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International Trade Promotion in Southern Africa: Challenges and Lessons

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Additional information is available at the end of the chapter

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1. Introduction

World Trade Organisation (WTO) driven agreements, specifically those involving reduction in tariff and non-tariff barriers in world markets, have created a framework for an open trading system worldwide. More open trading systems have also been created by reforms that most countries have taken on their own or as part of bilateral or regional agreements. In most sub-Saharan African countries, opening up of markets to international players come into significant prominence in the early 1980's due to the implementation of World Bank led structural adjustment and market liberalization policies. According to Kherallah et al (2000) as well as Crawford (1997) many African countries were in the late 1970s hit by prolonged economic crisis caused by continuous decline in industrial production and commodity prices as well as stagnating agricultural sectors, the main stay of most of the economies. This resulted in persistent deterioration of balance of payment accounts. Crawford (1997) observed that many governments during this time reacted to the situation by implementing measures that ended up fuelling rather than solving the problem. He outlined some of the measures taken which included increased import tariffs, restricting access to foreign exchange, increased control of imports through licensing requirements as well as extension of price controls.

By the early 1980's it was clear that the future economic growth potential of most African countries was under severe threat. This forced most of them to accept World Bank sponsored structural adjustment and market liberalization policies which were specifically aimed at reversing balance of payments deficits and declining economic growth rates. This entailed a reversal of most of the initial measures taken to deal with the problem. New measures included elimination of government control over input and output marketing as well as prices and reduction in foreign exchange controls (Kherallah et al. 2000). According to Crawford (1997), structural adjustment programs were also aimed at broadening of the

economic base of the countries. It was noticed at the time that many African countries were over dependent on a few agricultural commodities for their export trade. Diversification of the economic base was seen as a way of ensuring that the economies would in future be able to withstand external shocks such as sharp falls in world prices of commodities and adverse weather conditions.

Increased forces of globalisation over the years have resulted in intensified efforts aimed at increasing their participation and competitiveness in the world markets. A lot of policies and programs have been formulated specifically aimed at international trade promotion. Most of the countries actively participate in the shaping of world trade systems through their membership to the World Trade Organisation.

2. Research problem and objectives

Although many countries in Africa have over the years actively pursued efforts aimed at growing their countries involvement in international trade there is a general lack of studies aimed at examining how the countries' have fared and the reasons behind their performance. There is also lack of sufficient studies on trade promotion efforts pursued over the years.

This chapter aims at examining international trade promotion efforts in Africa with a special focus on countries in the Southern Africa Development Community (SADC) regional group. The group was established in 1992. SADC was preceded by the Southern Africa Development Coordination Conference (SADC) which was formed in 1980. SADC is made up of 15 Southern Africa countries namely Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. The specific objectives of the chapter are to (a) examine global, regional and country trends in import and export trade (b) investigate export promotion efforts in the SADC region (c) understand export promotion challenges in the region and (d) provide recommendations on how best to manage the challenges.

3. Methodology

This study involved a review of secondary sources of information and analysis of secondary data. A number of sources were used in the analysis including publications by governments as well as regional and international bodies such as the World Bank, World Trade Organization and SADC secretariat. Use of multiples sources of information and data is highly recommended in desk research as it helps in ensuring the reliability and validity of the findings. Malhotra (2007) noted that use of multiple sources of information also helps in making it easy to assess validity of each source by comparing it with other sources covering the same issue. The World Development Indicators and Global Development Finance database of World Bank was the main source of statistical information used in the trend analysis of imports and exports. The database was chosen mainly because of its

comprehensiveness and in order to avoid difficulties associated with use of non-standardised data, especially data from different countries that may be reported in different currencies which make comparisons difficult.

The rest of the chapter has been divided into four main sections. The first section looks at the importance of exports particularly in the context of SADC countries. This is followed by a discussion of export promotion efforts in the region. The third section provides a trend analysis of exports and imports at global and regional level as well as at SADC member country level. The fourth section looks at export promotion challenges in the region and suggests ways in which governments can manage these challenges. The chapter concludes by providing a summary of the key observations made in the analysis. It is important to note that the focus of this chapter is more at the macro-level and not at individual business level.

