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STUDY ON THE OBSTACLES AND BARRIERS TO THE DEVELOPMENT OF TRADE IN THE EASTERN AND SOUTHERN AFRICAN SUBREGION

(PHASE II)

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OUTLINE

STUDY ON THE OBSTACLES AND BARRIERS TO THE DEVELOPMENT OF TRADE IN THE EASTERN AND SOUTHERN AFRICAN SUBREGION (PHASE II)

I. INTRODUCTION

This study (Phase II) is provided for within the framework of the implementation of UNDP-ECA project RAF/73/029/A/01/40 on the development of intra-African trade.

It follows on the study undertaken in phase I which covered the general aspects of obstacles and barriers to the development of intra-African trade common to the entire continent.

The objective of this study is to take stock of the different obstacles and barriers which check the development of intra-African trade and to propose solutions and appropriate measures for reducing and/or eliminating these barriers in time and in space.

This study must respond in part to the various decisions and recommendations taken or put forward by the authorities of the Lusaka Multinational Programming and Operational Centre (MULPOC).

The subregion comprises the following countries: Angola, Botswana, the Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Seychelles, Somalia, Swaziland, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe.

II. OBSTACLES AND BARRIERS TO THE DEVELOPMENT OF INTRA-AFRICAN TRADE

A. General

The Eastern and Southern African subregion is rather special, and trade between the member countries comes up against problems relating to the countries' past and their geographical situation.

These 18 countries use no less than four international languages (English, French, Portuguese and Italian), which implies a number of difficulties in the area of basic trade documents and communications.

Four countries are islands (the Comoros, Mauritius, Seychelles and Madagascar), meaning that their trade depends largely upon shipping and, to a lesser extent, air transport.

Seven countries are land-locked (Botswana, Lesotho, Malawi, Swaziland, Uganda, Zambia, and Zimbabwe) and thus face difficulties in the transit and transport of their goods through neighbouring countries.

While most of these countries have an economy based on agriculture and livestock, some of them have other advantages, particularly the extraction and export of minerals and the marketing of semi-finished or finished goods produced by their nascent industries. While these differences represent the foundations for complementarity in trade, they may nevertheless bring about imbalances and distort the negotiating power of the least developed countries, thus damaging the prospects for potentially more harmonious trade.

B. Obstacles related to politico-economic systems

The countries of the subregion have adopted different politico-economic systems often for historical reasons (foreign occupation, wars of liberation, continued close relations with the former colonial power, adoption or rejection of economic systems similar to that of the former colonial power, etc.).

The differences among these systems become most apparent in the structure and organization of the key sectors of the economy - agriculture and industry.

In certain countries, agrarian reform has been introduced, which encourages the organisation of farmers into co-operatives; State farms have been established and put into operation; State enterprises have been set up to manage the various industrial sectors.

In other countries the economy has remained primarily in the hands of the private sector; transnational corporations may even continue to manage agricultural and industrial production and trade.

It is thus because of these two different economic systems that the States encounter some obstacles in expanding their trade throughout the subregion. Also because of these two different economic systems, the problem of the criteria for determining the origin of goods may also be considered to be a major obstacle to liberalizing trade in goods originating in or coming from the countries concerned.

National agricultural and industrial production plans, generally worked out in an independent and sovereign manner in accordance with specific political objectives, are often found to conflict with each other in terms of both economic goals to be attained and the means of attaining them.

Furthermore, competing industries and agricultural development plans have been set up. Tax laws tending to protect the national plan objectives have been developed and put into effect in contradiction with the international commitments made by the countries in the context of their foreign policy.

Consequently the market area shrinks, and industrial units which in some instances were conceived with capacities exceeding the national market may no longer be profitable, since they face placement and distribution difficulties. Even those agro-industrial and industrial units which provide substitutes for imports from outside the subregion will for some time continue to come up against the limited national economic horizons if such contradictions continue to exist between neighbouring countries. Only the most realistic and systematically co-ordinated agricultural and industrial policies based on the study of the convergent interests among the countries could contribute in a definite way to setting up trade of the subregion on a favorable track.

