (to be called Cotonou Convention)



The Lome Convention on trade provides market access for certain commodities to the EU market for developing countries from Africa, the Caribbean and the Pacific. This arrangement expires in 2000. As you might be aware of, the Lome successor arrangement, which will be called Cotonou Convention was recently concluded. In summary:



- The new arrangement will be for 20 years;
- The Beef Protocol will be kept for 8 years
- There is a new provision in the Beef Protocol for carrying over quota due to natural disaster (i.e. drought);
- There is a new country definition for increased benefits (to add to landlocked, least developed and small island);
- The stabilization funds (i.e. STABEX and SYSMIN) will be combined into one fund;
- The threshold of this fund will be increased to 10% price shift in three years (used to be 2%), therefore Namibia is less likely to benefit from this fund.



## The EU-RSA Free Trade Agreement



Finally agreed early in 1999, this trade agreement offers significantly duty-free market access between Republic of South Africa (RSA) and the European Union (EU) markets. Of note is the fact that 40% of SACU imports come from the European Union. The agreement is asymmetrical, with greater, earlier access being offered by the EU to RSA goods than the other way around. Studies financed by the EU carried out in 1997 and 1998 indicate that the BLNS will not suffer significant trade or investment diversion as a result of this Agreement. However, the real impacts in terms of increased competition for Namibian exports to the European Union from South Africa, greater competition for Namibian exports to South Africa from EU products, and loss of revenue and investment, will only be apparent some time after implementation of the agreement.



## Over-arching issues



In addition to the problems of synchronization between individual agreements mentioned above, implications of this convergence for Namibia may include the following:



- Namibia will substantially reduce tariffs for many agricultural imports from countries with large-scale, established industrial agricultural sectors within a relatively short period of time (i.e. between



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the year 2000 and 2010). Substantial adjustments in Namibia's agricultural sector to reduced prices for these commodities can be expected.

- Lower staple commodity prices benefit consumers. However, in Namibia a large proportion of consumers are also producers, many of whom are just beginning to commercialise their farming operations. These newly commercialized, semi-subsistence farmers and large-scale commercial farmers will bear the brunt of downward pressure on staple crop prices.
- Market access for Namibian produce will substantially improve, leading to new opportunities for export. Many of these opportunities are not for bulk produce, but are for either specialist, niche markets (e.g. essential oils, herbal extracts such as devils claw, exotic edible oils such as Marula etc.) or for seasonal produce that Namibia has a particular advantage in (e.g. dates, grapes, melons, citrus fruits, etc). Government policy should focus on promoting new agricultural products with export potential. However, there is a need to strike a balance between these and the production of staple food to ensure food security especially at household level.
- There will be a heavy burden upon limited analysis and negotiation resources in Namibia during the next few years. Coordination of effort and sharing of limited resources will be important.

We are of the opinion that it is very much in Namibia's interest to encourage regional integration and general removal of trade barriers. However, this must be done in a climate of reciprocity, particularly with respect to direct and indirect subsidies. The Namibian economy will not be able to subsidise agriculture in a foreseeable future and therefore should seek a liberalised international trade regime that recognises this fact.

Lastly, I would like to thank FANRPAN for having organised this very important forum for policy dialogue and advocacy among stakeholders and I trust that through your purposes of developing and strengthening human and institutional capacity, and through developing mechanisms to promote advocacy, coalition building, information exchange and effective utilisation of research analysis results, we will collectively fight the challenges that are facing our agricultural sector.

With these words, it is now my singular honour to declare this workshop officially open. I thank you.