4. Importance of exports in the SADC region

The fifteen member countries making up the Southern Africa Development Community are all developing economies. According to the World Bank classification of countries, 8 of the 15 members countries are classified as least developed countries. These are Angola, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mozambique, Tanzania and Zambia. The United Nations (2005) least developed countries are countries characterised by three main things namely low gross national income (GNI), weak human assets and high degree of economic vulnerability. Maringwa (2009) observed that as undeveloped economies most SADC member countries see trade as an important instrument for economic growth. There are many ways in which international trade and exports in particular can help in economic development of the member countries. These include generation of foreign exchange reserves, improving individual country's competitiveness internationally, as well as in creation of employment.

4.1. Generation of foreign exchange

SADC member countries rely on export earnings for their foreign exchange reserves. These reserves are critical to financing imports and improving a country's balance of payment. One important characteristic of SADC countries is that most of them are dependent on primary products for their exports. The production of these primary products often requires machinery and other inputs that are not manufactured domestically. Generation of foreign reserves thus enable member countries pay for their imports some of which are critical to the generation of exports.

Gunsel et al (2010) observed that countries get concerned with deterioration in balance of payments because it often results in loss of currency value. Although in theory devaluation of a currency is supposed to help in improving the competitiveness of a country's exports by making locally produced goods cheaper, for countries that are heavily dependent on imports to produce their exports as is the case with most SADC countries, devaluation of currency does not always have the desired positive effect.

4.2. Improving international competitiveness

Exports help in promoting international competitiveness through, among other things, improved production efficiencies that are made possible by increased opportunities to exploit larger economies of scale (Ahmed et al. 2008). Exploitation of economies of scale is often a major problem in most SADC countries due to the small sizes of their industries and low purchasing power. Table 1 provides statistics on the size of each SADC member country in terms of total population and total GDP at current prices. As can be seen from the statistics except for South Africa, the GDP at current prices of all SADC countries has for the past three decades remained below the US\$100 billion. Thus despite most of the countries having high population figures, their output as reflected by GDP is very low. The low GDP at current prices are indicative of low purchasing power of the people in general. At regional level, Table 1 shows that the GDP at current prices for the whole of Sub-Saharan Africa is less than a quarter of GDP for developing countries from East Asia and the Pacific as well as Latin America and the Caribbean.

Country	Country Size (Sq km)	2010 Total Population (millions)	GDP current US\$ (billions)		
			1990	2000	2010
Angola	1,246,700	19.1	10.3	9.1	84.9
Botswana	581,730	2	3.8	5.6	14.9
Democratic Republic of Congo	2,344,858	66.0	9.3	4.3	13.1
Lesotho	30,355	2.2	0.54	0.75	2.2
Madagascar	587,041	20.7	3.1	8.5	8.7
Malawi	118,484	14.9	1.9	1.7	5.1
Mauritius	2,040	1.3	2.7	4.6	9.7
Mozambique	799,380	23.4	2.5	4.2	9.6
Namibia	824,292	2.3	2.4	3.9	12.2
Seychelles	455	0.09	0.37	0.61	0.94
South Africa	1,219,090	50.0	112.0	132.9	363.9
Swaziland	17,364	1.1	1.1	1.5	3.7
Tanzania	947,300	44.8	4.3	10.2	22.9
Zambia	752,618	12.9	3.3	3.2	16.2
Zimbabwe	390,757	12.6	8.8	6.7	7.5
Sub-Saharan Africa	-	854	301.4	343.8	1,123.6
Developing countries - Latin America and the Caribbean	-	583	1,159.5	2,137.98	5,123.2
Developing countries - East Asia and the Pacific	-	1,962	670.8	1,727.2	7,630.5
World Average	-	7,021.8	21,921.24	32,249.68	63,256.97

Sources: World Bank (2012). World Development Indicators and Global Development Finance, CIA (2012) World Fact Book.

Table 1. Size, Population and Basic Economic Indicators of SADC Economies

Rapid growth in exports compared to imports also helps in ensuring economic stability of a country and building international investors' confidence. In SADC countries such investment is needed in order to finance more large scale production activities most of whose output is often sold in international markets. Growth in exports has thus the ability to trigger more investment in a country which can create more exports in an upward spiral cycle. Bothma (2011) further observed that export marketing brings with it opportunities for technology transfer through exposure in targeted international markets to new technologies, new designs and new products. All this helps to improve the competitiveness of a country's output.