C. Tariff obstacles

The major difficulty in the subregion in the development of trade is the fact that in the past the different countries belonged to different colonial master and have adopted to varying degrees former customs and tax systems which today are in conflict with the subregion's over-all trade interests.

Four colonial influences (France, the United Kingdom; Italy and Portugal) are still evident in many of the subregion's trade documents and constitute a genuine constraint to the facilitation of trade within it.

An analysis of the customs procedures and practices followed by the countries of the subregion indicates that there are numerous problems affecting not only trade within the subregion but co-operation in all its forms among the countries in question.

For instance, there are great differences between the customs tarifs and regulations in effect in the individual countries. The wide variety of different systems of tariff classification of goods in order to assess duties and for evaluating these duties is real obstacle to trade relations among countries of the subregion.

1. Constraints relating to tariff classification and valuation of goods for the purpose of assessing customs duties

Two basic conclusions can be drawn from the table below summarizing the national customs tariffs of the Eastern and Southern African States:

(a) The Nomenclature of the Customs Co-operation Council (NCCC) has been adopted by all States except Seychelles;

(b) This nomenclature is used with different systems of columns and handled in a great variety of ways depending on the economic relations of the various countries.

Although the adoption of the nomenclature might seem to facilitate those activities dealing with customs declarations and operations between States, the situation is considerably complicated by the diversity of applicable taxes depending on the origin of the goods, which constitutes a real handicap to the growth of intra-subregional trade.

Most countries have arranged their tariff system in different columns according to the role played by their fiscal policy and in relation to their membership in economic groupings which extend outside Africa. This considerably hampers trade relations between the countries of the subregion and consequently puts products originating in the subregion at a disadvantage.

Some countries of the subregion belong to the Commonwealth and grant preferential tariffs to goods coming from Commonwealth countries located outside the subregion or Africa itself.

The ACP countries associated with EEC, while benefitting from the non-reciprocity system, are still nevertheless adequately supplied with EEC products.

A few examples illustrate how the situation is generally unfavorable to the subregion's products:

Botswana, Lesotho, and Swaziland, members of the Southern African Customs Union Agreement, also grant a preferential tariff to certain goods coming from the Commonwealth.

Mauritius, while imposing fiscal duties on all imported goods regardless of their origin (10 per cent ad valorem), grants a preferential rate to goods coming from the United States of America and EEC and Commonwealth countries (from 5 to 10 per cent).

Seychelles, while maintaining its own national three-column tariff scale, utilizes a preferential rate for certain countries, a separate rate for EEC goods and a uniform rate for the rest of its trading partners.

Kenya and the United Republic of Tanzania were the first countries to abolish the preferential tariffs granted to EEC member countries, thus enabling products to the indigenous subregion to penetrate their respective markets once the competition from European goods had been reduced.

Thus in the light of these few examples that there exist everywhere special entry conditions for products in certain categories or according to their places of origin which are not always favourable to the subregion's products.

The existence of exemptions from import duty in several countries does not work to the advantage of these subregional products to be traded within the subregion at this point; these exemptions concern pharmaceutical products and agricultural and industrial equipment. The only tax and customs facilities that might be made involve certain raw materials destined for basic industries and a few food stuffs.

For determining the durable value of goods, the lack of specifications which characterizes trade documents dealing with transactions and the transit of goods poses a serious problem in that numerous litigations arise which become genuine bones of contention in the context of intra-subregional trade relations.

The methods by which duties are set, which also vary from country to country (depending on the type of goods, weight, value, volume, number of pieces, ad valorem Value, f.o.b. value, c.i.f. value, etc.) are an additional difficulty facing trade among the subregion's countries. The fundamental differences that exist can be outlined by the following examples:

In Seychelles, ad valorem duties are determined in terms of the f.o.b. value of the exporting vessel.

In Mozambique, the value of goods as indicated on invoices is considered to be the real price of the goods as defined by the provisions of international agreements.

