SADC liberalises Trade in Services with support from the EU

As the 21st century advances, trade in "services" – as opposed to concrete products, or "goods" – becomes ever more important. According to the European Commission, services account for over 70% of economic activity in the European Union and a similar (and rising) proportion of overall employment. Globally, trade in services – imports and exports – also plays a major role in the economy.

In the Southern African Development Community (SADC), as elsewhere, trade in services is growing rapidly. Especially for countries that do not have huge natural resources, or where they are beginning to run out, this is a crucial development path for the future. A good example of a service industry offering blossoming potential to many SADC members is tourism, an important growth area bringing in much-needed foreign currency.

What does "Trade in Services" mean?

Besides tourism, the key service sectors for SADC are communication services, construction services, energy-related services, financial services, and transport services. Even a fleeting glance at these services shows that not only are they important in themselves as revenue generating businesses, but vital to all other industrial sectors.

Let us imagine a world-famous manufacturing company, "SADC Better Mouse-Traps Ltd.". They need architects to design their new factory; bank loans to pay for it, insurance against fire and theft; then they need electricity supplies to power the facility; telephone and e-mail to organise production and sell their outputs, TV and radio to advertise their world-beating mouse-traps; and they need transport to ship raw materials in and the finished products out to clients. In the modern era, it is truly services that make the world turn on its axis.


Tourism, a key service industry for SADC countries

Services are also important building blocks for growth and competitiveness, in both regional and national contexts. They should, in theory, be very easy to "export" to other countries, being intangible and therefore not needing packaging and transport to cross national boundaries. However, national regulation frequently gets in the way.

In a number of services sectors, widening the market can increase business for everyone. Again, tourism is a good example. Tourism operators in several countries could draw in even greater numbers of visitors to the region by joining forces and combining – for example – the Okavango Delta, the Kruger National Park, surfing at Cape Town, whale-watching at Walvis Bay, the Victoria Falls, and so on. This is already being explored by the "Boundless Southern Africa" initiative, which brings together Zimbabwe, Botswana, Namibia, Mozambique, Zambia, Swaziland, Lesotho, South Africa, and Angola.

In this area, a rising tide truly can float all boats. But for optimal impact, service providers need undertakings from governments that will provide a predictable legal environment for trade and investment in the sector, region-wide.

Promoting Trade in Services within SADC – and with the EU

Recognising these factors, in the 1992 SADC Treaty Member States undertook to develop policies aimed at progressive elimination of obstacles to the free movement of services – as well as capital, labour and goods – and began the process of "liberalising" trade in services, that is, removal of controls on market access. The Regional Indicative Strategic Development Plan for the period 2005-2020, approved by the SADC Summit in August 2003, restated the objective of eliminating obstacles to the free movement of capital, labour and goods and services and the improvement of the region's economic management and performance through regional cooperation.

SADC is not alone in this aspiration. Free movement of services (as well as goods, capital and people) is a core principle of the European Union: other regional economic groupings, such as CARICOM, the Caribbean Community, the North American Free Trade Agreement (NAFTA) and the Association of South East Asian Nations (ASEAN), either already have trade in services agreements in place or are negotiating them.

Most SADC Member States have also adopted wider services sector liberalisation policies. All SADC Member States have now become members of the World Trade Organisation (WTO), so have made binding commitments to liberalisation under the General Agreement on Trade in Services (GATS), one of the four main pillars of the WTO.

Discussions between SADC Member States began in earnest in April 2012 and in August of that year most SADC Heads of State signed the Protocol on Trade in Services, which provides for progressive removal of barriers to the free movement of services. There have now been a series of rounds of negotiations, in which Member States have been meeting bilaterally (one-to-one) and collectively, to discuss the requests they have made and the offers that have been submitted to all SADC Member States. The aim is that these negotiations will be concluded by the end of 2015.

Four SADC countries – Botswana, Lesotho, Mozambique and Swaziland – have decided to follow up the successful conclusion of negotiations with the European Union on an Economic Partnership Agreement, by extending the EPA to cover trade in services.

Supporting SADC liberalisation of Trade in Services: the "REIS" Programme

Negotiating highly technical issues like liberalisation of trade in services is complex, time-consuming and costly. The EU, SADC's biggest development partner, has therefore stepped in to support both the intra-SADC negotiation process and the SADC EPA Group's negotiations with the EU itself, through the "Regional Economic Integration Support Programme". REIS is a four-year programme, implemented by the SADC Secretariat, with €20 million funding from the EU under the 10^{th} European Development Fund. Its end goal is to promote sustainable and equitable economic growth and poverty reduction in SADC.

REIS helps the SADC Secretariat to coordinate the intra-SADC bilateral negotiations, provides secretarial support and helps monitor their progress. Face-to-face negotiation is culturally crucial in Southern Africa, so perhaps the Programmes' most significant contribution has been to facilitate participation by Member State officials in the Trade Negotiation Forum.

Enthusiasm alone, however, is not enough and SADC's intra-regional negotiations are not happening in a vacuum. There are wider negotiations looming, in the shape of the Tripartite Free Trade Area between SADC, the **Common Market for Eastern and Southern Africa (COMESA)** and the **East African Community (EAC)**. Beyond that, there are also aspirations at the African continental level. The April 2015 SADC Extra-Ordinary Summit meeting determined that agreement on trade in services should be reached by the end of this year. The pressure is on and it is down to the SADC Member States to deliver.