4.3. Employment generation

In promoting exports, SADC countries are also interested in ensuring that export growth is accompanied with improved structural transformations including growth in employment levels. Exports directly contribute to job generation through high volumes often associated with export orders. Production of large volumes will often entail the need to expand the labour force. Exporting also contributes indirectly to job generation through creation of backward and forward business linkages. Increased export production volumes result in increased purchase of raw materials used in production. If the suppliers of the raw materials are based in the domestic market, this will also often entail the need for them to increase their labour force in order to cater for increased demand for their products. It is for this reason that exports are linked not only to growth in national output but also improvements in standards of living.

There are thus many benefits associated with increased export activity at country level especially in relation to its potential to enhance society's well being. It is therefore not surprising that export development is at the centre of growth and development deliberations of SADC countries. Member countries have in place policies and programs aimed at stimulating export growth. The section below outlines some of the initiatives being undertaken in order to boost SADC member countries' involvement in international trade through growth of exports.

5. Export promotion programs in the SADC region

According to Seringhaus (1986) export promotion refers to all public policy measures that actually or potentially enhance exporting activity from a national, industry or firm perspective. Mpinganjira (2004) noted that there are three main ways in which governments promote exports. These are through economic cooperation with other nations; pursuing business-friendly fiscal measures and through provision of export assistance programs.

5.1. Economic cooperation

Trade agreements are part of almost all economic cooperation initiatives that countries enter into at both bilateral and multilateral level. As an intergovernmental organization responsible for ensuring deeper integration of member countries, SADC realises the importance of enhancing cross border trade and investment in the realisation of its

objectives. The SADC protocol on trade signed in 1996 sets among its objectives to further liberalise intra-regional trade in goods and services; contribute towards improvement of the climate for domestic, cross-border and foreign investment as well as the establishment of a Free Trade Area in the region (SADC, 1996). In order to achieve the set objectives SADC countries specifically committed themselves to easing tariff and non-tariff barriers to trade between them. For example, under the protocol member states are not allowed to apply export duties on goods to other member states. Member states also agreed under the protocol on a phased reduction and eventual elimination of import duties for goods and services originating from member countries.

Apart from the SADC grouping many member countries have preferential access to other markets through their membership to other regional agreements. For example Botswana, Lesotho, Namibia, Swaziland and South Africa are all members of the Southern Africa Customs Union (SACU). Established in 1910, the five members of SACU form a common customs area in which tariff and non-tariff barriers are removed on trade in products originating from member countries and a common external tariff is applied to non-members (SACU, 2007). Tanzania is a member of East African Community (EAC) which has five member countries in it including Burundi, Kenya, Rwanda and Uganda. The treaty for establishment of EAC was signed in 1999. Its main objective is to widen and deepen co-operation among member states and to this extent EAC countries established a customs union in 2005 and a common market in 2010 (EAC, 2012). The Democratic Republic of Congo, Madagascar, Malawi, Mauritius, Seychelles, Swaziland, Zambia and Zimbabwe are members of the Common Market for Eastern and Southern Africa (COMESA), a grouping of currently 19 member states. The other members of COMESA are Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Rwanda, Sudan and Uganda (COMESA 2012). Formed in 1994, COMESA is a large economic trading unit working diligently on, among other things, elimination of tariff and non tariff barriers for products originating from member states. At the time of its establishment COMESA preplaced the Preferential Trade Area which was established in 1981. 14 of its current members are part of the COMESA free trade area which started with 9 members in the year 2000 (Ndiho, 2011). From this, one can see that each SADC member country is part of at least one other regional grouping whose aims include promotion of international trade.

SADC member countries also have bilateral and multilateral trade agreements with other groupings and individual countries such as the European Union and USA. Some of the agreements included the 'Everything But Arms' initiative and the African Growth Opportunity Act (AGOA) respectively. Under the 'Everything But Arms' initiative which was adopted in 2001, products from Least Developed Countries (LDCs) except arms and ammunitions are granted duty free access to the EU market (European Commission [EC], 2012). Under AGOA which was signed into law in 2000, beneficiary countries in sub-Saharan Africa are provided with the 'most liberal access to the US market available to any country or region with which they do not have a Free Trade Agreement with' (ITA, 2012). Economic cooperation and integration have thus been actively used by SADC countries for the purposes of promoting its exports.