In Madagascar, the taxable value in the c.i.f. value of goods.

In Ethiopia, entry duties are levied on the c.i.f. value, with an additional 1 per cent in the case of ad valorem duties.

Lastly, in Mauritius, duties are proportional to the value of the goods if the value used to evaluate duties is the sales price of the goods.

In the light of all these differences the classification of goods in any particular category can have serious repercussions on the application of quantitative restrictions and the collection of various taxes. An erroneous classification, for any of the reasons mentioned above, may mean not only that an excessive duty is levied but also that goods are subject to different formalities, both at which discourage trade within the subregion.

2. Summary table of national customs tariffs of Eastern and Southern African States

Country	Tariff Classification Systems	Heading	Principal taxes on imports	Remarks
Angola	NCCC	Minimum tariff rates (most-favoured-nation rate)		The minimum tariff rate applicable to non-favoured countries is twice the minimum tariff but may not be less than 10 per cent of the value (no information is available on modifications the system has undergone since independence).
Botswana	NCCC	Fiscal duty Uniform duty rate Most-favoured-nation rate	Sales tax; Indirect taxes on alcohol, beer, tobacco, oil and motor vehicles	The customs agreement with South Africa allows for the free import of goods coming from South Africa; there is no currency control within the Southern African Customs Union. Certain UK products are granted preferential import duties.
Comoros	NCCC	Duties Import tax	Consumption tax; Foreign transaction tax	
Ethiopia	NCCC	Duty rates	Transaction tax; Various taxes on products such as tobacco, cigarette papers and pocket lighters; Indirect taxation on salt, sugar, alcohol, perfumes and petroleum products	

Country	Tariff classification systems	Heading	Principapl taxes on imports	Remarks
Kenya	NCCC	Duties	Indirect taxes; Sales tax	The preferential tariffs granted to EEC were abolished as of 1 January 1976. The ad valorem duties imposed on most imported goods range from 12.5 to 75 per cent. A member of the Southern African Customs Union.
Lesotho	NCCC	Most-favoured-nation rate Duty rates Collection of taxes		
Madagascar	NCCC	Duties	Single sales tax	Duties range from 5 to 10 per cent; import taxes range from 28 to 100 per cent.
Malawi	NCCC	Two column tariff scale, columns numbered 4 and 5 (see remarks)	Surtax a/	Duties indicated in column 4 apply to all countries not listed in column 5. Column 5 refers to: (a) EEC member countries and all ACP countries; (b) all other Commonwealth countries; (c) all Contracting Parties to GATT.

a/ A 15 per cent surtax is levied on most goods imported into Malawi; whatever their origin. The base for calculating the surtax is equivalent to 120 per cent of the assessed value of the goods for the purpose of setting duties and other taxes.

Country	Tariff classification systems	Heading	Principal taxes on imports	Remarks
Mauritius	NCCC	Fiscal duty Uniform duties Preferential duties	Supplementary duty	Duties are proportional to the value of goods when the sales price of the goods is used to evaluate the duty. Goods coming from the United States and EEC or Commonwealth countries are given preferential rates.
Mozambique	NCCC	Minimum tariff	Uniform tax; Consumption tax applied to goods considered non essential	The minimum, which is 10 per cent over the ad valorem rate, is applied to non-favoured countries.
Seychelles	National nomenclature	Duty rates		Preferential rates for imports coming from the United Kingdom and the Commonwealth.
Somalia	NCCC	Duties Collection of taxes	Surtax on sugar-based products; Administrative and statutory duties of 10 per cent	Somalia grants no preference to the nine EEC countries. The import of certain products, whatever their origin, is temporarily prohibited for balance of payments reasons. b/

b/ Butter, cheese, tomatoes, non-alcoholic beverages, ready-to-wear, textiles and related items, electrical appliances and spare parts for tourist automobiles.