5.2. Fiscal policy measures

Fiscal policy measures including policies on exchange rates and tax can significantly impact on export success. When it comes to exchange rates, the major concerns are the value and volatility of currency relative to currencies of major trading partners. While some countries work hard to reduce the value of their currencies in order to make their exports competitive on the international market and make imports expensive, for most SADC countries the major concern is ensuring that there is relative stability in exchange rates. This is due to the heavy reliance on imports such as fertilizers to produce exports. Devaluation in exchange rates in such cases does not produce desired positive effects on exports. It is for this reason that countries in the region are increasingly using the ability to open foreign dominated accounts as an incentive targeted at exporters. Under this incentive exporters are allowed to retain a specified percentage of their export earnings in a foreign dominated account which they can use to finance their imports. In terms of tax incentives, duty drawback schemes on imports used to generate export sales are the commonly used incentive by member countries. The scope for targeting tax incentives to exporters in the region is however constrained by WTO Agreements on Subsidies and Countervailing measures (Masters, 2006).

5.3. Export assistance programs

Export Assistance Programmes are mainly targeted directly at individual firm level. They include export service and market development programs (Kotabe and Czinkota, 1992). Diamantopoulos et al. (1993) noted that export marketing assistance is mostly provided in the form of information in order to reduce uncertainty in the process of decision making. Each of the SADC countries has a dedicated government unit or government supported organisation whose main responsibility is to work with the business community in provision of export assistance services and implementation of the country's export policy. Examples of such organisations are the Botswana Export Development and Investment Authority, the Malawi Export Promotion Council, the Mauritius Export Development and Investment Authority and the Instituto para a Promoção de Exportações (IPEX) in Mozambique. Common services provided by such organisations include export training and counselling services targeted at both exporters and non-exporters, dissemination of international sales leads, provision of assistance with representation on their country's business community at international trade fairs, as well as collecting and making available to businesses market access information including details relating to documentation needed for exporting.

Each year, Southern African governments are investing a lot both financially and non financially in export promotion programs. The extent to which such investments are yielding benefits can only be known through a detailed analysis of international trade activities. The section below provides such an analysis by firstly looking at developments at both the global and regional level as well as at country level.

6. Export and imports – A trend analysis

Discussed in this section are trends over time in member countries' export earnings; export products including the share of manufacture to total merchandise exports as well as destinations of exported products. According to World Bank (2012) the total value of world merchandise exports was at 3.4 trillion US dollars in 1990. World merchandise trade statistics as presented in table 1 show that efforts to promote international trade globally have been bearing a lot of fruit. According to the statistics the total value of world exports reached 5.17 trillion US\$ in the year 2000 and 15.21 trillion US\$ in 2010. This represents 338 percentage growth in export value over the past two decades. Trade statistics for Sub-Saharan Africa show a significant upward trend in export earnings over the years. The level of growth in earnings is actually higher than the world average. For example, at 343,155 million US\$, Africa's export earnings in 2010 were 402 percent higher than in 1990. In terms of its share of world trade, the figure is however only 2.25 percent in 2010 which is marginally higher than its share of 1.97 in 1990. According to table 1, the statistics show a decline in level of contribution of developed countries to world merchandise trade. According to the statistics, at US\$2,440,032 million in 1990, developed countries contributed 70 percent to world trade. At US\$ 7,997,507 in 2010, developed countries contributed 53 percent to world merchandise export trade.

World Trade Statistics at country level, show that despite some fluctuations in export earnings, all countries in the region have on average been in the last two decades on a general upward path in their export earnings. Statistics however show clear continued domination of a few countries in SADC's export earnings. For example, at 81,821 million US \$ in 2010, South Africa export earnings represent 47.3 percent of SADC's total export earnings. The top five exporting countries in 2010 as measured by export earnings in the SADC region were South Africa; Angola; Zambia; Democratic Republic of Congo and Botswana. One common characteristic of SADC top export earning countries is that they all have significant mineral/oil reserves in them.

Presented in table 2 are also import trade statistics. From the statistics it is clear that except for the top exporting countries, international trade in the majority of SADC countries is characterised by persistent negative trade balances. Of more concern is the widening of trade deficits in most of the countries registering persistent trade deficits.