Country	Tariff classification systems	Heading	Principal taxes on imports	Remarks
Swaziland	NCCC	Fiscal duty Uniform duties Duty rates applicable to the most favoured nation	5 to 20 per cent duty on sales; Indirect taxes levied on articles such as alcohol, beer, tobacco, oil and motor vehicles	The Customs Agreement with South Africa allows for free import of goods coming from South Africa; there is no currency control within the Southern African Customs Union. Certain United Kingdom products are granted preferential import duties.
Uganda	NCCC	Import duty Fiscal duty	Sales tax	
United Rep. of Tanzania	NCCC	Duties	Sales tax (rates ranging up to 50 percent)	Duty rates range from 12.5 to 75 per cent
Zambia	NCCC	Duty rates	Sales tax (see remarks)	The preferential tariffs granted to the Commonwealth were abolished in January 1966. After clearance most imported goods are subject to a 25 per cent sales tax, the amount used to calculate this tax being equivalent to 120 percent of the customs value to which the applicable entry duty is added.

D. Currency and exchange obstacles

Balance of payments and the protection of national markets are among the determining factors of the currency control which has been instituted in all countries for various but basically similar reasons.

As a general rule, this currency control has the effect of making transactions less flexible causing excessively long, drawn-out administrative formalities when making monetary transfers. There is no doubt that the lack of flexibility resulting from varying payments systems operating in the different countries severely hampers trade within the subregion in that it strongly discourages those wishing to trade.

For historical reasons, the countries of Eastern and Southern Africa use different currencies and maintain closer monetary and commercial ties with the former colonial Powers than they do among themselves. In fact, their currencies are tied to various convertible key currencies such as the pound sterling, the French franc, the United States dollar or to special drawing rights.

Because of these currency connexions the countries of the subregion are not unaffected by the effects of the frequent fluctuations of foreign currencies, with the consequent serious disturbances in their trade relations.

The non-convertibility of national currencies which are meant for internal circulation increases their weakness and does not help them to adapt to the various international systems of payment.

Moreover, in most cases and up until the present, these countries' letters of credit are approved by corresponding banks in the former colonial Powers before being accepted by the same banks in Africa.

Maintaining their monetary reserves and their circulating capital in the financial centres of the industrialized countries means that payment for their international and other transactions is usually made in the major reserve currencies. Generally it is non-African banks in Europe and the United States that handle even the payments for commercial transactions between two neighbouring countries of the subregion. This situation is not likely to encourage trade within the subregion; promoting such trade calls for an exchange policy that is flexible, quick and adequate among the different trading partners of the subregion.

Because of the difficulties mentioned above and the lack of adequate credit facilities among African countries, the main result is that the countries of Eastern and Southern Africa are required to trade to an even greater extent with the developed countries which in some instances grant them trade credits under frequently more satisfactory conditions.

The absence and/or inadequacy of multilateral arrangement for monetary co-operation similar to those that exist in other subregions of Africa has encouraged the establishment of a number of bilateral payments agreements within the context of trade agreements among trading partners in the aim of minimizing the use of foreign currency for settlements. In most cases these payments agreements allow for fixed ceilings for swing credits expressed in agreed-upon convertible currencies, specify the volume of transactions and stipulate that amounts exceeding the agreed limits will be paid in the agreed convertible currency.

These different payments arrangements, which fortunately exist between some countries and serve to a limited extent as the basis for bilateral trade, are far from solving the problem of international payments or liberalizing and encouraging trade within the subregion.

E. Non-tariff obstacles

Non-tariff obstacles would seem to vary considerably from one country to another within the subregion. Since there is no specific information on non-tariff protection details cannot be given but this type of protection would seem to be in effect in all countries, although to varying degrees, from the issuing of import licences to total prohibition. Among the numerous non-tariff restrictions in effect in countries of the Eastern and Southern African subregion are::

(a) The issuing of import licences;
(b) The issuing of licences for currency transfers;
(c) Import deposits;
(d) State trading monopoly over certain imports or exports;
(e) Discrimination as to supplier;
(f) The imposition of quotas and sanitary, quality and packaging standards, etc.

There are also other non-administrative obstacles in the subregion with implications for trade that should not be overlooked:

(a) It is difficult to change traditional trade channels rapidly in the absence of political motivation for such change supported by the public authorities and forceful and adequate publicity within the individual countries;

(b) The lack of financial confidence among trading partners and the absence in many cases of export insurance constitutes a serious handicap to the development of trade between the countries of the subregion;

(c) The lack of national and regional standards and the inadequacy harmonization of existing standards pose another serious constraint to the free circulation of goods between neighbouring countries. Standardization is still quite limited in the subregion; however, some countries have established standardization institutions. Others, in the absence of national organizations to deal with the problem, refer to the standards of the International Organization for Standardization (ISO), which are genuinely difficult to apply to goods that can be traded among African countries.

The proliferation of trade procedures and documents that differ from one country to another does not help to facilitate trade in so far as it reduces the impact of existing trade agreements between countries of the subregion.

The collection, processing and distribution of trade information remains generally inadequate.

F. Economic obstacles

1. Agricultural and industrial production

As was stressed in the previous chapter, the economies of the subregion's countries are primarily agricultural, with the exception of those of Zambia and Angola. Thus agricultural products play a greater part in trade than industrial products. Foreign trade is of great importance to the economies of these countries in that they are still largely suppliers of cheap agricultural or mineral raw materials. Manufactured products represent only an insignificant portion. The development plans and policies used in many countries of the subregion are varied.

Agricultural products consisting mainly export products are basically similar to and thus competitive with each other within the countries of the subregion, while industrial production rarely exceeds the national framework. There are in fact few industrial units of the size and potential capable of covering even a fraction of the subregional demand for manufactured goods.

The lack of a subregional strategy that would account for the realities of every country in the subregion and would be aimed at diversifying production and bringing about trade complementarity continues to weigh heavily on the future of this trade.

Moreover, this does not appear to be any real subregional commitment to promoting trade in agricultural products based on a more diversified production. National production and marketing plans have never paid any special attention to subregional markets, with the resultant lack of support for trade within the subregion.

2. Transport and communications problems

Despite the praiseworthy efforts in developing transport and communications in the subregion, a certain number of problems remain which considerably hamper the movement of persons and goods. The solution of these problems requires the co-ordination of development policies of this sector. The negative impact on trade of a faulty or totally absent transport infrastructure among the States of the subregion can be imagined.

For historical reasons the orientation of transport infrastructures hardly encourages lateral connexions, since the infrastructures are adapted to the needs of north-south and south-north movements.

For example, the existing networks are largely oriented towards the developed countries, even though most of the Eastern and Southern African countries have access to the sea: Madagascar, Ethiopia, Djibouti, the United Republic of Tanzania, Kenya, Seychelles, Mauritius, Mozambique, Angola, the Comoros and Somalia. These networks are not only inadequate, but also suffer greatly from a lack of transport and maintenance equipment as well as of different modes of transport. In addition, the standards used in planning and maintaining roads vary from country to country. Differences also exist between railroad gauges and operation procedures.

Four island countries, the Comoros, Madagascar, Mauritius and Seychelles are heavily dependent on foreign shipping companies. Seven other countries: Botswana, Lesotho, Malawi, Swaziland, Uganda, Zambia and Zimbabwe are land-locked and depend largely on the transport facilities of neighbouring countries for their access to the sea.

Although the seven remaining countries have ports, they are not adequately equipped to transport the goods of countries with direct access to them. In most cases their ports are congested because they are relatively badly managed and equipped. Those countries are: Djibouti, Ethiopia, Kenya, Mozambique, Angola and the United Republic of Tanzania.

It is easier to travel by air to New York or London than to Luanda from Nairobi. Similarly, it is easier to ship goods by sea to Genova, Italy, than to Mombasa, Kenya, or to Mahe, Seychelles, from Assab, Ethiopia, because there is no real coastal shipping service

In addition to having few connexions, national road and rail networks have been established with varying technical specifications which require rolling stock of varying standards. That aggravates difficulties and raises transport costs. In most cases, those difficulties are worsened by the diversity of rules governing transport, the disparity of transport-related legislation, the complexity of transit point administrative formalities and the diversity of insurance covering the various transport modes among other things.