Export diversification has been one of the major trade goals of Africa. For a long time a African countries have recognised the need to diversify their exports particularly into manufactured products. Growth in manufactured products presents a good opportunity for African countries to significantly raise their export earnings. This is because primary exports unlike manufactured products are associated with slow growth in global demand as well as relatively low elasticity of demand. There is thus always concern that an increase in supply of primary commodities will result in a decline in export prices. Table 3 presents statistics on the contribution of manufactured exports to total trade in the years 1990 and 2010 as well as information on the top export products. Table 3 shows that 69 percent of world merchandise exports in 2010 were manufactured products. The figure for Sub-Saharan Africa in 2010 was 30.8 percent. This means that about 70 percent of merchandise exports from Sub Saharan Africa are primary commodities. In general, Sub-Saharan African countries and indeed SADC countries have not managed over time to significantly transform the structure of their exports from primary to

manufactured products. It should however be noted that countries such as Botswana, Lesotho, Madagascar, Mauritius and South Africa had 45 percent or more of their merchandise exports as manufactured goods. Despite this the concern with most of these SADC countries is the heavy reliance on export earnings coming from a few products. For example, statistics shows that in 2010 about 80% of Botswana export earnings in 2010 came from diamond and nickel while 62.2% of Lesotho's export earnings came from footwear and clothing. Of more concern are countries such as Malawi, Mozambique, Namibia and Seychelles who had in 2010 less than 10 percent of export earnings coming from manufactured products.

		1990	1995	2000	2005	2010
World Exports	Exports	3,473,231	5,171,030	6,456,422	10,489,632	15,211,311
Developed countries % of world exports	Exports	2,440,032 70%	3,561,498 69%	4,129,803 64%	6,149,288 59%	7,997,507 53%
Sub-Saharan Africa	Exports	68,368	76,681	94,489	199,158	343,155
	Imports	57,641	78,497	81,808	173,195	308,353
Angola	Exports	3,910	3,642	7,921	24,109	53,500
	Imports	1,578	1,468	3,040	8,353	21,500
Botswana	Exports	1,784	2,142	2,675	4,425	4,693
	Imports	1946	1,911	2,081	3,161	5,657
Democratic Republic of Congo	Exports	2,326	1,563	807	2,403	5,300
	Imports	1,739	871	683	2,690	4,500
Lesotho	Exports	62	160	220	651	820
	Imports	672	1,107	809	1,410	2,200
Madagascar	Exports	319	507	824	855	1,090
	Imports	651	628	1,097	1,706	2,650
Malawi	Exports	417	405	379	508	1,066
	Imports	575	475	532	1,165	1,900
Mauritius	Exports	1,194	1,538	1,557	2,143	2,239
	Imports	1,618	1,976	2,093	3,157	4,402
Mozambique	Exports	126	168	364	1,783	3,200
	Imports	878	704	1,158	2,408	4,500
Namibia	Exports	1,085	1,409	1,320	2,070	4,052
	Imports	1,163	1,616	1,550	2,577	5,360
Seychelles	Exports	56	52	194	340	400
	Imports	186	233	342	675	650
South Africa	Exports	23,549	27,853	29,983	51,626	81,821
	Imports	18,399	30,546	29,695	62,304	94,040
Swaziland	Exports	556	866	910	1,770	1,550
	Imports	663	1,008	1,046	1,900	1,700
Tanzania	Exports	331	682	734	1,679	3,687
	Imports	1,027	1,675	1,524	3,287	7,830
Zambia	Exports	1,309	1,040	892	1,810	7,200
	Imports	1,220	700	888	2,558	5,321
Zimbabwe	Exports	1,726	2,118	1,925	1,850	2,500
	Imports	1,847	2,660	1,863	2,350	3,800

Sources: World Bank (2012). World Development Indicators and Global Development Finance, IMF (1997, 2011). International Trade Statistics Year book.