There are three types of railway line in the subregion and it is not easy to connect them. The railway lines of Malawi, Mozambique, Zambia, and Swaziland have a gauge of 1,067 mm; those of Kenya, Uganda and the United Republic of Tanzania measure 1,000 mm while those of Ethiopia and Djibouti are spaced 950 mm.

One prerequisite for the growth of trade in the subregion to be speeded up is the establishment of additional rail and road links as well as the simplification of transport and transit documents. It has been ascertained that trade prospects exist in the subregion for certain products 1/ but then even if certain facilities were accorded to those products such as the reduction or elimination of customs duties, the lack or inadequacy of transport facilities and the high cost of those facilities which do exist would continue to militate against the development of trade. The United Republic of Tanzania and Mozambique for example have no international surface transport links to speak of.

Furthermore, even where such links exist, transit trade is disturbed each time the countries close their borders over some dispute. All these problems inevitably lead to transit goods being transported by indirect routes and that adds to transport time and increases freight rates. In certain cases, the goods are seriously damaged by the number of trans-shipments they have to undergo.

In addition to these material obstacles there are operational problems involved in State's enforcing varying customs regulations for transit traffic. On the whole, such regulations deal with the establishment and deposit of transit documents, the duration of the validity of such documents, the technical specifications of the vehicles and containers used in transit transport and the itineraries to be followed, the actual checking and inspection of transit goods, customs seals, safety, amount and types of guarantee, deposits, supervision and repayment of guarantees and other transit procedures.

1/ ECA/MULPOC/Lusaka/PTA/IV/Add.1/Rev.3.

In view of the lack of co-operation among member States and to the number of customs offices, transit goods have to comply with varying regulations applicable to transit transport which raises considerable difficulties for carriers and leads to high costs and delays.

G. Other obstacles

The lack of an adequate and/or dynamic administrative infrastructure in the form of experienced transit agents insurance and credit services, standardization and quality control service, technical referal services for importers and exporters and the like needs to be pointed out.

The fact that many countries have no trade promotion organizations deprives people involved in trade of essential logistic support. Even where such organizations exist, no systematic co-operation exists among them nor is there any regular exchange of trade information. It should be stressed that trade relations and market information are indispensable to the development of trade.

Means of contact between exporters and importers are therefore such that opportunities for making sales and purchases have been very limited and in many cases sporadic and cyclical.

Strictly speaking, no multilateral joint chambers of commerce are known to exist in the subregion to meet some of the needs of people involved in trade despite the existance of many trade agreements that often are not implemented.

III. CONCLUSIONS AND RECOMMENDATIONS

The nature and magniture of the obstacles and barriers to the development of trade in the Eastern and Southern African subregion as described above are felt by all countries in the subregion. The most important of those obstacles include:

- the diversity of the politico-economic systems of countries in the subregion with the resultant conflicts among the objectives of the various development plans. The inadequate and often ill-adapted agricultural and industrial production structures have failed to put on the market products which are diversified enough, of good quality, competitively priced and capable of competing against products from other, mainly European sources. Unfortunately, such problems will continue to be felt until a subregional strategy is adopted to solve them, which takes into account the national realities of each country in the subregion.

- tariff constraints aggravated by the multiplicity of customs procedures and practices which gives rise to difficulties in assessing the durable value of goods by the various trading partners.
- the rigidity of exchange control and the links that countries in the subregion maintain with convertible currencies, often of their former metropolitan countries. Such a system of monetary relations causes serious disturbances in trade relations of countries in the subregion as a result of the frequent fluctuation of foreign currencies.

The lack of credit facilities between partners in the same subregion arising <u>inter alia</u> from the lack of multilateral monetary co-operation arrangements. This deprives businessmen of substantial support and lowers the chances of selling or buying from subregional sources.

The array of non-tariff barriers maintained by many countries which can only result in a heavier financial burden, higher administrative costs for trade transactions and a dampening of initiative.

Transport and communications are inadequate geared to be and Africa-Europe-Africa route. They provide no real support to the movement of goods among countries of the subregion.

Finally, the lack of a genuinely Africanized, adequate and dynamic administrative infrastructure for such services as transit, credit, insurance, trade promotion, standardization and quality control is not encouraging to traders.

While some of the obstacles which seriously impede the foreign trade of some of the States can be solved only at the national level, others can be solved only as part of multinational efforts and co-operation at the subregional and even at the regional level.

At all events, intra-subregional trade is very marginal in comparison with trade between the subregion and the rest of the world.

<u>Recommendations</u>

The nature of the obstacles and barriers to the development of intra-subregional trade as reviewed above calls for the adoption of measures at two levels: national and multinational.

A. <u>At the national level</u>

If a substantial contribution is to be made to intra-subregional trade, new approaches would need to be required at the national level. Particular efforts will need to be made in the agricultural and industrial production sectors so that the latter can produce goods which are of direct interest to the intra-subregional market.

Such an approach could go hand in hand with the search for complementarity and interdependence between agricultural and industrial development so that the two sectors might be able to produce markets with adequate supplies of locally manufactured products.

National agricultural production should be further diversified and integrated to supply national industrial and agro-industrial units.

Similar efforts should be made to increase the production of manufactures which to date in general have not been available on national markets and in the subregion as a whole. The creation of small-and-medium-scale enterprises would be one way of diversifying industry in a way which countries in the subregion have so far largely failed to do. Moreover, once such small-scale national enterprises take off, they would counterbalance multinational enterprises in the subregion and contribute effectively to the Africanization of national economies and the growth of trade in various forms among neighbouring countries.

However, only durable outlets are provided at the national and eventually subregional levels for local products can the expansion of such agricultural, agro-industrial and industrial production be facilitated.

Measures would also need to be taken at the national level to facilitate the buying and selling of goods produced within the subregion. Such measures should be preceded by strengthening existing national institutions and establishing new ones capable of directing and promoting trade in a dynamic way.

Other action should be taken at the national level in the productive sector to:

- Establish trade promotion and information organizations
- Improve the competitiveness of products in order to enhance their chances on markets outside the country by ensuring a better rate of utilizations and better management of existing capacities
- Establishing national agricultural and industrial standards to improve the quality and keep down the prices of products for export

In financial terms, the establishment of national insurance and export credit agencies would long way to help traders. It would be even more encouraging if there were special provisions for intra-subregional trade transactions.

B. At the subregional level

1. Production measures

In order to attain the objective of increased trade among themselves, the countries concerned should pursue a strategy which would culminate in collective self-reliance through sectoral or multisectoral co-operation. In the subregional context, those countries should develop their agricultural and industrial production on the basis of concerted planning and co-ordination of investment efforts.

The establishment of multinational production enterprises at the subregional level would help to solve many problems relating to production and its financing particularly in the most disadvantaged countries in the subregion. It would also enable the sub-region as a whole to acquire real production capacities that can meet the needs of the subregional market.

2. Marketing measures

For trade among countries of the subregion to be facilitated, the countries first have to make certain mutual concessions within the co-operation framework.

The establishment of a vast subregional market is clearly the most logical way of speeding up trade among countries of the same subregion but that is very difficult to achieve in the short term. It will have to be done in stages. Market sharing agreements would have the advantage of contributing to increasing the exports of countries which now occupy a disadvantaged position in the subregion and of permitting a more equitable distribution of agricultural and industrial production among partner countries.

However, in order to make such a subregional market succeed, existing subregional institutions would have to be strengthened and new ones capable of directing and promoting trade in a dynamic way established as was pointed out above.

Interagency contacts would also need to be encouraged as would professional trade associations and groupings at the national and subregional levels, and they should be assisted in instituting co-operation among themselves.