Table 2. World Merchandise Trade: Imports and Exports a trend analysis

	Share of manufactures to total merchandise exports			Major export commodities
	1990	2000	2010	2010
World Exports	72.3	74.5	69.0	
Sub-Saharan Africa	-	30.7	30.8	
Angola	0.1	0.02	-	Petroleum products and diamond (80%), coffee, sisal, fish, timber, cotton.
Botswana	-	89.6	79.5	Diamonds (68.4%), nickel (10.9%), meat and edible meat offal's (3.4%), ores, slag and ash (2.3%)
Democratic Republic of Congo	-	-	-	Diamonds, gold, copper, cobalt, wood products, crude oil
Lesotho	-	94.9	-	Foot wear, articles of apparel and clothing (62.2%), electrical machinery, equipment and parts (16.4%) Beverages, spirits and vinegar (5.2%)
Madagascar	14.4	52.2	48.2	Coffee, Vanilla, Shell fish, Sugar, textile, Chromate
Malawi	5.1	7.4	9.0	Tobacco (53%), uranium, tea, sugar, cotton, coffee, peanuts
Mauritius	65.8	80.8	60.2	Clothing and textiles, sugar, cut flower, molasses, fish
Mozambique	-	6.7	2.0	Aluminium, prawns, cashews, cotton, sugar, citrus,
Namibia	-	6.7	2.0	Diamonds (25.5%), Ores, slag and ash (16.3%), fish and crustaceans (13.7%), meat, edible offal and live animals (6.1%) Vehicles (6%), Zinc and articles thereof (4.9%),
Seychelles	0.2	5.0	-	Canned tuna, frozen fish, cinnamon bark, copra
South Africa	-	53.8	46.6	Gold, diamonds, platinum, other metals and minerals, machinery and equipment, fruits and nuts.
Swaziland	-	54.4	-	Soft drink concentrates, sugar, wood pulp, cotton yarn,
Tanzania	-	19.6	24.1	Gold, coffee, cashew nuts,
Zambia	-	10.7	6.3	Copper/cobalt (64%), electricity, tobacco, flowers
Zimbabwe	30.9	28.1	36.4	Platinum, cotton, tobacco, gold, ferroalloys, textiles and clothing.

Sources: Compiled using mainly data from World Bank, CIA – world Fact Book, SACU and IMF

Table 3. International Merchandise Trade: Export Composition

In general the high levels of dependence of most SADC countries on a few export products or for many of them on primary products is that it increases the vulnerability of countries to shocks arising from volatile international prices.

Country/ Region	Destination	1990	2010	2010 Top export destinations
Angola	High income economies Sub-Saharan Africa	90.4 0.5	42.1 3.7	China (42.8%), USA (23%), India (9.5%), France (4%).
Botswana	High income economies Sub-Saharan Africa	- -	73.1 18.8	UK (55%), South Africa (12.9%), Norway (9.3%)
Democratic Republic of Congo	High income economies Sub-Saharan Africa	87.3 7.1	25.8 25.7	China (46.9%) Zambia (23.3%), USA (10.4%), Belgium (4.2%)
Lesotho	High income economies Sub-Saharan Africa	-	-	South Africa (48.9%), USA (31.8%), Canada (15.1%) - 2009
Madagascar	High income economies Sub-Saharan Africa	88.1 4.9	72.1 5.3	France, USA, Germany, China, UK.
Malawi	High income economies Sub-Saharan Africa	76.8 15.0	49.1 22.3	Belgium Canada, Egypt, Germany, USA,
Mauritius	High income economies Sub-Saharan Africa	95.6 2.2	80.8 14.6	UK, France, USA, Madagascar, Italy
Mozambique	High income economies Sub-Saharan Africa	71.4 3.0	64.0 25.9	Netherlands (52.7%), South Africa, Portugal, China, Zimbabwe
Namibia	High income economies Sub-Saharan Africa	-	-	South Africa, UK, Angola
Seychelles	High income economies Sub-Saharan Africa	96.0 1.2	71.6 10.0	Saudi Arabia, France, UK, Italy, Germany
South Africa	High income economies Sub-Saharan Africa	89.0 6.5	56.1 14.9	China, USA, Japan, Germany, UK, India

Country/ Region	Destination	1990	2010	2010 Top export destinations
Swaziland	High income economies Sub-Saharan Africa	-	-	South Africa (56.7%), USA (6.8%) and Mozambique (3.9%)
Tanzania	High income economies Sub-Saharan Africa	64.6 7.8	38.4 19.6	Switzerland, China, South Africa,
Zambia	High income economies Sub-Saharan Africa	72.0 7.8	59.4 19.1	Switzerland, China, South Africa, DRC
Zimbabwe	High income economies Sub-Saharan Africa	62.0 31.7	29.4 47.3	South Africa, Netherlands, Switzerland
Sub-Saharan Africa	Sub-Saharan Africa	7.2	12.2*	
Developing Asia	Developing Asia	33.3	37.6	
Advanced economies	Advanced economies	76.3	66.4	