If necessary, a beginning could be made by setting up permanent sectoral committees at the level of the Lusaka MULPOC. Such committees would also be responsible for preparing consultations on a regular basis (annually, for example) to discuss major problems of subregional trade and proposing solutions and action programmes to expand trade further to the States concerned.

As an initial stage in the establishment of this large subregional market, the establishment of a preferential trade area grouping all countries in the subregion would undoubtedly help to speed up trade and throughout that stage the length of which should be set by the countries concerned, provide experience in multinational economic relations going beyond the simple aspect of trade exchanges. The PTA phase would prepare the countries for a future joint economic grouping which could be a subregional common market. The primary objective of the PTA would be gradually to reduce progressively the tariff and non-tariff barriers to the lists of products to be traded which would be drawn up by agreement among all the countries in the subregion provided that it could be established that the products originated in the subregion in accordance with the rules of origin.

The establishment of an agricultural and industrial product stock exchange would greatly enhance the efficiency of the subregional market since rates and prices are vital in such cases. In view of the difficulties that the countries encounter in controlling prices of their own products and the inadequate circulation of trade information in the subregion, such stock exchanges could initially confine their operations to restricted lists of products.

The establishment of a subregional chamber of commerce would contribute substantially to the circulation of trade information throughout the subregion andprovide a dynamic framework for facilitating contacts among traders from the various countries. By virtue of its legal status, the chamber of commerce could have a fair amount of freedom of operation since it would not be affected by the administrative and bureaucratic paralysing constraints which somewhat similar national institutions suffer from.

3. Transport measures

In order to reduce and/or to eliminate progressively problems relating to transport and communications among countries is the subregion, activities in those sectors would have to be reoriented and real co-operation instituted in the planning and operation of the various transport and communication modes.

Such co-operation may take the form of a subregional operational organization which would in the first place endeavour to harmonize and strengthen co-operation among the various national transport and communications institutions taking into account the human and financial constraints of countries in the subregion as well as the diversity of rules governing the various transport and communications modes that differ from country to country. Such co-operation might hinge on administrative improvements that could be put into effect in the short and medium terms including:

- Ratification of United Nations conventions on movement and adoption of measures to implement the provisions of those conventions;
- Harmonization of non-discriminatory toll duties at common borders and of freight rates applicable to goods traded within the subregion;
- Harmonization of legal and administrative formalities applicable to all modes of international transport with a view to eliminating obstacles and divergences among them;
- Harmonization and simplification of rules and procedures and documents required for international transport among the countries;
- Provision of multinational transport facilities to goods being transported from or to States in the subregion;
- Application of standard rules and regulations to the packaging, marketing and loading of goods.

4. Financial and monetary measures

In view of the foreign exchange deficit that many countries have in their external trade, the use of national currencies should be encouraged to settle transactions effected among trading partners in the subregion, possibly under a multilateral and clearing and payments arrangement that would enable the less favoured countries to participate substantially in subregional trade on an equal footing with other partners in the subregion.

Multilateral payments could be effected through the establishment of a clearing house responsible for:

- Effecting clearing transactions
- Systematizing and supervising monetary transfers
- Facilitating the effective use of swing credit among countries of the subregion and reducing monetary transfer costs

The operation of the clearing house could pave the way for broader financial and monetary co-operation among Eastern and Southern African countries. It could actually lead to the gradual establishment of a payments union that might include a mechanism for helping out member States faced with balance-of-payments difficulties arising from the implementation of the provisions of certain agreements and obligations such as the preferential trade area or common market for example.

5. Insurance

The establishment of a financing and insurance system at the subregional level for export financing and the transport of goods among countries of the subregion could do much to instill confidence among traders in the countries concerned.

Such insurance and financing mechanisms, which would have the endorsement and backing of Governments could cover all trade operations and provide greater support to trade transactions that would facilitate economic integration.

6. Other measures and concessions

Other measures would need to be taken to give a positive thrust to the administrative and institutional arrangements mentioned above. Such measures would include the improvement of the quality of administrative logistical services such as transit services, trade information and quality control, in order to make them much more effective and strengthen their role in the promotion of intra-subregional trade.