Sources: Compiled using mainly data from World Bank, CIA – world Fact Book, SACU and IMF

Table 4. Export Destination Percentage of the Region/Country Total Trade

Table 4 presents details relating to analysis of destination of exports from the SADC region. The results show that developed economies are the major export markets for the SADC region. The results also show an expansion over the years in Intra-Sub-Saharan Africa trade. As noted before, promotion of regional trade is one of the priority goals of the region. Intra-Africa trade is particularly attractive to many of the smaller land locked economies in the SADC region mainly because of the tremendous challenges that they face in trading at inter-continental level.

It should however be pointed out that at 7.2 percent in 2010 intra- Sub Saharan trade is significantly lower than that of many other regional economic groupings. According to table 4 intra-regional trade in 2010 among developing countries in Asia was at 37.6% while that for advanced economies was 66.6 percent. The table also shows heavy dependence of many SADC countries on a few countries for the export trade. For example in 2010 over 40 percent of exports from Angola, Botswana, Democratic Republic of Congo, Lesotho, Mozambique and Swaziland went to a single country.

The analysis above shows that SADC countries have only marginally benefited from the massive growth in exports that the world as a whole has experienced over the past twenty to thirty years. A number of challenges face SADC's ability to significantly grow

its export earnings. The section below outlines some of these challenges and provides suggestions on how the region can deal with them in order to grow its share in world export earnings.

7. Challenges and recommendations to export promotion in the SADC

7.1. Region

There are many challenges to export promotion in the SADC region. In order to effectively deal with them, it is important for countries to focus on the whole value chain associated with exporting. It is for this reason that this section looks at the challenges by focusing on what happens from the production side to the demand side of export products.

7.1.1. Production related challenges and recommendations

Of particular concern when it comes to production related challenges are issues relating to production capacity and diversification. Mpinganjira (2004) noted that many firms in Africa shun away from international markets. Some of the major reasons found for doing so were lack of capacity to produce the large quantities often demanded in international trade and inability to produce products of export quality. Governments need to critically look at ways of enhancing production capacity within their countries by among other things providing strategic support to industries targeting export markets such as having earmarked financial support investments in export related production activities. Governments in the region also need to pay particular attention to ensuring access to technologies critical for quality assurance purposes.

On the production side, there is also need for SADC countries to critically look at ways in which they can diversify their exports. Programs that support industrialisation of the economies can go a long way in growing SADC countries share of manufactured products to its total export trade. It should however be acknowledged that for many SADC countries, industrialisation may take long to realise. Thus while pursuing this strategy, countries need to also look at ways of diversifying their primary exports to avoid over dependence on a few commodities. The argument put forward is that any form of diversification in SADC exports is likely to provide them with a better shield against fluctuations in commodity prices on the international market.

7.1.2. Demand related challenges and recommendations

On the demand side, the challenges are mainly related to finding ways of diversifying target markets for exports as well as assisting companies with identifying buyers internationally. African countries have for long relied on Western countries, in particular European countries as their major export markets. Afari-Gyan (2010) noted that Africa's dependence on Europe can be traced back to colonial days when the structure of Africa trade was determined by the need for raw materials to supply the manufacturing sector in the

colonising countries. Decades after independence, Africa has not significantly changed the composition of its exports. The economic crisis experienced by European countries has resulted in increased calls for Africa to diversify its markets and avoid the pitfalls associated with overreliance on a few markets. China and India are increasingly being looked at as alternative markets to be aggressively pursued. China in particular has demonstrated a lot of interest in Africa by significantly growing its investments and ties in the continent over the past five years. It is however important to note that just like Europe, China and India's interest in Africa is on its natural resources and not manufactured products. Nevertheless Africa needs to take advantage of the demand coming from these countries in order to not only grow demand for its exports but also diversify its markets. One way in which it can do this is by negotiating preferential trade agreements with the new major trading partners.

SADC governments need to also realise that it will take more than negotiation of preferential trade agreements for actual demand to be created. One thing that needs to be critically looked at are ways of assisting local companies get a foothold in the targeted markets. While provision of information including trade leads cannot be discounted, governments need to invest in international buyer-seller meetings. Such meetings assist companies develop close working and personal relationships with international business partners. Close personal relationships established during such meetings can go a long way in helping secure ongoing business deals.

7.1.3. Trade related infrastructure challenges and recommendations

Well functioning infrastructure system including a good road, railway and air networks are essential for trade facilitation. According to Mbekeani (2007) poor infrastructure significantly adds to making exports from many African countries uncompetitive on the international market by adding to costs and time taken to move goods to target markets. The UN Economic Commission Report (2012) reported that less than 25 percent of African roads are paved. The report further states that Africa's maritime ports productivity is only 30 percent of the international norm and that costs are high. The Economic Times (2012) reported that poor infrastructure make transport costs in Africa 60 percent higher on average than the average for developed countries.

With over 90 percent of the volume of cargo in the SADC region transported by road and a good number of its members being land locked countries a good road infrastructure is essential. Thus efforts to grow Africa's exports need to include major infrastructural developments with the countries as well as improving on efficiencies in the region's major ports. Unless these issues are addressed SADC countries will continue to face high costs of production for their exports thus making it hard for the region to compete and grow its export earnings.

7.1.4. Effective export assistance programs

While the improvements in the macro-economic environment are essential in establishing a conducive environment for international trade participation, improvements in this area

will be meaningless if individual firms are not persuaded to take up exporting. Effective export assistance programs thus become essential as they can help deal with issues affecting firms at the individual firm level. Past studies on export assistance programs however often report that most firms find export assistance programs provided by government or its agencies not be very useful to their needs. Mpinganjira (2004) noted that most export promotion bodies in Africa suffer from poor funding and that this limits their ability to help businesses. It is important for government to strengthen the area of export assistance programs in their export development strategies. They need to not only ensure that export promotion bodies are well supported but also that they are taken to task to show returns on investment. This will also help in minimising wasted expenditures on their part.

Export promotion bodies need to realise that firms can only make use of their services if they perceive them to be useful. It is thus important that export promotion programs are developed based on a good understanding of the needs of the business community. In doing so export promotion bodies need to bear in mind that firms go through different stages in the internationalisation process. The needs of firms at different stages are likely to be different. Assistance programs have to take this into consideration.

8. Conclusion

The focus of this chapter is on international trade promotion efforts in countries making up the Southern Africa Development Community (SADC). As developing countries, the promotion of international trade, exports in particular, is regarded as one of the main ways in which SADC countries can ensure sustained economic growth. This is because through international trade these countries earn much needed foreign exchange necessary for them to finance their imports. Exports are also an effective way in which the countries can improve their production efficiencies, generate employment and grow investors' confidence and ensuring economic stability.

Preferential trade agreements, pursuance of business friendly fiscal measures as well as provision of export assistance services are the key measures taken by SADC countries in order to improve on their chances of realising the many benefits associated with international trade. An analysis of changes in SADC member countries involvement in international trade shows that the measures taken have yielded some benefits. Of particular note is the growth in export earnings experienced by all SADC countries over the past two decades. It is however important to note that there are still many areas of concern when one looks at SADC's export performance. Some of these concerns relate to the fact that the level of growth in export earnings in most of the member countries is far below the world average and the average for developing economies in general. Many countries in the region continue to experience persistent trade deficits, the region in general has not registered much success in export diversification both in terms of range products exported as well as major markets for export products. Of much concern in this regard is the fact that many SADC countries have not managed to significantly grow their share of exports of manufactured products.

Continued efforts to grow SADC's international trade performance need to address a number of challenges facing export promotion in the region. Specifically governments need to find ways of diversifying their export products by providing strategic support to export production activities in non-traditional products; take measures aimed at ensuring that firms have easy access to technologies necessary for quality control; invest more in assisting companies identify buyers in not only the current major export markets but also exploring demand in new markets. Governments have to also work towards investing a lot in improving trade related infrastructures including transport networks and ensuring adequate funding of export assistance programs while at the same time demanding returns on investments from the export promotion bodies.

Changes in SADC's trade performance heavily depend on a better understanding of the current trade situation and taking measures to address any challenges. The analysis provided in this chapter has assisted in providing a better picture of the situation. Lastly, the chapter has also provided some recommendations on what needs to be done in order to improve on SADC's international Trade Performance.

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